Labour Market Flexibility:

Assessing and Adapting to the Changing Nature of Labour Supply in the 21st Century

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I. Introduction

Labour market flexibility, on a macro level, refers to a country's capacity to stabilise after labour market shocks. Yet this definition is, by construction, endogenous to the flexibility of different actors within a labour market - employees, employers, and the central government. Individuals value flexibility in their lifestyles; firms lobby for flexible hiring practices; central governments harness the flexibility of interest rates in monetary policy. Each actor views labour market flexibility distinctly with unique benefits and detriments. This paper separates the viewpoints of these actors, considering the context of labour market flexibility for each and evaluating whether they would benefit from *more*, or *less*, flexibility with the eventual goal of bolstering the effectiveness of labour markets in the United Kingdom.

In his lecture to the British Academy in 1998, Nobel-prize winning economist Robert Solow notes the ambiguity of how labor market rigidity is defined - as "possible responses to an exogenous change in circumstances." He proposed using the Beveridge curve to define rigidity as a measure of how efficiently a country's markets can match unfilled jobs to unemployed workers. This definition implies that anything restricting workers' mobility, whether it be occupational, geographical, contractual, or policy-driven, harms flexibility. Although it is difficult to compare Beveridge curves between countries, the UK's Beveridge curve shifted adversely throughout the 1970s-1990s, and again recently due to the COVID-19 pandemic (ONS; Solow 1998), indicating that the UK has experienced rigidity shocks in the past few decades. Considering that the shift in the Beveridge curve coincides with the Thatcher period, it is a moot point as to whether rigidity increased during this period, or whether economic distress revealed pre-existing geographical, structural and occupational immobilities.

Compared to its European peers, the UK is robustly more deregulated; the OECD Employment Protection indicators consistently rank the UK as having lower regulation and lower collective bargaining power than many other European countries.

This context begs the question: how related are deregulation and flexibility? Firms having greater flexibility in setting and altering wage contracts necessitates reduced job security for employees. Increases in the flexibility of forms of employment is associated with less geographical flexibility (Monastririotis and Sakkas 2021). It becomes apparent that flexibility as a macroeconomic concept is limited by imprecision and contradiction, paving the way for actor-dependent insight. Thus, this paper will employ actor-based analysis to uniquely resolve macro-level contradictions and provide effective policy recommendations.

This paper focuses on three such actors: the employee, the employer, and government. Section 1 examines employee flexibility through the lens of the gig economy; Section 2 analyses employer flexibility through job market matching; Section 3 explores government-driven regional disparities and resulting effects on geographic flexibility. For each actor, it presents context on the relationship between the actor and the labour market, **how each actor has promoted or constrained flexibility, positive and negative implications of those actions, and motivation for policy suggestions** formalised in the later policy section. This paper concludes by navigating the

tensions between increased flexibility and values like innovation and security, and arguing why taking an actor-specific approach best captures the nuance in these tensions.

II. Employees and the Gig Economy

First, we will explore employee-specific flexibility through the rise of the gig economy, one of the main trends shaping the UK labour market in recent decades. Although the notion of gigs – small, irregular tasks – has been a part of the economic landscape for a longer time (Tawny, 2017), recent developments in technology have led to its revival. Gig work enables workers to earn money without time and locational constraints of traditional employment, and with 1.4%+ Britons estimated to perform gig work in 2021 and that number only growing (Cockett and Willmott, 2023), gigs are crucial to the question of labour market flexibility in the UK.

What is the Gig Economy?

The gig economy is founded on the notion of gigs - irregular tasks characterised by one-off interactions with end clients. Today, the gig economy comprises economic activity coordinated through peer-to-peer platforms, which are digital marketplaces that connect service providers (individual workers) with their clients (firms or end consumers) (ILO, 2024, p. 18). Generally, services are divided into:

- Online work – tasks that are performed remotely, e.g. copywriting, programming, translation, accounting. Online work itself consists of two types:
- Freelancing: longer, skill-based tasks, characterised by higher level of specialisation and thus higher hourly pay; platforms that provide freelancing opportunities include Upwork, Fiverr and PeoplePerHour.
- Microtasks: small tasks that require simple human judgement and are based on repeatable actions. This type of work includes activities such as manual data entry or survey completion; the most well-known microtask platform is Amazon Mechanical Turk.
- Location-based work – services intrinsically linked to the client's location, e.g. private transportation, food delivery and courier services. Notable location-based platforms in the UK include Uber, Deliveroo and Bolt.

