



Understanding
Society

Growth with Purpose:

**JOINING UP THE PRODUCTIVITY
AND EQUITY IMPERATIVE**

**POLICY
SPRINGBOARD
BRIEFING**

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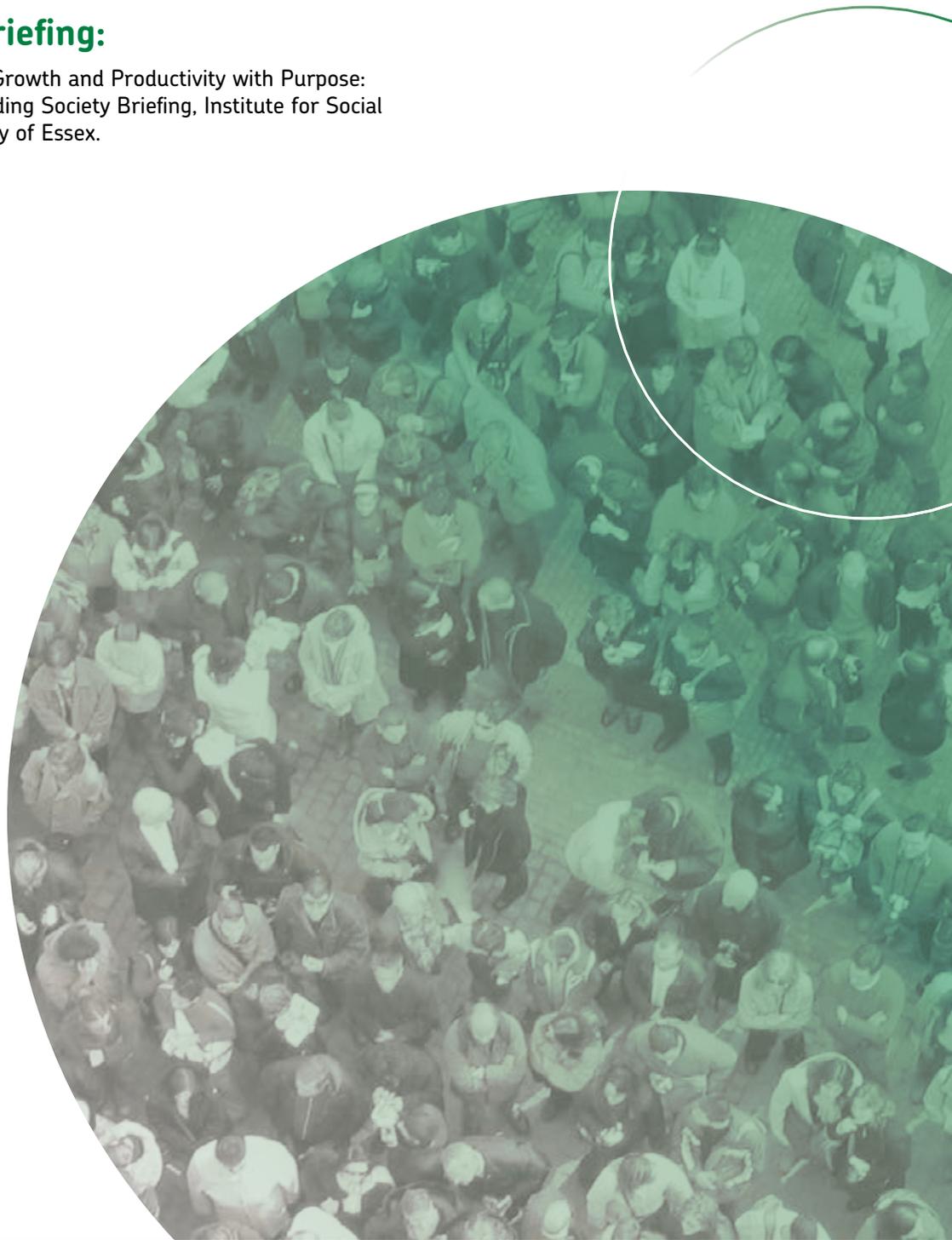
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Authorship

The views expressed in this briefing are solely those of the authors. Contributions from speakers and other participants have informed the analysis; however, no views or policy positions should be attributed to those contributors or to their affiliated organisations.

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Executive Summary

The UK faces a critical economic and social challenge: over fifteen years of stagnant productivity and low growth, combined with persistent inequality. There are some early signs of productivity improvement, possibly through job cuts in low wage sectors and business churn, but overall too many workers remain in low-paid, insecure employment, limiting not only their own potential but the nation's economic dynamism.

An effective Industrial Strategy, the Skills White Paper, the *Making Work Pay* agenda and *Keeping Britain Working* Report are welcome, particularly to bring about opportunities and improvements to the labour market. Investment in infrastructure remains inadequate and expected to be distorted by defence spending over the coming years. However, these measures are unlikely to be sufficiently calibrated to change the long-term prospects of many working people on low incomes, whose living standards are also being eroded as a result of the cost of living.

In light of this huge challenge, the Policy and Partnerships Unit at Understanding Society convened a 'Policy Springboard' to explore the evidence on **driving growth and productivity while tackling labour market inequalities, rather than treating them as completely separate policy goals**. While sluggish growth and productivity is not simply an economic challenge but also has political ramifications, particularly in terms of who captures the benefits of growth and productivity in the future, the focus of the policy springboard was very much on deliverable solutions backed by evidence.

By bringing together researchers, policymakers, and practitioners, the initiative sought to combine different perspectives with emerging evidence based on longitudinal data from *Understanding Society*. This evidence suggested three themes relevant to this challenge:

- **Job Quality and Health:** Poor-quality work is not only detrimental to the associated workers but also a drag on the economy. Severe job insecurity affects one in five workers, with zero-hours contracts shown to significantly reduce mental health. This directly impacts on productivity, as mental health problems are a primary cause of long-term sickness in under-50s. Conversely, the evidence confirms that autonomy and control over work tasks has the potential to boost both job satisfaction and wellbeing.
- **The Skills Investment Gap:** Investment in skills has been stalling. Participation in training has fallen from 29% (2002) to 24% (2020), with the steepest declines among those who need it most – younger and less-

educated workers. As AI and automation reshape the economy, 13% of workers lack the essential skills that they may well need to transition into future jobs. This skills deficit and capacity to transition to different jobs particularly threatens disadvantaged groups and 'left-behind' communities.

- **Stalled Job Mobility:** Positive job moves – those that involve changing firms and industry for better pay and conditions – are rare (less than 2% of the workforce). High housing costs in some parts of the UK and poor or expensive transport in other parts have weakened the economic bridge between ambition, talent and opportunity. Low-paid workers are often confined to very local parts of the labour market for a variety of reasons. Mothers and low-income earners are particularly affected, often needing to prioritise short commutes over better careers, preventing the narrowing of the gender pay gap.

To further stimulate the engine of growth and productivity with a much stronger equality impact, a number of **broad policy propositions** emerging from the Policy Springboard are outlined. These proposals look beyond 'trickle-down' economics to build stronger foundations for a labour market that work better for workers and families on low incomes.

1. **Focusing more strongly on small and medium sized enterprises (SMEs)**
SMEs often bring dynamism to the local economy and are more likely to provide lower-income jobs compared to larger companies, but they lack the resources, management and HR expertise to provide better jobs and implement good work practices, defaulting to short-term survival over long-term capability. Solutions involve establishing local 'one stop shops' for pooled business support and tailored HR advice, alongside simplifying apprenticeship administration/ access to skills programmes to reduce burdens. Success relies on devolved funding for economic development and skills, but with clear accountability frameworks, and pilot programmes to demonstrate effectiveness before scaling up. These measures aim to build business and management capabilities, stimulate better workforce planning, and an understanding of transferable skills.
2. **Improving pay and conditions transparency to improve worker agency**
Clear disclosure of pay bands, flexible working options, and benefits in all job advertisements empowers low paid workers to clearly compare jobs. This transparency is not the only factor that matters for fairness and comparing employment practices, but it can improve matching efficiency, shift bargaining power, and may

encourage job mobility (i.e. alongside other measures). Implementation requires a combination of legislative backing and voluntary best practices, supported by using HMRC data to publish sector-wide pay information at a local/sub-regional level.

3. Reforming recruitment

A successfully reformed system of recruitment should seek to reduce labour market friction and improve equity, ensuring that capable candidates are not excluded due to rigid hiring criteria. Companies with a certain demographic profile can end up recruiting in their own image, including class-based hiring. Current recruitment practices often reinforce bias by focusing on narrow specifics rather than potential and skills. Scaling up blind recruitment and adopting skills-based matching frameworks, such as [Holland Codes](#) personality test, allows for better assessment of transferable skills. Government and sector bodies should disseminate best practices widely, and youth guarantee/access programmes should be extended to broader disadvantaged groups.

4. Integrating and localising skills development and labour mobility

Addressing structural barriers requires integrated local systems that connect skills training, transport, childcare, and social capital. Key actions include mapping local 'job dynamics' (focusing on the flows in and out, not just the profile of employment), and to identify industrial strengths and extent of poor quality employment as part of local economic assessments¹ – while strengthening partnerships between local government, business, transport, education, and health. Devolved budgets should support local industrial strategies, SME support, and lifelong learning entitlements. This coordinated approach ensures that the relevant infrastructure and skills provision align to drive inclusive growth in 'left behind' communities and remove obstacles to economic participation.

5. Employer investment and skills use

To reverse declining training investment, the Growth and Skills Levy thresholds and funding systems must be simplified to expand employer engagement and co-investment. The economic and social case for a levy on technology companies to help mitigate the consequences of AI disruption in the labour market should be examined in detail. Further Education colleges should be enabled to rapidly design relevant courses, with increased employer leadership in skills

commissioning to ensure relevance and quality. Linking skills development to government procurement, and empowering trade unions to articulate needs, are complementary steps. This strategy balances support for sectoral growth with the development of the broader workforce, preventing the neglect of significant local employment sources.

These broad propositions have been distilled into a set of **specific and practical recommendations:**

- 1. Establish local 'one-stop' business and HR hubs:** Creating local, pooled resource hubs would give SMEs access to shared HR expertise, management training, and business support. This allows smaller firms to offer the kind of structured career pathways and 'good work' practices usually reserved for large corporations, directly boosting local productivity and job quality without imposing prohibitive costs on individual businesses.
- 2. Devolve skills and transport budgets to local alliances:** The barriers to work – such as poor or expensive travel options and mismatches in skills training – are intensely local. Central government should grant devolved budgets and powers to combined authorities where there are strong local alliances of stakeholders such as councils, employers, and colleges. These alliances could then coordinate local industrial strategies that invest in public transport and tailor skills funding to important local sectors, ensuring that infrastructure actually connects deprived communities to jobs, and enhances wellbeing and life satisfaction.
- 3. Encourage career development transparency in recruitment:** Job advertisements need to clearly state not just the starting pay and conditions and benefits, but potential for skills development and progression. This would empower those seeking to apply to identify the roles that offer better longer-term prospects. Furthermore, employers should be encouraged to adopt a full skills-based hiring approach rather than just formal qualifications and past experience. This has the potential to reduce hiring bias and help workers pivot from low-paid jobs into other sectors and emerging industries.
- 4. Transform Jobcentres into 'career hubs':** The role of Jobcentres should expand beyond just getting people into any job, to helping them stay and progress in work. This would require a huge transformation. Work coaches should be trained to provide in-work career advice, helping claimants and workers navigate skills training

¹ As part of devolution arrangements in England, combined authorities (and combined county authorities), along with their constituent councils, are legally required to assess the economic conditions of their areas.

and progression with employers. This shifts the focus from simple employment statistics and conditionality to sustainable career growth and higher earnings.

