



Spring Budget 2023 factsheet – Labour Market Measures

In the Spring Budget we are setting out a package of measures designed to support people to enter work, increase their working hours and extend their working lives.

Childcare

We are helping parents with childcare so they can return to work more easily via a range of new measures.

Increasing childcare support:

- Working parents in England will be able to access 30 hours of free childcare per week, for 38 weeks of the year, from when their child is 9 months old to when they start school.
- This will be rolled out in stages:
 - From April 2024, all working parents of 2-year-olds can access 15 hours per week
 - From September 2024, all working parents of children aged 9 months up to 3 years old can access 15 hours per week
 - From September 2025 all working parents of children aged 9 months up to 3 years old can access 30 hours free childcare per week
- Where parents need childcare for more than 38 weeks a year, they are able to spread their free hours entitlement over a higher number of weeks.
- The government will also substantially uplift the hourly rate paid to providers to deliver existing free hours offers. The government will provide £204m of additional funding this year, increasing to £288m by 2024-25. This funding is additional to the £4.1 billion that the government will provide by 2027-28 to facilitate the expansion of the new free hours.
- The government will also change the staff-to-child ratios for 2-year-olds, moving from 1:4 to 1:5 to align with Scotland and comparable countries, and will consult on further measures to give providers flexibility. The new ratios will give providers more flexibility, without compromising children's safety or quality of provision. They will be optional, with no obligation on providers to adopt them.
- The government will also provide start-up grants for new childminders, including for those who choose to register with a childminder agency. Childminders who register with Ofsted will receive a start-up grant of £600, whereas those who register with a childminder agency will receive £1200.

Wraparound childcare:

- The government will give local authorities in England £289 million over two academic years, starting in September 2024, to set up wraparound childcare provision in schools.

Universal Credit childcare paid up front:

- Paying parents on Universal Credit childcare support up-front when they are moving into work or increasing their hours, rather than in arrears meaning low-income families will find it easier to afford and it will help remove a barrier that many face when thinking about going back to work.
- **Increasing Universal Credit childcare costs:** We will increase the Universal Credit childcare cap to £951 for one child (up from £646) and £1,630 for two children (up from £1,108).

Universal Credit claimants

We are increasing work coach support and work search requirements for many Universal Credit (UC) claimants in order to move more people into work and onto higher earnings. We are:

- **Increasing the Administrative Earnings Threshold (AET):** the Administrative Earnings Threshold (AET), the minimum amount a person can earn without being asked to meet regularly with their Work Coach, will be increased from the equivalent of 15 to 18 hours of earnings at the National Living Wage for an individual claimant. The couples AET, where a second member of a household may not be asked to look for work if their partner is working, will be removed entirely. These changes are expected to require over 100,000 additional claimants to meet more regularly with a Work Coach and take active steps to move into work or increase their earnings.
- **Expanding work search requirements:** these changes are expected to encourage over 700,000 lead carers of children on Universal Credit to look for work or increase their hours and will receive additional Work Coach support to do so. Previously they would have had only limited requirements, or no requirements at all.
- **Strengthening the application of the Universal Credit sanctions regime:** this includes additional training for Jobcentre Work Coaches to ensure they are applying sanctions effectively, including for claimants who do not look for or take up employment, and automating administrative elements of the sanctions process, including sending automated messages to claimants who fail to meet with their Work Coach, to reduce error rates and free up Work Coach time.
- **Extending the Youth Offer until 2028:** this will maintain support to look for work for young people who are not in education, employment or training and therefore at greater risk of labour market scarring. We will also **expand eligibility for the Youth Offer** to support young people on UC who are not currently searching for work, including young parents and carers.
- **Expanding the Additional Jobcentre Support Pilot:** the pilot, which is taking place in Jobcentres in England and Scotland, will test how intensive support for a period of two weeks can further support claimants, who remain unemployed after 13 and 26 weeks into their Universal Credit claim or on low earnings, into work. As part of this pilot, the government will also trial a scheme that rewards Jobcentre teams for meeting stretching targets for helping claimants into work.

For disabled people and those with long-term health conditions

We are doing more to close the disability employment gap, the difference between the employment rates of disabled and non-disabled people, which at 29.8 percentage points in 2022 is now at its widest point since 2018. We are also introducing measures to further help those who are not working due to long-term sickness but want to, with a focus on cardiovascular disease, mental health and musculoskeletal (MSK) conditions as the leading causes.