Historical Context of the Gig Economy

Gigs are a centuries old phenomenon. Before the invention of the internet, they referred to small errands and side jobs performed by workers looking for a supplementary source of income. Working as a courier, running a small business, joining factories as a casual worker - all those would qualify as gig work back in the 19th or 18th Century (Tawny, 2017).

The shift in the definition of the gig economy took place only in the late 20th Century, when online platforms began emerging as actors who coordinate workers and their customers. This change was revolutionary because up to that point, matching in the gig work market occurred in a decentralised, personal way - workers would enter direct interactions with those who hired them, making bargaining and customised agreements between the parties possible. The emergence of platforms dramatically scaled up this matching process, increasing the size and salience of the gig economy in labour markets. However, it also broke the direct connection between the two sides of the transaction, putting much economic power in the hands of the intermediaries.

The birth of the modern gig economy is traditionally marked by the founding of Craigslist, an online platform for classified advertisements established in 1995. After Craigslist, additional platforms quickly evolved, with marketplaces becoming increasingly interactive and targeted. Today, leading platforms such as Uber or Upwork actively connect prospective gig workers to jobs by leveraging the power of matching algorithms.

The Modern Gig Economy

In 2019, the global market size of the gig economy reached $52 billion (ILO, 2021, p. 20). The number of workers involved in this industry is no less impressive – while the exact quote is unknown due to data collection issues, estimates point towards hundreds of millions (Datta et al., 2023, p. 58). A vast majority comes from developing countries, most notably India, Bangladesh and Pakistan, who represent over 50% of gig worker supply on online platforms (WB, 2023, p. 24). The other side of the market is dominated by high-income countries, which account for 77.2% of the global demand for online work (Datta et al., 2023, p. 25).

The rise of gig economy platforms has been powered by supply and demand side factors, underlied by technological innovation. Uber, which describes itself as a “technology company”, gains its revenue from matching passengers and drivers; the value it offers beyond the regular taxi services is high supply flexibility, dynamic pricing and a well-developed rating algorithm, and the value it provides to employees is flexibility. Cramer and Krueger (2016) found that even in 2015, Uber’s utilisation rate (hours with passenger vs. hours worked) of 54.3% exceeded taxis’ (38.5%); this number has only grown since then, indicating support of this flexibility.

As demonstrated by Uber, their superior efficiency and low fixed costs enable local platforms to have a significant cost advantage compared to traditional matching transactions; surge pricing and dynamic price optimizations enables Uber to have an average price in London that is 26% lower than the fare of black cabs (Noulas et al., 2018). Strong appeal of platforms to customers explains their rise against traditional counterparts. In London alone, Uber connects over 45,000 drivers

compared to a meagre 15,000 for old-style taxis (Colley, 2023); in the delivery industry, each of the top three apps in the UK has over a million users (Statista, 2025). Furthermore, these platforms allow firms to access workers with skillsets not found among their current employees and to adjust their labour costs (Datta et al., 2023, p. 26).

On the employee side, due to its novelty, non-tangible character and strong decentralisation, the structure of the gig economy overwhelmingly relies on individual agreements between platforms and their users. Many workers registered as self-employed (ILO, 2024, p. 27) which often means that, regardless of the actual nature of the work relationship, they remain without social security benefits applicable to regular employees; in many countries, they are also not covered by the minimum wage (ILO, 2021, p. 19). Moreover, with nearly one-third of online workers and a majority of location-based workers seeing the gig economy as their main source of income, the inherent instability of gigs has caused concern among economists and policymakers (Schwab, 2016; ILO, 2024).

The UK's Experience

Due to the decentralised nature of the gig economy and the recency of its uprise as a significant mode of work in the UK, nationwide quantitative data on this topic is scarce. To this moment, the most comprehensive study on the gig economy in the UK was done by Cockett and Willmott (2023). They used 9 experimental questions from the January–March 2022 edition of the Labour Force Survey to understand the size and structure of Britain's gig labour market.

Cockett and Willmott estimated that in the last quarter of 2021, the British gig economy entailed 463,583 workers, representing 1.4% of total employment. Against the common stereotype, the most popular type of tasks, attracting 53% of gig workers, was desk-based services characteristic of online platforms. Overall, only 20% of those involved in gig work saw it as their primary income source; however, this rate reached 36% for couriers and private hire drivers and 30% for food delivery drivers. 65% of gig workers were male, particularly dominating in location-based segments. Regarding the age distribution, interest in the gig economy tends to broadly reflect the United Kingdom's demography; however, the popularity of labour platforms tends to be marginally higher among older workers.