- 5. Create a portable 'Lifelong Learning Entitlement' with modular training:** Current training models often require time commitments that working adults cannot meet, and employers struggle to accommodate. A right to flexible 'Lifelong Learning Entitlement' would allow workers to accumulate credits through short, modular courses that fit around their various commitments. Funding rules should be simplified to support this, enabling workers to retrain in bite-sized chunks that directly relate to their progression goals, and respond to wider technological changes, rather than requiring full-time study.
- 6. Address the restraining forces within the benefits system:** For many, the benefits system stands in the way of risk-taking and is not supportive to career growth and higher earnings. Further smoothing the taper rates for Universal Credit and providing better wraparound childcare support would ensure that every extra hour worked pays off – not just financially but in terms of family support. The particularly low level of unemployment benefit also represents a disincentive to those already in a job considering taking the risk of changing jobs. There is therefore a case for mitigating some of the risk via targeted uplifted benefits assurances.

By lifting the floor of the labour market and addressing the structural barriers that hold people in low paying poor quality jobs, these measures aim to create a higher-skill, higher-productivity economy that delivers for everyone.

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In autumn 2025, [Understanding Society](#), in partnership with the [Institute for Employment Studies](#) and the [Centre for Cities](#), hosted a policy springboard to take a deep dive into the future of employment and skills informed by longitudinal evidence from the Study.

The springboard brought together around speakers, policymakers and practitioners from different sectors and disciplines for an overnight ‘retreat’ event to examine the opportunities and challenge of **stimulating growth and productivity while reducing labour market inequalities**. In the past these goals have been regarded as separate, and each pursued with a different set of policies. How can growth and productivity be stimulated in a way that is more purposeful and deliberate in generating benefits for those on lower incomes?

There is broad-based support across business, workers, government, and other stakeholders, that improving growth and productivity has to be a long-term priority for the UK. However, without long-term systemic changes the UK will have experienced almost twenty years of low growth and stagnating living standards by the end of this parliament.

A great deal of discussion in explaining the UK’s exceptional decline in the growth rate has focused on macro factors such as the disproportionate impact from the 2008 financial crisis, the impact of Brexit, cuts in public investment, the ability to attract and stimulate private investment in growing industries, trade barriers, high energy costs, etc. Equally critical to growth and productivity are the capabilities and dynamism of human capital, and how the UK can move to a higher-skill, higher-productivity model that rewards work, incentivises effort, and provides opportunities for a step change in education and skills. While sluggish growth and productivity is not simply an economic challenge but also has political ramifications, particularly in terms of who captures the benefits of growth and productivity in the future, the focus of the policy springboard was very much on deliverable solutions for creating a world of work with dynamism.

Low growth has disproportionately affected those at the lower end of the labour market who are affected by factors such as low pay, insecure work and the cost of living crisis. Changing their prospects and circumstances is a huge challenge. **The focus of the springboard was on the vast majority of people on low incomes already in employment.** A growing number of people are economically inactive, many with health problems or disabilities, but

this is an area where considerable analysis and policy development is underway – with reforms also needed to the benefits system. Progress in improving the prospects and opportunities for those at the lower end of the labour market, if successful, will also help prevent workers prematurely dropping out of the labour market, or enable those rejoining to stay in work longer.

The need for further action is made urgent by the emergence of generative AI. A forecast from the [Skills Imperative 2035 programme](#) estimates that up to three million UK jobs in declining occupations could disappear by 2035, largely due to AI and automation. Their projections suggest steady growth in higher skill professional roles alongside declines in mid- and low-skilled jobs and that the jobs at risk are disproportionately in already left-behind communities. The research also identified growing misalignment between the workers in shrinking sectors and the newer essential skills needed in growing sectors.

In addition to slow structural growth and productivity, the UK additionally experiences high-income inequality. The Institute of Fiscal Studies (IFS) reports that from 1980 to 2019, men’s earnings inequality increased, with a 90:10 percentile ratio rising from 2.7 to 3.5 – meaning that those at the 90th percentile earned 3.5 times as much as those at the 10th percentile by 2019, suggesting a level of earnings inequality second only to the US. Similar trends occurred among women, though less pronounced ([Giupponi and Machin, 2024](#)).

Some see the UK as a divided nation, with globally leading industries and well-paying sectors, but with many firms and workers (including some self-employed) trapped in a low-wage, low-skill, low-productivity spiral ([Green, 2020](#)). Lack of business dynamism appears to be extensive, with a fall in productivity since the pandemic in sectors that account for almost two-thirds of UK output ([Wolf, Financial Times, 2025](#)). The Office for Budget Responsibility (OBR), in its most recent forecast, estimates productivity growth to rise to 1.0 percent by 2030, increasing only very slowly from the current estimate of 0.6 percent growth for 2026 ([OBR, November 2025](#)). The productivity gap is significant *within* sectors in each region rather than between sectors ([CIPD, 2024](#)), and worryingly economic activity more recently has shifted from industries with higher productivity to industries with lower productivity on average ([Office for National Statistics, 2025](#)).

The costs of ‘productivity paralysis’² are huge according to National Institute of Economic and Social Research estimates, which show that had productivity grown at

² Businesses tend not to understand or use the term productivity, which is difficult to measure at firm level. Instead the focus is on adding value, improving efficiency, or cutting costs.

2 per cent annually since 2008, in line with historical performance, output per worker, on average, would be £5,000 higher today (NIESR 2024). Even where there have been productivity improvements in different sectors, the weakened [bargaining capacity of workers](#) has stifled real wage improvements in the past. Despite average wage stagnation, on the whole, the majority of workers in the UK are satisfied with their job, a figure which has increased very slightly over the past decade, suggesting factors other than wages influence job satisfaction.

There is also evidence of significant [economic costs to business](#) of sickness absence, 'presenteeism' at work, staff turnover, and worklessness among people with health problems and disabilities – with a [link between low income and low levels of education and higher risk of mental ill health and suicide](#). While long hours performative culture is still prevalent in organisations, there can be a [fallacy to working long hours](#). With growing consequences for mental health, more employers are alert to the case that long-hours are bad for both performance and health and so seek to promote a work-life balance (Bersin, 2023). French and German workers on average [work fewer hours than UK workers](#) but generate higher GDP per hour worked.

Labour market inequalities and poverty are usually viewed through a relative lens, comparing what is happening at the top, in the middle, and at the lower end. In this context, there are varied labour market [factors shaping wage inequality and insecurity](#) such as technical changes benefiting skilled workers, the rise of the gig economy, rise in self-employment, above inflation rise in minimum wage, and surge in low skilled immigration. Shaped by other factors as well, outcomes from high levels of labour market inequalities extend well beyond low wages and/or insecure work. They impact on workforce health and wellbeing, access to skills training, lack of income mobility, child poverty, ability to get onto the housing ladder, and persistent intergenerational inequality. Child poverty in the UK has been growing, and there is high certainty of linkage to economic factors such as low earnings, long-term worklessness and parental qualifications, and medium certainty of linkage to parental ill health and disability (House of Lords Library, 2024).

1.1 The underlying economic debates

When it comes to conceptual and policy differences, there are a number of dilemmas and arguments posed, which depend on trying to manage the complicated interplay between the goals of economic competitiveness, productivity, and social justice. Currently costs and benefits of labour market reforms are debated through a rather narrow lens – mainly in terms of employment costs to employers or the public purse – rather than looking across the impact on businesses, workers, health and disability, wellbeing, child poverty, young adults, gender and race equality, local/regional development, etc.

An underpinning question is the idea that inequality might be good for the economy and society by spurring ambition and drive? In reviewing the evidence [McKnight 2023](#) found a non-linear relationship – where both very high and very low inequality is not conducive to economic growth (Cornia, Addition and Kiitsi, 2003). Inequality can be good for growth as it raises ambition, provides incentive to progress, the wealthy save and invest more, etc. Equally, inequality can be bad for growth as it reduces opportunities for the most disadvantaged/decreases social mobility, reduces investment in human capital by lower-income individuals and families, leads to lack of access to credit (or dependency on it), erodes social cohesion and generates social conflicts, etc., which collectively end up acting as a brake on growth and productivity. Although some minimal level of inequality in society is necessary to provide incentives for productive economic activity, the threshold level to provide incentives for this purpose is quite small (DiPietro, 2014).

Organisation for Economic Co-operation and Development research on the 'productivity-inclusiveness nexus' finds that in advanced economies, very high income inequality tends to go hand-in-hand with weaker productivity growth, mainly because unequal countries underinvest in skills for people in the bottom 40% and misallocate labour into low-productivity jobs (OECD, 2016). An [influential study](#) by the International Monetary Fund (IMF) concluded that high levels of inequality are associated with brittle economies and weak growth and "we should not jump to the conclusion that the treatment for inequality may be worse for growth than the disease itself".

Historically, policy tools needed to stimulate growth and those needed to tackle labour market inequalities have been pursued separately. Even where growth has been promising across individual OECD countries, income gains have been concentrated at the top, and capital income (e.g. covering profits, dividends and rents) has grown faster than wages.

The idea of 'trickle down' economics has been extensively questioned by experts, and the alternative idea of 'inclusive growth', which has been gathering interest, has yet to garner broader support across stakeholders in the economy – with policies systematically evaluated.

The thinking on tackling inequalities has also evolved over time, and now conceptually regarded as multi-dimensional, with economic, social and power inequalities inter-connected. This makes it harder to address. Effects of economic inequality can be compounded for individuals depending on their characteristics, family structure, where they work, where they live, their health, or wider societal norms and environmental conditions.

Britain's flexible labour market has been effective at raising employment during the 2010s, with big income gains for poorer families (Resolution Foundation and Centre for Economic Performance, LSE, 2023). The poorest half of households experienced two-thirds of the jobs growth in the decade after the financial crises (Brewer, 2023).

Without wider changes, ratcheting up labour market regulation and minimum wages can only go so far. Depending on how costs and benefits of better employment accrue to different businesses, they have a choice in modifying their employment practices depending on market conditions. Better quality work, skills, higher employment, or improved productivity can't simply be generated by government fiat but depend on competitive businesses to drive them up. Businesses and other employers need to be able to respond to changing demand, competition, innovation, and growing global uncertainty, but they should also aim to provide their workforce good quality work, a 'living wage' that reflects the rising cost of living³, and opportunities to escape in-work poverty. Equally, any public subsidies for the private sector need to generate public value and benefits for society (Mazzucato, 2025).