- The **Health and Disability White Paper** sets out the government's plans to reform the welfare system and make it better meet the needs of disabled people in Great Britain. This includes removing the Work Capability Assessment (meaning claimants will now only have to do one health assessment rather than two) and supporting claimants to try work without fear of losing their financial support.
- **WorkWell Partnerships:** we will pilot a new model in England for delivering integrated work and health support in local areas, linking JobCentres, health services and other local organisations to provide wraparound health support for jobseekers, benefits claimants and those at risk of falling out of work because of their health condition.
- **Universal Support programme:** this will match disabled and sick people in England and Wales who want to work with existing job vacancies, and ensure they are supported to succeed.
- **Additional Work Coach time:** this measure provides new funding to expand an existing programme that provides tailored Work Coach support to help disabled people find suitable work. This includes voluntary Work Coach support for individuals who have been found to have limited capability for work and work-related activity and do not currently see Work Coaches.
- **Employment support in health services:** we are expanding the well-established and successful Individual Placement and Support scheme in England, which supports people with severe mental illness into employment. We are also introducing employment advisors in MSK services in England, helping individuals with MSK conditions to return to or remain in employment.
- **Scaling up Musculoskeletal (MSK) hubs:** we will turn community hubs and leisure centres into MSK hubs which deliver evidence-based support for MSK conditions in England so more people can access treatment.
- **Expanding digital health resources:** we are using digitisation to support management of long-term health conditions by: digitising the NHS Health Check to identify and prevent more cases of cardiovascular disease; and introducing world-leading free access for digital resources for management of mental health and MSK conditions on the NHS website and NHS app, so that more people can easily and quickly access the support that is right for them.
- **Occupational health:** we will expand the funding for the forthcoming small and medium-sized enterprise subsidy pilot for occupational health services and bring forward two new consultations on how best to increase occupational health across UK employers, covering potential regulatory options and tax incentives.

Employing older workers

Older workers will be supported to work for longer and to return to work via the following changes:

- **Lifetime Allowance and Annual Allowance pension changes:** currently, there are limits placed on the total tax-relieved pension savings an individual can make each year and over their lifetime. To incentivise highly skilled individuals such as NHS clinicians to remain in the labour market by reducing the risk of incurring significant pension tax charges, the government will raise the Annual Allowance, the annual limit on tax-relieved pension savings, from £40,000 to £60,000 from April 2023. This will mean that around 80% of NHS doctors will no longer face an unexpected tax charge, with respect to any accruals under the 2015 career-average NHS

pension scheme.¹ The government will also remove the Lifetime Allowance charge, the maximum amount of tax-relieved pension savings an individual can have, before completely abolishing it in a future Finance Bill.

- **Increasing the Money Purchase Annual Allowance:** once an individual flexibly accesses their defined contribution pension savings, the total tax-relieved pension savings they can make each year is restricted to the level of the Money Purchase Annual Allowance. To support those who have left the labour market to return and supplement their income or build up their retirement savings, the government will also increase the Money Purchase Annual Allowance from £4,000 to £10,000.
- **Enhanced midlife MOT:** we are providing an enhanced digital midlife MOT offer and expanding the Job Centre Plus midlife MOT offer, which provides in-person financial planning and awareness session for UC claimants aged over 50.

Migration

We are supporting business to tackle labour shortages and improving business mobility by:

- **Accepting the recommendations of the independent Migration Advisory Committee:** we are adding five construction occupations to the Shortage Occupation List following their rapid review of the SOL for the construction and hospitality sectors. This will take effect later this summer ahead of the MAC's wider review of the SOL reporting in the autumn.
- **Simplifying and expanding the UK's business visit visa offer:** we are expanding the range of short-term business activities that can be carried out for periods of up to 6 months and reviewing permitted paid engagements from Autumn 2023. We will also consider further enhanced provisions linked to trade negotiations.

Education and skills

We are helping young people and adults in England, regardless of their age, to access the training they need to reach their full potential in the labour market. This will be done through:

- **Returnerships:** a new offer targeted at the over-50s, which brings together our existing skills programmes, focusing on flexibility and previous experience to reduce training length. They will promote accelerated apprenticeships, Sector-Based Work Academy Programme placements and Skills Bootcamps to the over-50s.
- **Skills Bootcamps:** we are providing £34.4m funding for an additional 8,000 Skills Bootcamps placements in 24-25. This will provide opportunities for people to reskill in high value sectors such as construction and digital.
- **Sector-Based Work Academy Programme (SWAPs):** we are significantly expanding the number of placements for SWAPs by 40,000 over 23/24 and 24/25 with £28.8m new funding. This will provide those who are currently out of work with the training and work experience they need to get careers in high-demand sectors.

¹ Figure is based on HMT calculations, using typical career progression and pay-scales among senior NHS hospital doctors, and March 2021 estimates of medical salaries across the NHS. <https://digital.nhs.uk/supplementary-information/2022/hchs-staff-earnings-graphing-tools-march-2021>

- **Employment support for Ukrainians:** In an extension of the government's support for Ukrainians fleeing the war who have arrived in the UK under the Ukraine Visa Schemes, the government is providing £11.5 million to offer intensive English language courses and employment support to up to 10,000 individuals.