Insofar, it may seem that the gig economy affects the UK population indiscriminately. However, once we turn our sight to geographical distribution, we can see that its prevalence varies across the country - their highest concentration occurs in London, where 2.4% of all employed people self-identify as gig workers, corresponding to a quarter of gig workers in the United Kingdom (Cockett and Willmott, 2023). The regions where platform work is least popular are Wales and North East England, with the percentage of gig workers at less than 1%. This variance reinforces global evidence that gig work is most prevalent in higher income, higher population density areas.

The gig economy also tends to disproportionately attract workers from ethnic minorities. 20% of all gig workers come from a non-white background, compared to 14% of the whole workforce (Cockett and Willmott, 2023). This spread is particularly prevalent in location-based platforms,

with non-white workers representing 38% of private hire drivers and 34% of food delivery drivers. This trend is parallel with the workers' immigrant status: according to Berger et al. (2019), 82% of Uber drivers in London are first-generation immigrants. These demographic trends indicate that gig work helps marginalized immigrants find a foothold in the UK labour market, but it also means that negative impacts of gig work are concentrated among this already vulnerable population.

Benefits of Gig Work

Many workers transition to gig work not from unemployment, but from a different job, indicating significant preference for the flexibility that gig work provides. For example, only around 2% of Uber drivers in London were unemployed before becoming a driver (Berger et al., 2019). A broader study by the CIPD (2017, p. 3), which focused on all branches of the gig economy and covered the whole United Kingdom, shows a slightly less optimistic but still similar result – that only 14% of gig workers felt they could not get a traditional job.. National survey data from Lepanjuuri, Wishart and Cornick (2018, p. 6) show for 65% of gig workers, gig economy earnings represent less than 5% of their total income. Additionally, students, parents, and carers are overrepresented in the gig economy, indicating that its flexibility allows people who otherwise were not able to work to make supplementary income (Broughton et al., 2018, p. 16).

Additionally, gig work gives workers with less social capital better labour market access. Drawing upon Crockett and Willmott's (2023) research, immigrants may form a significant part of the gig economy precisely because the relative ease of recruitment, lower language barriers, and greater flexibility enable employment versus bottlenecks in traditional employment practices. While gig work platforms offer lower wages than the market average, they still offer opportunities for low-wage migrant workers to raise their earnings, allowing them to bypass the limitations they would face in traditional labour markets: in fact, half of Uber workers in London report that their income has increased compared to their previous job. This is especially important considering that recently arrived immigrants earn over 20% less than UK workers on average (Brindle, Sumption and Portes., 2025). Gig work could also allow these migrants to escape informal work, which still represents 10.7% of total employment (ILO, n.d.) and 11% of GDP (ACCA, 2017) in the UK, and is overrepresented by migrant workers.

Finally, gig work allows those in economically excluded regions to bypass geographical constraints to participate in economic activity; Datta et al. (2023) data shows that 98% of online workers from Europe and Central Asia live in tertiary cities rather than metropolises. Uneven regional investment and lack of returns to job agglomeration create scarcity in tertiary cities' job opportunities, leading to prevalent regional unemployment. The remote nature of work in online-based platforms allows individuals to bypass the spatial frictions of small towns. This argument finds confirmation in data: Cantarella and Strozzi (2019) find that 70% of workers in small towns show interest in increasing their number of work hours, but at the same time show no interest in traditional work opportunities. Laitenberger et al. (2023) and Huang et al. (2020) both show that higher regional unemployment has a large and significant effect on online-based

platform labour supply. In addition to broadening the types of jobs accessible to workers, online-based gig work also amplifies flexibility; there is a significant share of women and disabled online gig workers, and 83% of workers use gig work as a supplemental source of income (Cockett and Willmott, 2023).

Risks of Gig Work

One of the main issues mentioned in public discourse about the gig economy is the level of wages offered to workers. When performed under the legal status of self-employment, gig work fails to qualify for the National Minimum Wage, the minimum hourly wage guaranteed for workers with employee or limb worker status. Even when they qualify for the NMW, workers tend to be paid as little as possible. A survey by Wood, Martindale and Burchell (2023) found that, after accounting for time spent waiting on tasks, 52% of British gig workers earn below the National Living Wage of £9.5, with differences in the median hourly pay on online-based platforms (£10) vs location-based ones (£8). It is important to contextualize these wages with the factors we've previously considered. As many gig workers earn more than they did before (less than 20% of individuals report dissatisfaction with their incomes, according to a CIPD report from 2017), and much work in the microtask space requires little to no specialization/technical skill, gig work salaries may reflect selection effects, where those with differing human capital select into traditional vs. gig work and location-based vs. online gig work.