In the context of having a healthier workforce, the [Keep Britain Working Review](#) by Sir Charlie Mayfield noted that many employers already recognise they are also carrying

the cost of ill health among workers which is affecting their performance. The review proposed a set of actions to tackle cultural, support and structural barriers, including establishing a Healthy Working Lifecycle to define the practices that reduce sickness absence, improve return to work, and enable better participation and inclusion of disabled people.

In policy terms, the challenge of stimulating growth while reducing labour market inequalities raises a number of material considerations:

1.1.1 The 'Quantity / Quality' of work trade-off

The first consideration is the nature of the trade-off between the 'quantity' and 'quality' of work across the country, e.g. secure hours, sick pay, living wage, representation at work, etc. In the short term, better pay and employment conditions push up costs for employers, particularly small and medium sized businesses. They may respond by halting future recruitment, cutting back on opening hours or production, raising prices, investing in technology, absorbing the costs, laying-off some staff, etc.

Improving productivity at this end of the labour market would mean less poor-quality work – but also risks generating unemployment unless the economy is also growing. What the 'biting point' is between the quality and quantity of employment beyond which certain groups, e.g. young people, second income earners, people with disabilities, and transition/temporary workers, find it harder to secure employment is difficult to assess without robust simulation. The effects will vary across the country by sectors and employers, but equally ratcheting up the quality of work could also start to bring benefits: building trust and engagement, managing change, reducing absenteeism, reducing recruitment difficulties, etc.

Positively, the rise in the minimum wage over the last decade (when adjusted for purchasing power) has changed the pattern of wage growth in favour of low earners, particularly benefiting women, younger workers, people with disabilities and racialised minorities. However, 15.7 per cent of employee jobs in the UK (4.5 million jobs) were

³ The Minimum Wage is the legally required lowest hourly rate for those aged 18 to 21, while the National Living Wage (NLW) is the government-set minimum for those 21 and over; the Real Living Wage (RLW) is a higher, voluntary rate independently calculated to cover actual living costs for all workers 18 and over. The RLW is approximately 68% of the median full-time income, and the London Living Wage (LLW) is approximately 75% of the median full-time income, based on 2025 data. The government annually asks the Low Pay Commission to review the Minimum Wage and the National Living Wage.

⁴ There is some evidence of excessive labour hoarding after the pandemic, as labour shortages led to recruitment difficulties. This may have contributed to wage growth, with labour hoarding now easing off.

still paid below the real Living Wage in April 2024 ([Living Wage Foundation, 2025](#)). Past [evidence on the impact of the minimum wage](#) has shown muted effects on employment, though the continued narrowing of wage differentials between the base and median, primarily driven by raising the minimum wage, could generate unintended consequences.

There is also evidence to show that the cost of living crisis can have differential impacts on low, middle and high income households, driven by essentials such as food and non-alcoholic beverages, housing, energy, transport, clothing and childcare. Low-wage earners spend a significantly higher proportion of their money on essentials compared to higher-income groups – estimated at 51% compared to 39% after housing costs ([Resolution Foundation, 2025](#)). This is because necessities like food, housing, and energy make up a much larger share of their total, more limited, budget. Inflation on essentials thus has a disproportionate impact on these households.

One of the consequence for low income households is the rising level of debt since the pandemic, with the proportion of low-income households reporting that they are behind with their bills. The proportion of working-age adults who are behind with bills is much higher in households in the bottom 20% of incomes than in the middle or top 20%. The proportion varied between 9.9% and 14.7% between 2009-10 and 2021-22, before jumping to 18.2% in 2022-23 ([The Health Foundation, 2025](#)).

1.1.2 The role of job mobility

The second consideration is related to how a dynamic economy depends on job mobility – and how this is balanced with job security and stability. A workforce which is able and willing to move jobs to progress their careers is important for industrial transition and economic growth. The opportunity for low paid workers in poor quality jobs to move to better employment – alongside the ability for businesses to locate in areas where available workers live – is also crucial for wellbeing and productivity. While job mobility refers to the ability or tendency of workers to move between jobs, occupations, industries, or locations, job dynamism is a broader concept reflecting the fluidity in the labour market, including job creation, destruction, hiring, and quitting rates – although in practice the terminology is used interchangeably.

On the demand side, the evidence on business churn helping to improve productivity in the UK, where less successful and less productive firms die, to be replaced by newer firms ideally providing better jobs, seems to be mixed. Over the 2000s and 2010s the UK economy, along with many others, seemed to become worse at clearing

out less successful and productive firms. However, there is some indication that, since 2020, there is an upward move in the reallocation of employment across firms and sectors ([Curtice and Thwaites, 2026](#)). Some international evidence also suggests that job moves may not simply be to more productive firms – often healthy and productive companies also go down for various reasons ([Financial Times, 15 Jan 2026](#)), not to mention the scarring and devastating effects on those affected.

Through the use of panel data, we are building a better understanding of social and geographical mobility, but not necessarily how economic change happens at this level. Evidence based on data from one of the largest US employment websites suggests a low propensity among workers to move geographically across distances for work: a job seeker is 35 per cent less likely to apply to a vacancy that is 10 miles away than to a vacancy next door ([Rathelot and Marinescu, 2018](#)). The researchers estimate that even if policymakers were able to move job seekers to exactly where jobs are (and to do it for free), the impact on unemployment would be marginal. Furthermore, UK job seekers are eight times less willing to apply to distant vacancies than American job seekers. This, though, suggests better marginal gains from geographical job mobility for the UK if it could be encouraged.

According to the Resolution Foundation, we need a richer understanding on job dynamism, mobility and segregation: “policy debates are dominated by strongly held misconceptions of [economic change] such as: it’s speeding up; it takes place mainly by workers in shrinking sectors losing their jobs; and that it undermines job quality for some via a ‘polarisation’ of the labour market into bad and good jobs” ([Davies, Hamdan and Thwaites, 2023](#)).

The analysis also found that those who change employer tend to experience pay growth several percentage points per year higher around the move than similar workers who stay put, especially when moving to a different sector or region. In many low-wage or flat organisations the typical monetary gain from small grade moves (e.g. promotion, re-grading, or negotiated raises) is limited. Studies of early-career workers show that external job moves often produce larger wage gains than staying, but that this advantage tapers off as workers age or move too frequently ([Davia, 2005](#)). How could mobility be improved for those at the lower end of the labour market? In practice, evidence supports external job changes as a key mechanism for raising income, but this is most beneficial when combined with skills development and targeting higher-quality employers. Could measures such as better job security, increases in living wages, and better regulation also start to *reduce incentives* for job mobility among some groups?

1.1.3 The role of welfare, employment, and their relationship with the tax base

The third consideration is the interaction between welfare, employment, and widening the tax base to improve and sustain public services. Government spending on welfare per year is forecast to rise from £333.0 billion in 2025/26 to a new all-time high of £389.4 billion by 2029/30, reflecting the reversal of cuts to winter fuel payments and health-related benefits, along with the removal of the two-child limit within Universal Credit. The current trends show a significant increase in the number of people in work who are dependent on Universal Credit, with about half of all working-age benefits now going to those in employment – with [2.7 million people in employment receiving Universal Credit \(Dec 2024\)](#).

Working age benefits do provide a safety net, a connection to the world of work for disadvantaged groups, help maintain living standards, and tackle child poverty at the margins – and the current Universal Credit system, through the 55% taper rate, incentivises people on low-incomes to keep more of their earnings than they would lose from the reduction in Universal Credit. Nevertheless a large group of low-income, often part-time workers, have become embedded within the system usually without a path to higher earnings, and it has become hard to escape poverty through benefits and conditionality ([Jones, 2022](#)). [The InWork Progression Commission emphasises](#) that overcoming structural barriers – such as the benefit cliff-edge and childcare affordability – is critical for enabling low-paid workers to progress. Overall, *the relative poverty rate among working households* has steadily risen from 13.4% in 1994-95 to 18% in 2023-24 driven by a mix of wider drivers – such as housing costs, earning inequalities among men, increase in assortative matching, net effects of tax benefit reforms, and a rise in relative pensioner income ([Cribb et al, 2025](#)). The welfare system clearly needs reforms, as part of wider labour market changes, so it becomes more of a ‘springboard’.

Equally, given the relatively higher level of labour market inequalities in the UK compared to some of its European counterparts, a larger proportion of tax revenues are generated from top earners than was the case a few decades before, making the UK’s tax system one of the most progressive in Europe. Northern Europe’s social democracies tax everyone from bottom to top at a moderately high rate. In Britain, taxes at the top are comparable to Denmark and Norway but the average Briton is taxed less than the average American ([Financial Times, 21 November 2025](#)). The fiscal drag may somewhat change that picture over the coming years – but raising taxes

for public services, infrastructure, welfare and defence becomes politically harder if that tax is being generated through a narrower base of middle to high taxpayers.

Overall, what is needed is a new dialogue across sectors and communities on what kind of long-term policies and labour market institutions are needed to stimulate growth and productivity while tackling labour market inequality. How can ‘lifting the floor’ reduce inequalities in a way that ‘trickle down’ economics hasn’t, while stimulating growth? Could the drive for more good work be an opportunity to strengthen industries struggling to attract and retain staff, improve competitiveness, contribute to worker health and wellbeing, and provide longer-term industry sustainability? Could higher employment costs see poor employers and unproductive firms gradually pushed out of the market or provide an incentive to invest in technology for repetitive tasks and makes jobs more attractive? For those at the lower end of the labour market, will better job security also spur job mobility? Could a narrow focus on efficiency and economic determinants of growth (e.g. investment, R&D, trade deals, etc.) be of limited benefit to those at the lower end of the labour market without wider action on other determinants such as better transport connections, affordable housing and improved health?

1.2 Who makes up the lower end of the labour market?

The policy springboard was primarily interested in **the dynamics of the 25% of people at the lower end of the job market**. This part of the labour market covers a very wide range of occupations but skewed towards particular sectors, which collectively employ large numbers of people. They include jobs that keep society functioning – and make life worth living for all – but not always valued as such. Even marginal improvements across these jobs could potentially have a significant impact across a large part of the working population.

- The jobs are broadly dispersed, not spatially concentrated like some industries and occupations, with one out of every three jobs in health and social care, retail and wholesale, and food and accommodation; and more likely to be service oriented (with less working from home)
- Low-wage workers are more likely to lose out from migration, but overall effects are small ([Migration Observatory, 2023](#))
- In terms of stock and flows, around half of minimum wage workers were able to move off the minimum wage, but most of this mobility was short range into other low paid work.

- There is higher representation from disadvantaged groups; and families on low income experience persistent intergenerational income inequality. A dimension on which England stands out is the strength of the relationship between an individual's own skills and their parents' education. Individuals in England have lower basic skills than their counterparts in other countries, and they are also far more likely to have low basic skills if their parents are poorly educated – pointing to a cycle of educational disadvantage (Crawford, 2019).

Who makes up low wage workers?

Frontline childcare and social care workers, teaching assistants, nursing auxiliaries, retail cashiers and shelf-stackers, kitchen, frontline fast food staff, bar and catering staff, sports events staff, leisure and travel service roles, sales and customer services, data entry, cleaners, production assistants, wardrobe assistants, box office staff, museum attendants, research assistants, assemblers, delivery workers, routine operatives.

1.3 The Understanding Society Policy Springboard

Understanding Society brought together targeted experts in the field in a Policy Springboard workshop held in September 2025. During the various sessions of the event, experts were invited to provide input and stimulate discussions. The event was held under Chatham House rules to facilitate a free-flowing discussion.

1.3.1 The scope of the Understanding Society Policy Springboard

Ahead of the event, the Understanding Society host team drew up a challenge briefing to scope out the nature of the problem in the UK and the building blocks for stimulating growth and productivity while tackling labour market inequality. This document was crucial in setting the themes and scope for the Policy Springboard based on the nature of the Understanding Society data and the evidence others have generated from it. A decision was taken early on to

not include tackling economic inactivity due to ill-health as part of the workshop, given the considerable research and policy analysis emerging on this issue, both from Understanding Society and others (e.g. [Commission for Healthier Working Lives, 2025](#), the government's Keep Britain Working Review, IPPR's Centre for Health and Prosperity, etc.).

The challenge briefing set out that, in a simple sense, inputs into the growth rate can be seen as a combination physical capital, human capital and productivity growth⁵, set within a context (Vollrath, 2020). However, the connections between macro-drivers of growth (e.g. private investment, better and less regulation, public investment in research and development, changing trade, transport and other infrastructure, housing, etc.) and micro-factors influencing people's labour market choices, constraints, contributions and progress can be difficult to unravel due to data constraints. The [Industrial Strategy](#), with its ambitious plan for eight high-growth sectors, demonstrates this challenge. Prioritising these sectors, and in particular attracting private sector investment to stimulate growth, presents a major trade-off between targeting sectors or supporting workers. If these sectors account for a small proportion of low waged and low skilled workers in the UK, the long-term impact of the Industrial Strategy will largely depend on supply chains and spillover effects.

Understanding Society covers many aspects of people's lives, including education, employment, income, health and wellbeing, family dynamics, transport, and housing. This provides an opportunity to examine cross-cutting issues, group variations, positive and negative policy spillovers, and place effects. Additionally, the survey asks respondents for various employer related information such as:

- sector / organisation type — whether the employer is private or a non-private organisation, with sub-types (e.g., nationalised industry, local authority, charity)
- employer/workplace size — number of employees at the workplace
- work conditions, including flexible/working arrangements available at the workplace and whether used
- workplace pension offered by employer and related follow-up questions
- trade union presence and membership at the workplace

⁵ There have been various models of productivity growth over the decades, including the 'five drivers'. At the level of the firm, the [Productivity Institute](#) has identified the following drivers: Innovation and digital; Worker skills and wellbeing; Leadership and management; Marketing and communication; and Access to finance.

From Wave 11 onwards (fielded in 2019/2020) panel members were asked employer name and address, but only those in employment and the self-employed. Plans to link this information to the Inter-Departmental Business Register (IDBR) at the ONS have been on hold due to other data linkage priorities.

The challenge briefing acknowledged the crucial role that technology and investment have as drivers of growth⁵ and productivity, but our focus was on human capital – in terms of workforce quantity, quality, dynamism, and health and wellbeing. Understanding Society has been capturing people's labour market circumstances, behaviours and outcomes an individual and household level since 2009.

In the context of government reforms and policy proposals, the Understanding Society team and its partners had identified three productivity themes that if addressed have the potential to improve lives and drive longer-term change:

- 1. More decent family friendly work and wellbeing**
- 2. More effective training and skills utilisation**
- 3. Greater job mobility with routes out of low-quality employment**

1.3.2 Expert Perspectives on the Challenge

Expert speakers were invited to set out their particular perspectives and the dimensions to the challenge. The following perspectives are summarised and provided as individual expert perspectives rather than organisational policies.

1. Clayton (Institute for Employment Studies) highlighted the significant concern about the decline in mental health among young people, which contributes to health-related employment issues. Furthermore, young people continue to face persistent employment rate gaps, notably linked to disability and geographical disparities. The current benefits system, and associated employment support system, also face several challenges. Support is often too narrowly focused on the unemployed, overlooking people who are economically inactive. There is a clear need for more personalised employment support to be effective. A major barrier is the low level of trust among claimants, which is often linked to benefit conditionality. Additionally, employment support initiatives suffer from a lack of employer engagement. Policy and funding changes have also led to a fragmented landscape.

Moving forward, any necessary reforms must be delivered in a cost-effective manner. Overall, there is a need to increase the number of people who can access meaningful employment support. Polarisation in the UK's skills profile, with high and low-skilled workers within the labour market means that workplace skills development is crucial, with apprenticeships being a vital pathway, especially for lower-skilled workers. While there has been good progress in thinking about the connection between work and health, there needs to be a greater focus on integrating work and skills initiatives. Concerningly, workplace training is contributing to greater inequalities, with fewer younger people accessing it. Regarding job quality, the evidence and course of action remain unclear on how best to provide workers with more meaningful choice and control over their work.

2. Smith (Trade Union Congress – TUC) characterised stalling productivity as the 'challenge of the moment', after not being on the collective agenda since 2008. Significant policy progress has been made on job quality, and the adult minimum wage, at 66% of median earnings, is now higher than was ever thought possible. However, there are areas of concern, including the deregulation of secure employment, the ongoing existence of zero hours, and the high level of in-work poverty experienced by families. There is also concern about the low levels of investment in skills by both employers and governments, and how young people in particular are suffering in their work outcomes due to pandemic disruption and mental health. The new government's agenda in the area of employment is welcome, including their Get Britain Working strategy which sets the long-term ambition to achieve an 80% employment rate among the working-age population, their Industrial strategy, and the Employment Rights Bill designed to make progress on improving security of work, including union recognition and sickness pay. They believe it is definitely possible to improve work quality, skills and productivity while reducing inequality – highlighting that the previous increase in the number of young people with degrees has led to an increase in jobs for graduates. However, context matters, and achieving this transition while the job market is cooling, poses risks that the manifesto agenda of the government might get watered down or key parts abandoned.
3. Wilmott (Chartered Institute of Personnel and Development – CIPD) explored why greater focus on the demand side of employment and skills as delivered by SME employers is critical to progress. Many SMEs

are owner-managers with limited time and unlikely to have formal human resource (HR) capabilities and tend to be less strategic and more reactive. Their key business problems often have a people issue behind them. Their experience shows that getting the people management basics right is an important first step to improving job quality and productivity in this segment, alongside workplace relations and financial performance.

Such support needs to be bespoke, context specific and embedded in local networks. Extending many of the existing⁶ measures is unlikely to work in isolation. The important elements that are required for improving people management in SMEs include:

- **Skills** and a greater focus on supporting employers to understand their skills/ people management capabilities gaps and how to work with training providers to address these.
- **Technology** and the need for much stronger support for adoption across the economy, not just on R&D and cutting-edge industries, and where dead weight maybe an issue.
- **Business support** and the need for a step change in its quality and availability of businesses, including on HR and people development and occupational health.
- **Collective action** and the need to develop stronger sectoral bodies to support collective employer action/ partnership working with trade unions on skills investment, job quality and technology adoption.
- **Enforcement of standards** and the greater investment in ACAS and the enforcement bodies as part of a more progressive and effective labour market enforcement system that can help raise overall employment standards.

⁶ Such as greater employment regulations, employment standards and charters, or tax incentives to, for example, boost investment in skills/training

Productivity theme one

Decent work, family friendly policies, and wellbeing

2

Analysis by the Work Foundation of Understanding Society data suggests that nearly a quarter of workers were stuck in low-quality work between 2016-17 and 2022-23. The combined costs from worklessness and sickness absence amount to around £100 billion annually.

Good quality employment e.g. secure hours, sick pay, minimum wage, representation at work, etc. has in some instances been shown to support worker health, productivity, and provide access to work for those who most need it. Some of this will be as a result of businesses responding to their perceived self-interest to foster and retain the workforce they need. In other cases, this will have come about as a result of employment legislation. There remain important questions when considering how and the degree to which the state should promote and regulate for higher quality employment. These questions include:

1. Is there evidence that poor quality jobs impact on worker wellbeing and productivity? Are there certain groups of employees who could benefit from different types of flexible working arrangements?
2. What are the limits and trade-offs between the quality of work and the impact on quantity of employment that businesses will maintain?
3. Are there particular sectors and types of businesses that could benefit from offering higher quality employment?

When improving work quality paid off for Walmart

In the US, Walmart was seen as a ruthless, price-focused operator, killing off Main Street stores while paying its workers some of the lowest rates in US retail. According to the Financial Times, in 2015 when its Chief Executive Doug McMillon, who took over when the behemoth was struggling, was initially greeted initially by a sharp stock sell-off when he launched a \$2.7bn plan to raise salaries. “But improving starting wages, expanding parental leave and helping employees earn degrees and qualifications softened the retailer’s image. Most importantly, it raised morale, reduced staff turnover and improved the customer experience. Such initiatives have undoubtedly played their part in the quadrupling of Walmart’s stock price.”

Source: *Walmart reinvents itself as a growth stock* (Financial Times, 28 November 2025)

These questions are not entirely a private matter as the government supplements low wages through in-work benefits, disability benefits and other services. It is therefore important to investigate the degree to which quality, better-paying jobs can be shown to increase productivity and wellbeing, or failing that, at least avoid poorly informed good work policies that could negatively impact on businesses or the jobs they provide.

2.1 What does the Evidence Say?

Understanding Society’s longitudinal data has often allowed researchers to infer causal relationships between various elements of job quality and positive outcomes for workers in certain contexts:

- [Wheatley 2017](#) looked at the components of **job control** and found that workers who have control over the tasks that they do and the pace at which they do them have increased job and leisure satisfaction – but job control was only shown to additionally increase life satisfaction among women.
- **Total working hours** has been shown to be important for health and wellbeing. Those who work more than 55 hours a week, and those who do not work at all, experience lower mental health. Between these two extremes, the evidence is more nuanced. [Kamerāde et al \(2019\)](#) found that even working 8 hours or less a week generates significant mental health and wellbeing benefits for previously unemployed or economically inactive individuals. Beyond this, and for most groups of workers working less than 44 hours a week, there was little variation in wellbeing. [Bryan & Nandi \(2015\)](#) found that working **long hours** is associated with lower subjective wellbeing. This is more nuanced for men, though, where longer hours mainly affect their job-related anxiety and depression rather than reported life satisfaction. They found that **work identity partially mitigates the adverse effects of long working hours** on job satisfaction and anxiety (for women) and overall life satisfaction (for men).
- Keely 2021 found that on average, **zero-hours contracts** reduced measures of people’s mental health by 12.2%, with income insecurity and low job satisfaction identified as the key mechanisms.
- [Thorley & Cook \(2017\)](#) looked at the mental health of younger workers in the context of declining employment opportunities. They found worse mental health among those who were in **part-time, temporary employment**, as well as those underemployed and overqualified for the job that they do. This was linked – in part, but not

entirely – to the associated low pay and insecurity in the case of part-time and temporary work.

- [Longhi et al 2019](#) found that a job change is only associated with increased job satisfaction when it is also **associated with a change of employer**, especially when the new job is a promotion or a better job in some other way.