However, these factors do not mitigate the underlying fact that these wages are not fair. Furthermore, with most gig platforms relying on dynamic matching algorithms and location-based platforms typically employing surge pricing techniques, workers face varying amounts of work available and volatile pay. This shifts risks from employers onto the self-employed gig workers, leading to higher levels of stress and anxiety, and potentially limiting their productivity. Berger et al. (2019) show that Uber drivers in London exhibit more anxiety than both employed and self-employed workers outside of Uber; according to Wood, Martindale and Burchell (2023), over 50% of gig workers worry about future changes to pay, to control over the tasks performed and to changes to hours worked. The insecurity also stems from the lack of social protection – if classified as self-employed, gig workers do not get the right to the benefits such as sick pay, minimum level of paid holiday or protection from unlawful wage deduction (Acas, 2024). In the cases when they are mainly or fully reliant on their gig economy work, this can result in marginalisation of workers and lowering their standards of living. Thus, gig workers may not report dissatisfaction with wages because they are scared, not because they are truly satisfied with their quality of life.

Besides low pay and insufficient work benefits, gig workers also face unfair treatment from their platforms. In services like Uber or Deliveroo, workers' accounts are commonly suspended without room for them to appeal (ILO, 2021, p. 181). Companies reduce drivers' pay because of customers' complaints without giving drivers an opportunity to address the comments (*Uber v Aslam*, 2021). In the realm of online platforms, completed tasks are often rejected by the client altogether, often without a material reason, resulting in a large amount of unpaid work that

depresses *de facto* hourly earnings (the numbers provided in this section already account for this phenomenon). The informal nature of contracts on online platforms facilitates this issue - it is very difficult to make individual task providers meet their contractual obligations, and the diverse nature of remote gig work makes it difficult to determine whether the tasks have been completed in a satisfactory manner. While some platforms, most notably Upwork, use the escrow system to ensure the contractor pays for the labour they have contracted, the escrow system is not legally required in the UK, and the escrow system has its own slew of limitations (ambiguity, delayed processing times, high transaction fees).

Furthermore, many gig workers, especially ones who treat platforms as a full-time source of income, complain that they do not receive as much work as they would like to. According to Cockett and Willmott (2023), 13% of gig workers would want to work more hours; for food delivery and private hire drivers it is 20% and 18% respectively. As 42% of gig workers have a higher education degree (only slightly below the population average), many gig workers are potentially overqualified for their jobs; on microtask platforms, which hold particularly low skill requirements, a typical worker is better educated than an average member of the UK workforce (CIPD, 2017, Muldoon and Apostolidis, 2023). Thus, gig workers face underemployment and are underutilized relative to their skills.

Finally, AI has the potential to completely automate gig work, particularly for microtasks, but potentially for more complex tasks like copywriting and translation as well. This would drive down labour demand in an already precarious market, putting gig workers at risk of structural unemployment. A difference-in-difference analysis by Teutloff et al. (2025) shows that the launch of ChatGPT resulted in a significant decline in job postings for "AI-substitutable" professions, including a 20% decrease for blog writing. However, the authors also found that "AI-complementary" jobs, such as machine learning programming and AI chatbot design, have seen a massive increase in labour demand, suggesting that workers can adapt to technological changes by expanding their skillsets. The heterogeneity of the gig work market means that we can preserve its benefits even in the face of the AI revolution, but it requires workers shifting to technical skills that cannot be handled by LLMs, which would induce structural unemployment (in the best case, temporary).

Putting together Benefits and Risks

From a macroeconomic perspective, a robust gig economy sector can improve potential output by providing work opportunities to individuals unable (or willing) to join a traditional workplace, increasing the labour participation rate. However, Bracha and Burke (2021) showed that in the US, gig work (as per our definition) increased the participation rate among non-retirees by just 0.8 percentage points. Additionally, joining the gig economy can be a good way for individuals to avoid unemployment when losing a traditional job; platform work can help them to reduce an income shortfall as well as maintain their employability. A role of gig work in reducing the unemployment shock to income is analysed by Jackson (2019), who finds that 10.45% of prime

age "high gig propensity" individuals who lose their jobs join the gig economy; those who join earn $2,913 more in the first year of unemployment compared to those who do not.