Flexibility over work is also an important feature of work quality. Flexible working offers workers an opportunity to balance their work commitments with other responsibilities such as caring or health needs. There are many types of flexible working models, with a significant growth in working from home since the pandemic. In 2025, the [House of Lords Home-based Working Committee](#) undertook a comprehensive examination of all aspects of home working considering available evidence. A key conclusion was that “home working could support Government’s plans to get people back into work, by enabling people to work who might not otherwise be able to do so”. There was also no ‘one-size-fits all’ answer to the question of working from home and productivity, but if done well, hybrid-working provided the best of both worlds.

Looking at worker productivity and relationship to work flexibility and where people work from:

- [Felstead & Reuschke 2023](#) found that by September 2020 of pandemic working restrictions, 85% of employees reported that their productivity (self-reported) was not affected by **homeworking**. More particularly, [Etheridge et al 2020](#) found that workers in industries and occupations suitable for homeworking tended to report higher productivity, but cutting across this finding was that women and those in low-paying jobs reported declines.
- Looking at pre-pandemic data, [Agnoletto 2024](#) found that **flexitime** tends to be more beneficial for men and **home working** more beneficial for women. Women who work from home report heightened satisfaction with their job, and with life, and better mental health, whereas the benefits for men are more concentrated on job satisfaction. Flexitime offers men improved job satisfaction and mental health, while the benefits of flexitime for women are more limited to job satisfaction.
- [Chung 2017](#) explored how **flexible working** more broadly can be a paradoxical dilemma for mothers, as it allows them to remain in work but can also lead to conflict between home and work.

Employment status has also been the subject of some research. [Ardianti et al 2022](#) found that the wellbeing of

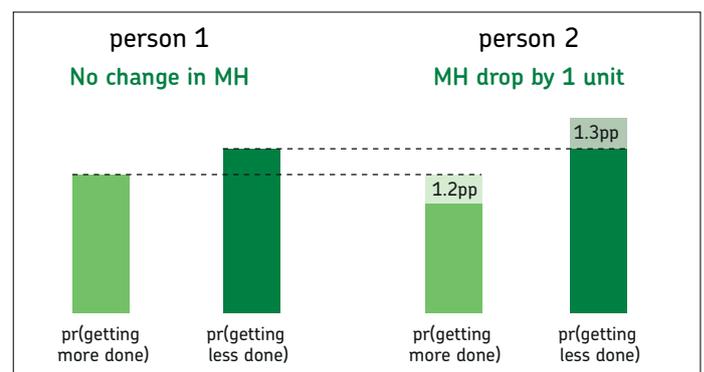
hybrid entrepreneurs (i.e. employees who are also self-employed) is distinct as their strain levels are significantly higher than those solely in full-time employment or self-employment, but their job satisfaction is in line with those employed full time and their life satisfaction seemingly unaffected. Looking at switches to **self-employment**, [Abreu et al 2018](#) find that those who live in wealthy neighbourhoods experience higher job satisfaction when switching into self-employment, whereas those living in materially deprived neighbourhoods who switch into self-employment experience lower job satisfaction but higher life satisfaction.

More generally, many factors influence people’s happiness and satisfaction with life, which can also have an effect on people’s satisfaction with work. [Białowolski & Weziak-Białowolska 2020](#) found that life satisfaction influences job satisfaction more strongly than vice versa. So while work is critical to one’s identity, it doesn’t seem to be a key driver of satisfaction with life.

2.2 Mental health and worker productivity

[Hue et al 2022](#) show a strong positive relationship between mental health and productivity at an individual level, and in reverse, decreases in mental health can lead to a loss in productivity. Two factors are central to job quality and productivity: how people’s home life interrelate with their jobs and their mental health. Sechel (University of Sheffield) highlighted mental health as a possibly overlooked determinant of stagnating UK productivity levels since 2008. Her research made use of Understanding Society’s monthly COVID-19 data, which relied upon respondents’ self-reported productivity as summarised in Figure 1.

Figure 1 Marginal impact of changes in mental Health in June 2020



Source: Presentation by Sechel, C, University of Sheffield

Notes: Mental health as measured by the General Health Questionnaire (GHQ) scores. Results similar for men and women. Baseline comparison January/February 2020.

This individual level indicator of productivity permitted an assessment of how changes in people’s mental health related to changes in their perceived productivity at work during the pandemic.

The findings confirm that declines in reported mental health led to measurable reductions in reported productivity. A one-unit⁷ drop in mental health was linked to about a 1.2 percentage point decrease in the probability of getting more done, and a 1.3 percentage increase in the likelihood of getting less done, relative to pre-pandemic baselines. The effects were similar for both men and women, although the analysis suggests that there may be additional factors influencing these differences.

2.3 Why decent work matters

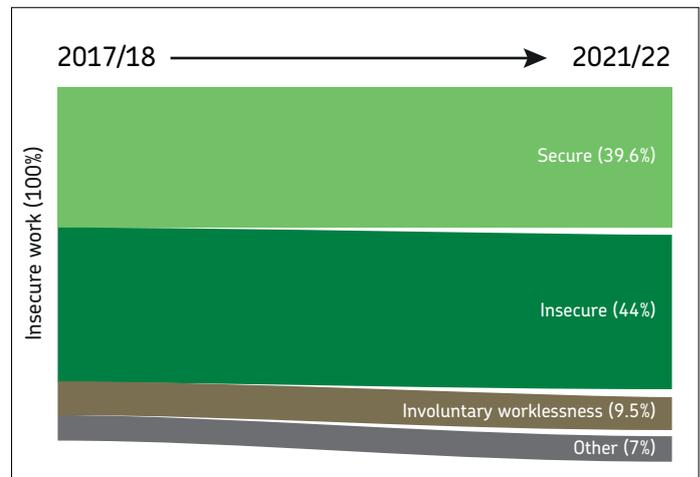
Florisson (Work Foundation) made the case for why decent work matters and that concepts like ‘job insecurity’ require nuanced definition, given their intersection with wages, autonomy, and access to rights. She also explored how, during and after the pandemic, people already in low-quality jobs were affected most, highlighting the structural nature of insecurity.

Drawing on a mixed-methods approach, Rebecca explained that insecurity is multi-dimensional, comprising:

- contractual insecurity (i.e. zero-hour contracts)
- financial insecurity (unpredictable or insufficient pay), and
- limited rights or protections.

Analysis using Understanding Society data as shown in Figure 2 finds that 44% of those employed in insecure employment in 2017/18 remained in insecure employment in 2021/22, suggesting that insecure employment is by no means always a stepping stone to better work.

Figure 2 Outcomes for those in insecure employment



Florisson also challenged the notion that insecure work is a genuine choice for most of those it impacts, pointing to how factors such as childcare costs, local labour market conditions, and the availability of secure jobs shape work outcomes far more than preference for flexibility. Indeed, local context and local economic differences matter in terms of the level of job security sectors like hospitality can offer in regions such as Liverpool versus Tees Valley. Focus group research reveals that while flexibility is valued, certain forms of contractual flexibility can come at the expense of job security. But for some – especially those managing health conditions or with care commitments – remote work stands out as a key enabler of continued employment.

Overall, the evidence points towards how unwanted insecure employment risks undermining the health and career prospects of those affected, acts as a drag on the wider economy and in doing so, underscores the potential benefits to the economy and a range of disadvantaged groups if genuine secure jobs were on offer across the UK.

⁷ A level of mental distress in line with reporting slightly more trouble sleeping than usual, feeling a bit more strained, or noticing a mild uptick in unhappiness.

Table 1 Driving and restraining forces for decent work, family friendly policies, and wellbeing

Driving forces for improved job quality	Restraining forces
Autonomy and flexibility	Flexibility not possible in all roles
New ideas from young people	Power imbalance and resistance from established staff
Innovation and technology (AI)	Risk of intensification and worker stress
Recognition of high job value	Concern over upfront or negative overall cost
Skills retention	Need for upfront investment
Reputation to customers	Risk aversion
Promotion of health and wellbeing / reduced sickness	Perception of negative impact
Employee engagement	Quality of manager: prejudice / capability / capacity / knowledge / confidence
	Lack of confidence to disclose health needs

2.4 The drivers and restraining forces for increased job quality

Using Force Field Analysis, delegates were asked to map out the driving and restraining forces for improving job quality, ideally thinking about specific employment contexts (e.g. in a sector, region or amongst SMEs). The process also sought to identify ideas for forces that needed to be strengthened – or weakened. The discussions are summarised in Table 1.

Discussions highlighted the perceived break in the social contract caused by lack of wage growth and the power imbalance between employers and their lower paid employees, and the corresponding lack of imperative or incentive for action. The hospitality sector’s low-profit margins pose particular challenges, though evidence suggests higher wages have the potential to drive efficiency and productivity, as observed in places like Norway. Delegates also discussed the need for SME-focused employment networks and education to bolster better practices, while recognising a potential trade-off between offering non-financial benefits – such as flexibility – and cost pressures.

Overall, delegates’ analysis points to the critical need for strengthening managerial support and inclusive health-related policies in SMEs. The analysis highlights that low job quality has remained the case for many who work in SMEs. It also suggests that the positive benefits that are available in this regard will likely need external input to coordinate efforts among many SMEs.

Productivity theme two

Effective training and skills use

3

Skills are essential in the effort to increase productivity and for the future success of the UK economy. But training among UK workers has been on the decline, with younger and those living in left-behind communities most affected.

Employers of all sizes have [long-standing concerns about employability and skills](#), but both public and private spending on training and skills has declined over the years. According to the [Institute for Fiscal Studies](#), “average employer spending on training has decreased by 27% per trainee since 2011. Since its peak in 2003–04, public funding for adult skills has fallen by 31% in real terms, mostly as a result of a reduction in provision of low-level courses” that generate poor returns. Equally, [lack of business dynamism](#) could be an important contributory factor. In particular, the capability and resources of small and medium sized businesses, the source of so many jobs, need to be carefully factored into any future course of action.

While training effectively supports employment and wage progression, under-use of skills also persists through over-qualification and underemployment, particularly among disadvantaged youth, ethnic minorities, and mothers, highlighting systemic barriers to optimal skills deployment and job matching.

These falling trends in effective skills investment raises some important questions:

1. What role might skills investment have in tackling the inequalities associated with **left-behind communities**? Could the benefits of skills investment be ‘anchored’ in target regional areas by encouraging younger workers to stay in the area?
2. What role might skills investment have in responding to the challenges posed by industrial **transitions such as AI**? Who is most at risk and what action is required now?
3. What lessons could be learnt from the Apprenticeship Levy, particularly on overcoming the concern that skills investment is a private cost borne for collective benefit?
4. How to reduce the barriers that restrict the **take-up of skills training** among particular groups, such as those with children and those who live in less stable family situations?

3.1 The Understanding Society Evidence

Analysis of Understanding Society data by the Resolution Foundation ([Cominetti et al 2022](#)) identified some **negative trends in training** in the UK workforce, with the proportion of workers who reported that they have received work-related training in the past three months falling from 29% in 2002 to 24% in 2020 – and that this had fallen the most for workers aged under 25. They also found that the most-educated workers were twice as likely to have received some form of training in the previous quarter (over 40%) as those with below secondary level education, and only 13% among adults who are out-of-work in the entire previous year. [Pöyliö 2024](#) found that adult education tends to be taken up by individuals without children or those in stable family situations.

The Understanding Society evidence on training suggests that it can be effective at promoting employment, higher wages, and progression. [Henehan 2020](#) finds that training helps adults back into work at a higher rate – a 68% return rate compared to 53% who did not receive training. She also found that, among non-graduates, **longer and qualification-bearing training** is strongly associated with job re-entry. Ullah 2024 found that **employer-provided training** led to temporary increases in job satisfaction and overtime hours worked, as well as permanent and significant increases in wages and promotions to managerial roles. [Hussein et al 2024](#) find that the earnings of those who are always self-employed benefit more from education more than those who “dabble” in self-employment and, in certain cases, those permanently employed.

There is also evidence of **under-use of skills** through under-employment or over-qualification. This can be both a reflection of lack of higher quality jobs as well as human capital mismatches and discrimination. Labour market and wider factors shaping women’s careers often lead to mothers in particular working in jobs for which they are overqualified. [Galanakis 2020](#) looked at female human capital mismatch and found it particularly strong in the public sector. Others such as disadvantaged young people, some ethnic minorities, and those who migrated to the UK needing a visa to work are also more prone to experience sub-optimal work.

[Zwysen 2016](#) finds that, even after controlling for educational differences, young adults from a disadvantaged background are substantially less likely to be employed, and when employed tend to find worse jobs than their more advantaged peers. He further finds that even when someone from ethnic minority background graduates from a British university, they suffer ‘ethnic penalties’ in employment and – to a lesser extent – in earnings.

[Thorley & Cook 2017](#) find that “younger workers today are more likely to be in jobs for which they’re **overqualified**: a younger worker in a non-professional or managerial job was twice as likely to be a graduate in 2014 compared to 2004 (20 per cent compared to 10 per cent). They are also more likely to be underemployed: the proportion of workers aged 16–24 who were underemployed was 60 per cent higher in 2014 compared to 2002.”

There may be positive choices for these mismatches, e.g. people may take jobs for which they are over-qualified as they provide a better work-life balance, to gain experience in a new field or get a ‘foot in the door’, to supplement income, or to switch industry. Georgellis et al 2024 observed that overqualified employees generally experience lower job satisfaction but often compensate by engaging in volunteering activities which better utilise their skills while enhancing their wellbeing and job satisfaction.

3.2 Skills and left-behind communities

Dickerson, Professor of Economics, and member of the Skills and Productivity Board (SPB), University of Sheffield, talked about the question: *Could investment in skills be transformative for left-behind communities?* The presentation highlighted that while skills acquisition significantly improves individual employment prospects – especially in deprived areas – its broader impact on regional economic transformation is limited by several factors. For example, many individuals with new qualifications are reluctant to travel distances to use their newly acquired skills, limiting the potential for skills to drive mobility and economic change. Median distance travelled to work is only 5km for non-graduates aged between age 16 and 27 and 25km for graduates. The level of mobility is even lower for those who live in the poorest areas.

The analysis suggests that a critical mass of skilled workers can attract business investment and help break the cycle of low-skilled jobs reinforcing low-skilled workforces. However, this requires local businesses to have the capacity to absorb and benefit from new skills and knowledge. The demand for skills is derived from employers, and if this demand is weak, newly acquired skills may be underused, reducing their impact on productivity and earnings.

Further, the presentation emphasized that differences in earnings across regions cannot be fully explained by individual education or skills alone. Other factors such as local infrastructure, innovation, social capital, and institutional support play crucial roles. Therefore, a skills-only approach is insufficient to address the complex challenges faced by left-behind communities and attention in all 6 capitals shown in Figure 3 is needed for levelling-up are vital parts of an integrated strategy.

Figure 3 The 6 capitals needed for levelling-up



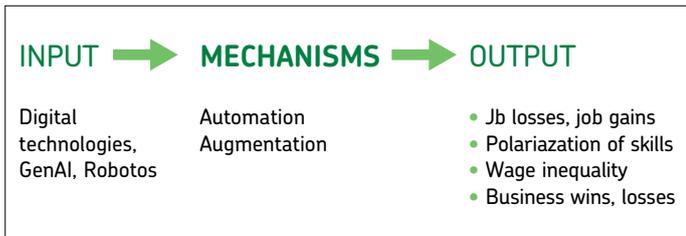
3.3 Digital technology and the future of employment

There are important questions relating to how demand for labour and skills is expected to change in the coming years, and how this might impact on the lower end of the labour market. The [Skills Imperative 2035 programme](#) examined how technological, demographic and environmental trends are likely to reshape labour demand to 2035. A forecast from the programme estimated that up to three million UK jobs in declining occupations could disappear by 2035, largely due to AI and automation – more than previously forecast. This is because most growth will be in professional and associate professional occupations such as science, engineering, and legal roles which heavily use *essential employment skills*⁸. Most mid- and low-skilled jobs will decline at an increasing pace. A poll carried out for the research programme found that 53% of workers think it is likely automation or AI will affect their job in the next ten years, with only 32% of workers think it is unlikely.

Predicting the impact of robotics and AI, and what will happen to low and middle jobs is challenging due to ad-hoc adoption of these technologies and lack of proof-points of the impact on productivity. News stories are showing that some large companies have started to lay-off customer service staff, low-technical jobs, and starter roles – while continuing to recruit for other roles. Some types of low paid jobs could be expected to grow, for example: caring roles as a result of an ageing society and the roll-out of subsidised childcare; ‘last mile worker’ roles which could be difficult or expensive to automate; and a growth in personal services, etc.

Grimshaw, King’s College London and The Productivity Institute, considered whether digital technologies and robots have the potential to *automate or augment skills*. As introduced in Figure 4, this automation or augmentation of skills is the central uncertainty in anticipating the impact of technology on future jobs and skills.

Figure 4 Job outcomes from digital technologies and the automation or augmentation of roles



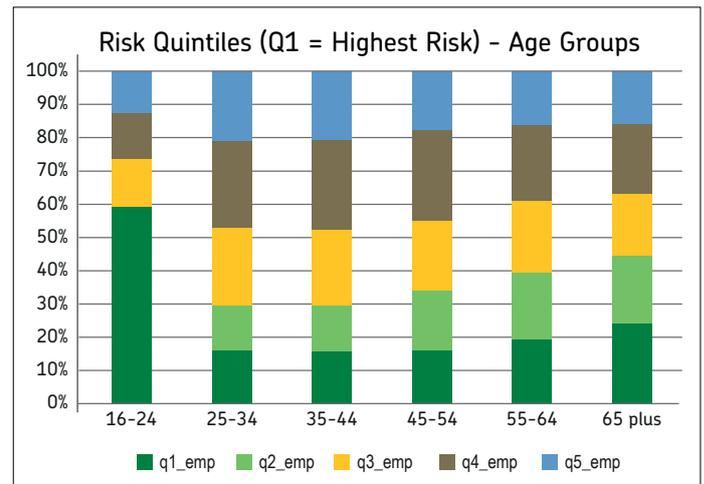
Furthermore, traditional understandings of technology’s impact on skills may not directly apply to digital technologies and understanding the complexities involved is by no means straight forward. Introducing new digital technologies such as AI requires the involvement of multiple staff actors and the need to integrate analogue with digital systems. An important outcome is whether the technologies bring about *transformational or transactional* changes to the provision of skills. While technologies such as AI and robotics will be shaped by human choices, some argue that the technology may be as transformative as the historical Industrial Revolution in the long run, with the potential to fundamentally reshape industries and the nature of work (Tech UK, 2025).

3.4 Skills and those who work in those sectors set to decline by 2035

Based on the findings from the [Skills Imperative 2035 programme](#), Hillary from the National Foundation for Educational Research (NFER) outlined how technological, demographic and environmental trends are set to reshape labour demand to 2035, projecting steady growth in higher skill professional roles alongside declines exceeding one million jobs in lower skill occupations.

The most at-risk groups are administrative and secretarial workers, sales workers, elementary roles and some skilled trades – with total employment in these occupations expected to fall from around 12.0m in 2021 to between 10.8m and 11.4m by 2035. Workers concentrated in these roles are more likely to be under 24 or over 55, based outside London and the Southeast, working part time, employed in a trade, accommodation and transport or construction, and to hold low level or no qualifications (See Figure 5 – Age of workers by ‘job risk quintile’).

Figure 5 Age of workers by ‘job risk quintile’



The research identified six Essential Employment Skills increasingly demanded across the labour market – *collaboration, communication, creative thinking, information literacy, organising/planning/prioritising, and problem solving/decision making*. Modelling estimates point to a growing misalignment between the workers in shrinking sectors and the skills needed in growing sectors. For example, roles in construction or healthcare are particularly vulnerable to automation but tend not to receive or use essential employment skills like communication or problem-solving. Around 13% of workers were estimated to offer substantial essential employment skills deficiencies in 2023 (≈3.7m). Projections suggest that this could approach 22% by 2035 if unaddressed. Meanwhile, professional roles are set to use these essential employment skills more intensively. In contrast, those in lower-level roles, for example administrative support positions will in many cases possess essential employment skills but do not have opportunities to make full use of them within their current jobs.

⁸ The report identifies six essential employment skills (EES) needed for the future – communication; collaboration; problem-solving; organising; planning & prioritising; creative thinking; and information literacy.

3.5 Analysis by delegates

Delegates were asked to identify the key barriers to raising skill levels among low-income workers and identify what policy ideas could help tackle these barriers, thinking about different contexts (e.g. sector, devolved administration or Combined Mayoral Authority).

The collective analysis suggests that low-income workers face intertwined barriers to adaptation and increasing their skill levels that stem from poor employer practices, weak bridges between skills and jobs, and local ecosystem gaps. Recruitment often overlooks transferable skills, privileging narrow credentials over practical experience and demonstrated capabilities. Workers themselves may struggle to identify and signal their transferable skills, reflecting limited 'bridging capital' and uneven access to careers advice. Workplace cultures and changing job requirements outpace training pathways, while time allocation for online learning is unclear or unsupported.

On the employer side, SMEs perceive training as a private cost for public benefits, heightening risk aversion and under investment. Concerns include who pays (employees, employers, or the state), National Insurance and other cost pressures, and the risk of trained workers moving on. Information asymmetries – where pay is transparent, but prospects, training, and conditions are not – impede matching and discourage investment. Anchor institutions like the NHS exert powerful local labour market pull, shaping incentives and mobility patterns.

Policy ideas coalesced around six areas:

- 1. Employer incentives and obligations:** targeted subsidies or NI relief tied to skill development; clearer employer responsibilities; derisking mechanisms for SMEs (e.g., training guarantees, retention bonuses, or shared training pools).
- 2. Integrate skills investment programmes** with strategies and guidance on worker retention.
- 3. Learner-led, practice-rich pathways:** longer, modular programmes with strong practical components; apprenticeships aligned to employer needs; recognition of prior learning and demonstrable experience.
- 4. Careers guidance and skills identification:** high quality, localised advice to help workers map and evidence transferable skills; simple skills passports that travel across sectors.
- 5. Local alliances and knowledge transfer:** mobilise anchor institutions, community and third sector organisations for workplace change support; build social and bridging capital; foster local employment networks.
- 6. Transparency and culture change:** broaden job information beyond wages to include training, progression and conditions; promote hiring for potential and then 'moulding' roles around good people; normalise training as part of contracted hours.

Productivity theme three

Job mobility, transport, and routes out of low-quality employment

4

A workforce which is able and willing to move jobs is important for and economic growth. The opportunity for low paid workers in poor quality jobs to move to better employment is also crucial for industrial transitions, wellbeing and productivity.

[Cominetti et al 2022](#) used Understanding Society data to identify that job mobility has been falling in recent decades. [Henehan 2020](#) found that “positive job changes” are a rare phenomenon in the UK, with fewer than 2% of the total workforce changing industry and attaining a significant monthly pay rise.

Understanding Society data has been used to explore some of the demographic barriers to the low levels of job mobility. [Brown et al 2014](#) found the children of immigrant ethnic minorities still face significant ‘ethnic penalties’ in the labour market. Avram et al 2024 found that mothers under 30 were most likely to switch employers for family-related reasons (e.g. childcare) and least likely to move for wage or career reasons. Avram (2022) did not find evidence that living in a neighbourhood with a higher share of unstable jobs stood in the way of finding a job. Whereas [Vandecasteele et al 2021](#) found that living in a neighbourhood with high unemployment did stand in the way of finding a job, but only for those individuals whose friends live in the same neighbourhood. [Zwysen \(2015\)](#) suggests that young adults who grew up with workless fathers develop a different, less negative attitude towards being out of work, and are less satisfied when in work, even when contracted with similar wages and contract types. [Fauser 2024](#) found that temporary employment only offered a significant ‘stepping-stone’ towards wage increases when the transition to permanency was with the same employer and firm.

There are a number of challenges questions in relation to job mobility:

1. What role has the **minimum wage** had on job mobility? Is there any evidence that it has led to low paid workers getting ‘stuck’ in low-wage employment?
2. What role does **housing and transport** play in constraining job mobility?
3. How have the additional commitments in **women’s lives** impacted on their ability to consider longer commutes, change jobs and therefore gain better paid work?

4.1 The minimum wage and job mobility

Several researchers have used Understanding Society to test what impact the minimum wage has had on job mobility and its role as a ‘stepping-stone’ or impediment to better quality jobs. Avram & Harkness ([2018](#) and [2025](#)) found that the longer one spends in a minimum wage job, the lower the chances of finding better paid employment. However crucially, they did not find that the increases in the minimum wage seen between 2009 and 2016 affected the probability of these workers leaving minimum wage employment. Similarly, [Dickson and Papps \(2016\)](#) found that increases in the minimum wage are associated with reduced job turnover, especially among men and workers aged 24–29. But the analysis did not find that increases in the minimum wage was associated with workers leaving employment altogether.

4.2 The role of housing in commuting costs and job mobility

[Roberts & Taylor \(2017\)](#) described how commuting acts as conduit between labour and housing markets. Within such a model commuting itself has costs and benefits, suggesting commuting can be seen as the third element within a market decision making process that reduces or increases job mobility and wellbeing. Commuting was found to be highly gendered, with men tending to spend longer travelling from home to work than women, and research showing that women’s commuting times fall significantly after the birth of their first child while men’s do not ([Joyce and Keiller, 2018](#)). Coulter 2023 also points to evidence that people are stretching their commutes to get into city centres from cheaper housing areas further out. He goes on to describe how inequalities in the labour market are compounded by inequalities in housing, risking a longer-term vicious circle. The impact of major transport schemes is harder to test, but [Clark et al 2016](#) find that changes in mode of commuting are primarily driven by changing job or moving home.

In 2019, the Department for Transport released an [evidence review of the link between transport and inequality](#). This looked at evidence on how transport disadvantage (including ‘transport poverty’) and social disadvantage interact. [Chatterjee et al 2017](#) in partnership with the Department for Transport and others looked in detail how commuting affects people’s lives and relationship with their jobs. Overall, longer commute times reduce job satisfaction, leisure time satisfaction and people’s mental health while increasing strain. Bus commuters

feel the negative impacts of longer commute journeys more strongly than users of other transport modes, but interestingly shorter duration rail commutes are more strenuous than longer duration rail commutes. [Berrington & Mikolai \(2014\)](#) on behalf of the RAC explored the decline in car use among young adults since the mid-1990s, especially among young men.

[Clarke et al 2020](#) indicates that shorter commute times and walkable commutes can contribute to improved subjective wellbeing – particularly through the release of leisure time, but overall life satisfaction improves only when the commute provides improvements in earnings, housing & employment. [Jacob et al 2019](#) investigates the impact increased commuting on wellbeing and find that increases in commuting time lowers wellbeing for women but not men. Analysis by [Roberts et al 2018](#) suggest that environmental attitudes also have an important influence on commute mode choice. There is thus a central paradox between job mobility and transport. Longer commutes can improve job mobility, and particularly pay for women, but they also risk reducing wellbeing and job satisfaction. Better work-life balance remains a highly desirable commodity in the labour market. [Clarke et al 2020](#) suggest that investment in train infrastructure in particular may help as in general this mode of transport has a better impact on wellbeing.

In his presentation to the policy springboard, Gibb, Professor in Housing Economics, School of Social and Political Sciences, University of Glasgow examined the central, yet complex, role of housing in shaping job mobility and economic opportunity. Housing stands apart from other goods: it is a significant sector, absorbing 20–30% of household income, and is a major site of wealth accumulation and inequality. The cost and availability of housing directly affect who can access jobs in different regions, with high housing costs rendering key parts of the country inaccessible for many, thus constraining commuting options and limiting labour market flexibility.

The presentation highlighted that housing is a complex commodity – durable, spatially fixed, and highly heterogeneous. Its supply is inelastic and subject to extensive state intervention through regulation, tax, subsidy, and direct provision. Policy tools such as rent control, social and affordable housing supply, and low-cost home ownership schemes all aim to address affordability, but their effectiveness is shaped by broader system interactions and the persistent gap between policy ambition and delivery.

Affordability remains a core challenge. For those struggling to rent or buy, unaffordable housing constrains life chances and has direct impacts on labour market functioning and

productivity. The geography of housing affordability means that job opportunities are unevenly distributed, with some areas facing acute challenges. Housing is also deeply interwoven with the benefits system, pensions, and social care, with demand-side subsidies now dominating over supply-side interventions. This creates further complexities, as changes in tenure patterns and benefit structures influence both individual mobility and public spending.

Analysis on behalf of the Social Market Foundation ([Troeger et al 2019](#)) investigated the mismatch between workers and jobs and reported on the preferences revealed within US job seekers' choices to apply for jobs at increasing distances from their residence. The results suggests that US job seekers are only 65% as likely to apply for a job at 10 miles away, 25% at 25 miles and under 4% at 50 miles from their home. Analysis using a different method suggests that UK job seekers are eight times less willing to apply to distant vacancies than American job seekers and that the contribution of geographic mismatch to overall unemployment of around 11 percent.

4.3 Job mobility among low paid workers and women

In her presentation to the policy springboard, Avram, Senior Research Fellow, Institute for Social and Economic at the University of Essex, examined how commuting costs, job opportunities, and wages interact to constrain job mobility among low-paid workers, thereby reinforcing inequalities. Job mobility is crucial for improving wage outcomes and productivity, especially early in workers' careers, but it declines with age and is uneven across groups.

The analysis highlights significant gender and parenthood differences: mothers of young children are 30–50% less likely to change employers for career reasons and more likely to move for family-related reasons, which tend to yield lower wage returns. Employer changes motivated by work are associated with 3–4 percentage points higher wage gains, while family-motivated moves often have negative returns. These mobility patterns contribute substantially to the widening wage gap between men and women by age 40.

Commuting costs disproportionately affect women, particularly mothers, who experience higher wellbeing losses and longer travel times for the same distances compared to men. This restricts their accessible job opportunities, as shorter commutes limit the range of available jobs. Differences in commuting costs and job availability explain between 7% and 17% of gender disparities in employer mobility.

There are also considerable barriers to women finding the time and going-ahead with job changes due to non-work responsibilities, the loss of support networks, social norms prioritizing family responsibilities, and fewer available jobs that offer the required flexibility. These restricted job market opportunities can lead to women additionally facing imbalances in power with potential employers and reduced bargaining power with existing employers.

The Joseph Rowntree Foundation ([Gibb et al 2016](#)) looked at some of the measures that would tackle the barriers and disincentives that people in poverty face in accessing more work and identified that affordable transport, secure tenancies, affordable childcare and good neighbourhoods are important.

4.4 Analysis by delegates

Delegates were asked to identify the key barriers to routes out of low-paid work and into greater job mobility and explore some policy ideas that could help tackle these barriers. A key theme in delegates' collective analysis suggests a potential divergence of interests of employees, employers, and the state in relation to job mobility, with employees and the state often benefitting more from job mobility while employers risk losing role specific experience and skills when job mobility is too high.

Minimum wage policies, while providing a floor, risk eroding incentives for progression, especially when combined with limited opportunities for skill development or advancement. Part-time work, often concentrated among low-paid workers, is seen as a distinct job status with fewer pathways to better roles and the potential for additional administrative employment costs.

Flexibility, when available, is valued but is experienced differently for many in low-paid roles where it may also represent unpredictable schedules rather than genuine autonomy. For others, the fear of loss of informal post-pandemic benefits such as remote and flexible working may be contributing to low levels of job mobility for some. Childcare remains a persistent barrier, limiting the ability of workers (especially women and parents) to pursue new opportunities or increase hours. Housing and transport challenges compound these issues, with high housing costs in job-rich areas, unreliable public transport (notably in northern regions), and rigid commuting patterns all restricting access to better jobs.

Delegates also noted that non-pay attributes – such as flexibility, rights at work, and supportive workplace cultures – can be as important as pay in shaping mobility decisions. In some cases, workers may be reluctant to move if they risk losing valued non-pay benefits. Regional differences further complicate the picture, with transport and school access highlighted as particularly significant.

Findings and policy recommendations

5.1 Responses to key questions

The evidence from Understanding Society, additional research, and our group discussions during the policy springboard can be used to respond to the questions raised within all three themes.

Decent work, family friendly policies, and wellbeing

1. Is there evidence that poor quality jobs impact on worker wellbeing?

Yes. Zero-hours contracts have been shown to reduce mental health scores by 12.2%, largely driven by income insecurity, while lack of task control lowers job satisfaction. Long hours (>55/week) generally harm mental health, although working at least 8 hours a week offers significant wellbeing benefits over being inactive.

2. Are there certain groups of employees who particularly benefit from certain flexible working arrangements?

Yes. Women report improved mental health and satisfaction from homeworking, though it can increase pressures from work-family conflict. Men benefit more from flexitime. However, for many low-paid workers, the 'flexibility' can often be one sided, leaving workers with unpredictable scheduling rather than genuine autonomy beneficial to wellbeing.

3. What are the limits and trade-offs between the quality of work and the impact on quantity of employment that businesses will maintain?

While increasing worker conditions can risk higher costs for business and could risk hiring freezes if poorly implemented, there is evidence that higher quality jobs can boost productivity and shareholder value, and reduce turnover costs. The trade-off will not prove to be the same for all sectors, and workers; and the processes will unlikely be linear.

4. Are there particular sectors and types of businesses that could benefit from offering higher quality employment?

Yes, sectors like hospitality and SMEs, often trapped in low-margin cycles, could drive efficiency through higher

quality jobs and wages. Well targeted improvements in job quality has the potential to address high sickness absence and recruitment difficulties, directly benefiting productivity and retention in these 'people-reliant' industries.

Effective training and skills utilisation

1. What role might skills investment have in tackling the inequalities associated with left-behind communities?

Skills investment alone is insufficient; without local employer demand, there is a risk that newly skilled workers will leave. To anchor benefits, skills policy must be integrated with local capacity building (transport, housing, institutional support) to create a 'critical mass' that attracts business investment and retains talent.

2. What role might skills investment have in responding to the challenges posed by industrial transitions such as AI?

With three million low-to-mid skill jobs (e.g., admin, sales) at risk by 2035, skills investment is critical to transition workers into growing professional roles. Action must focus on essential employment skills (such as communication, problem-solving), which are currently lacking in at-risk populations.

3. How to overcome the main drivers perceived to be behind the falling levels of employer skills investment?

Declining investment (down 27% per trainee) in part stems from fear of trained staff leaving ('free-rider' problem). Solutions include simplifying funding, lowering administrative barriers for SMEs, and pooling resources (like the Apprenticeship Levy) to treat training as a collective sectoral benefit rather than a private cost decision.

4. How to reduce the barriers that restrict the take-up of skills training among particular groups?

Parents and those in unstable families situations currently access less training. Overcoming this requires flexible, modular 'earn while you learn' options, integrating skills provision with childcare and social support, and ensuring recognition of prior experience to make entry and progression easier.

Job mobility, transport, and routes out of low-quality employment

1. What role has the minimum wage had on job mobility?

Research found that minimum wage increases seen from 2009 to 2016 did not trap workers or affect their probability of leaving these jobs, though it did reduce turnover. The evidence suggests getting 'stuck' is time-dependent rather than wage-driven; the longer workers stay in minimum wage roles, the harder they are to leave.

2. What role does housing and transport play in constraining job mobility?

Housing system dysfunction significantly inhibits job mobility. There is evidence that UK job seekers are eight times less likely to apply for distant vacancies than their US counterparts. This 'geographic mismatch' contributes to misallocation and the under-use of skills, as unaffordable housing in job-rich areas forces workers to trade off potential wage gains against prohibitive commuting or relocation costs.

3. What is the relationship between commuting and worker wellbeing, and how does this shape job mobility?

Longer commute times typically reduce job satisfaction, leisure time satisfaction and overall mental health, with bus users experiencing the most negative impacts. Even shorter rail commutes can be unexpectedly strenuous. These wellbeing effects reduce workers' willingness to travel further for better opportunities, reinforcing the geographic limits on job search. Evidence also shows that increases in commuting time disproportionately harm women's wellbeing, further narrowing their accessible job pool and compounding mobility constraints.

4. How have the additional commitments in women's lives impacted on their ability to consider longer commutes, change jobs and therefore gain better paid work?

Mothers are 30-50% less likely to change employers for career advancement, often moving for family reasons that yield negative wage returns. Additional care commitments restrict travel range; shorter commutes limit accessible job pools, explaining up to 17% of the gender wage gap by forcing women into lower-paid, local roles.

5.2 Development of broad policy propositions

The outputs from the springboard process were analysed by the host team and grouped into five policy propositions that cut across the three themes where new impetus is needed. The delegates were then invited to join a group and develop each of the broad policy proposition. The propositions and deliberations are summarised here:

1. Focusing more strongly on small and medium sized enterprises (SMEs)

SMEs often bring dynamism to the local economy and are more likely to provide lower-income jobs compared to larger companies, but they lack the resources, management and HR expertise to provide better jobs and implement good work practices, defaulting to short-term survival over long-term capability. Solutions involve establishing local 'one stop shops' for pooled business support and tailored HR advice, alongside simplifying apprenticeship administration/ access to skills programmes to reduce burdens. Success relies on devolved funding for economic development and skills, but with clear accountability frameworks, and pilot programmes to demonstrate effectiveness before scaling up. These measures aim to build business and management capabilities, stimulate better workforce planning, and an understanding of transferable skills.

2. Improving pay and conditions transparency to improve worker agency

Clear disclosure of pay bands, flexible working options, and benefits in all job advertisements empower low paid workers to clearly compare jobs. This transparency is not the only factor that matters for fairness and comparing employment practices, but it can improve matching efficiency, shift bargaining power, and may encourage job mobility (i.e. alongside other measures). Implementation requires a combination of legislative backing and voluntary best practices, supported by using HMRC data to publish sector-wide pay information at a local/sub-regional level.

3. Reforming recruitment

A successfully reformed system of recruitment should seek to reduce labour market friction and improve equity, ensuring that capable candidates are not excluded due to rigid hiring criteria. Companies with a certain demographic profile can end up recruiting in their own image, including class-based hiring. Current recruitment practices often reinforce bias

by focusing on narrow specifics rather than potential and skills. Scaling up blind recruitment and adopting skills-based matching frameworks, such as Holland Codes personality test, allows for better assessment of transferable skills. Government and sector bodies should disseminate best practices widely, and youth guarantee/access programmes should be extended to broader disadvantaged groups.

4. Integrating and localising skills development and labour mobility

Addressing structural barriers requires integrated local systems that connect skills training, transport, childcare, and social capital. Key actions include mapping local 'job dynamics' (focusing on the flows in and out, not just the profile of employment), and to identify industrial strengths and extent of poor quality employment as part of local economic assessments – while strengthening partnerships between local government, business, transport, education, and health. Devolved budgets should support local industrial strategies, SME support, and lifelong learning entitlements. This coordinated approach ensures that the relevant infrastructure and skills provision align to drive inclusive growth in 'left behind' communities and remove obstacles to economic participation.

5. Employer investment and skills use

To reverse declining training investment, the Growth and Skills Levy thresholds and funding systems must be simplified to expand employer engagement and co-investment. The economic and social case for a levy on technology companies to mitigate the consequences of AI disruption in the labour market should be examined in detail. Further Education colleges should be enabled to rapidly design relevant courses, with increased employer leadership in skills commissioning to ensure relevance and quality. Linking skills development to government procurement, and empowering trade unions to articulate needs, are complementary steps. This strategy balances support for sectoral growth with the development of the broader workforce, preventing the neglect of significant local employment sources.

5.3 Specific recommendations for policymakers

The evidence presented and explored in this briefing paper suggests that both the causes and solutions to the UK's productivity problem by no means rest solely with employers or in the workplace, with wider factors at play. Low productivity, lack of wage growth, and increases in the minimum wage, have also created compression in the bottom half of the labour market. This distorts incentives for low and middle earners to more dynamically engage in the jobs market. Alongside this, low wages have reduced the incentive for firms to invest in worker productivity. This represents a significantly negative dynamic which requires intervention and investment in a range of areas to facilitate further reforms to the labour market, particularly in a disruptive technology fuelled environment. These specific recommendations are intended to create a more dynamic labour market and better support those on low incomes:

- 1. Establish local 'one-stop' business and HR hubs:** Creating local, pooled resource hubs would give SMEs access to shared HR expertise, management training, and business support. This allows smaller firms to offer the kind of structured career pathways and 'good work' practices usually reserved for large corporations, directly boosting local productivity and job quality without imposing prohibitive costs on individual businesses.
- 2. Devolve skills and transport budgets to local alliances:** The barriers to work – such as poor or expensive travel options and mismatches in skills training – are intensely local. Central government should grant devolved budgets and powers to combined authorities where there are strong local alliances of stakeholders such as councils, employers, and colleges. These alliances could then coordinate local industrial strategies that invest in public transport and tailor skills funding to important local sectors, ensuring that infrastructure actually connects deprived communities to jobs, and enhances wellbeing and life satisfaction.
- 3. Encourage career development transparency in recruitment:** Job advertisements need to clearly state not just the starting pay and conditions and benefits, but potential for skills development and progression. This would empower those seeking to apply to identify

the roles that offer better longer-term prospects. Furthermore, employers should be encouraged to adopt a full skills-based hiring approach rather than just formal qualifications and past experience. This has the potential to reduce hiring bias and help workers pivot from low-paid jobs into other sectors and emerging industries.

4. **Transform Jobcentres into 'Career Hubs'**: The role of Jobcentres should expand beyond just getting people into any job, to helping them stay and progress in work. This would require a huge transformation. Work coaches should be trained to provide in-work career advice, helping claimants and workers navigate skills training and progression with employers. This shifts the focus from simple employment statistics and conditionality to sustainable career growth and higher earnings.
5. **Create a portable 'lifelong learning entitlement' with modular training**: Current training models often require time commitments that working adults cannot meet, and employers struggle to accommodate. A right to flexible Lifelong Learning Entitlement would allow workers to accumulate credits through short, modular courses that fit around their various commitments. Funding rules should be simplified to support this, enabling workers to retrain in bite-sized chunks that directly relate to their progression goals, and respond to wider technological changes, rather than requiring full-time study.

6. **Address the restraining forces within the benefits system**: For many, the benefits system stands in the way of risk-taking and is not supportive to career growth and higher earnings. Further smoothing the taper rates for Universal Credit and providing better wraparound childcare support would ensure that every extra hour worked pays off – not just financially but in terms of family support. The particularly low level of unemployment benefit also represents a disincentive to those already in a job considering taking the risk of changing jobs. There is therefore a case for mitigating some of the risk via targeted uplifted benefits assurances.

If implemented well across the various relevant institutions, the resulting practices have the potential to boost worker mobility and productivity and tackle inequalities – while enabling low-paid workers to prepare for the significant opportunities and disruption that AI is set to introduce.

Appendices

Organisations present at the 2025 Policy Springboard

6

Many more individuals applied to take part in the policy springboard than places available. Places were offered to ensure balanced representation.

Table 2 organisations present at the 2025 Policy Springboard

Action for Race Equality	Department for Economics, University of Essex	Institute for Fiscal Studies	Scottish Government
British Chambers of Commerce	Department for Transport	Institute for Global Prosperity, University College London	Trade Union Congress (TUC)
Centre for Ageing Better	Department for Work and Pensions	Institute for Social and Economic Research, University of Essex	Understanding Society, University of Essex
Centre for Cities	Department of Health and Social Care	Institute for the Future of Work	University College London
Centre for Coastal Communities, University of Essex	Global institution for women's leadership, University of Kent	Institute of Employment Studies	University of Bath
Centre for Evidence and Implementation	Greater London Authority	King's College London and The Productivity Institute	University of Birmingham
Chartered Institute of Personnel and Development (CIPD)	The Health Foundation	Ministry of Housing, Communities and Local Government	University of Manchester
Chartered Management Institute	Institute for Employment Research, University of Warwick	National Foundation for Educational Research (NFER)	University of Sheffield
Department for Business and Trade	Institute for Employment Studies	School for Social and Political Sciences, University of Glasgow	The Work Foundation, Lancaster University Management School

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