However, the problem of underemployment can outweigh the benefits if gig workers could find more work or more challenging tasks in the regular job market. As mentioned before, the problem of "work hour" underemployment is prevalent on location-based platforms. The quality of work may be affected as well – in her research, Jackson notes that in the long run, those unemployed who had switched to gig work earned less than their counterparts who had not. She explains that involvement in the gig economy may sometimes reduce individuals' chances to return to traditional work which would offer them higher earnings because they may not have time to search for better jobs. However, this effect may depend on the type of gig work performed; again, as our analysis has shown, such "job lock-up" refers to location-based more than online platforms. Additionally, Choi (2024) shows that those who get involved in the gig economy are more likely to join the traditional labour market than those without any job at all.

Finally, the services provided by the gig economy – much enabled by its flexibility – provide positive value added that cannot be measured solely by labour input. There are no concrete estimates of the contribution of the whole gig economy; however, in 2018, its freelancing segment contributed £20 billion to the UK economy (Burke, 2019), about 0.7% of the nominal GDP (WB, n.d.). In the broad picture, the gig economy is likely to contribute several percent to domestic output, particularly as worker preferences continue to value flexibility and as skills adapt to technological change.

The gig economy provides workers with an unprecedented opportunity to earn extra income without sacrificing their personal commitments. We see it as a pathway to make the labour market more accessible, pulling in individuals from disadvantaged regions, students, carers and immigrants. We also acknowledge its potential to support the unemployed while they seek to return to full-time employment. Ultimately, gig work platforms bring benefits for the entire British economy, providing services in a more accessible and cost-efficient manner. At the same time, we see that the gig economy presents risks of unfair treatment from the employers, which could adversely affect workers' physical, financial and mental well-being. Our policy solutions in that area will thus focus on ensuring adequate protections for gig workers, ensuring that they receive a fair wage and adequate social care provisions.

III. Employers and Job Matching

Defining Employer Flexibility

Generally, employer flexibility refers to how able firms are to adjust their workforce in response to changing economic conditions, including the number of workers employed, their working

hours, job roles, employment contracts etc., at minimal financial and time costs. More specifically, we can break down employer flexibility into numerical, functional, wage, and temporal flexibility to help guide our analysis. Numerical flexibility is the ability of employers to adjust the quantity of labour, which can be done (i) externally by adjusting headcount, i.e. changing the number of people employed by the firm and (ii) internally by keeping the same number of workers but adjusting their hours worked. Functional flexibility is the ability of employers to redeploy employees to different tasks, roles, or departments based on changing needs. Lastly, wage and temporal flexibility involve the ability to adjust pay and vary working hours according to productivity and market conditions respectively.

A labour market may be considered "rigid" when employers have less flexibility to hire and fire employees and to regulate their working hours; examples of these practices include excessively generous mandated overtime pay (Solow, 1998). Restrictions on hiring reduce flexibility as they make it harder to match a vacancy with an unemployed worker. Restrictions on firing, while more subtle, also reduce flexibility as they inhibit the creation of vacancies, while also incentivizing employers to be pickier because a bad match becomes costlier to undo.

Employer flexibility can therefore be modelled as a function of i) hiring costs, ii) hiring time, iii) firing/separation costs, iv) regulatory constraints, v) skill adaptability, vi) wage-setting flexibility, and vii) availability of alternative contracts (like access to temporary or gig workers).

Employer-initiated flexibility mechanisms

Employers also affect macroeconomic labour market flexibility through firms' hiring practices, screening practices, and engagement with intermediaries like PPPs. Examples of employer-initiated flexibility include delegating screening and candidate assessment to private intermediaries; an example in the UK is Dartmouth partners, who use external validation to manage hiring risk and allow firms to vary recruitment intensity without changing internal HR capacity. This also allows for rapid scaling up/down of hiring efforts and reduces fixed costs of workforce adjustment. Of most importance in determining whether such arrangements actually translate into improved matching and increased flexibility is employers' discretion over job design, skill requirements and vacancy duration.

Employers also can constrain or limit flexibility, especially when they over-rely on credentials as screening devices or when employers choose to hire risk-aversely even when intermediaries are available.

The UK's challenge: decline in matching efficiency

Across developed economies, the labour market has changed dramatically over the last four decades including widening earnings inequality, an increase in alternative work arrangements, increase in domestic and offshore outsourcing, and an increase in immigration; the UK and Britain has seen some of the largest of these changes.

The UK labour market is now in a challenging position, with low productivity growth, stagnant real earnings, and high levels of inequality by both historical *and* international standards. Compositional changes in the labour force over the last few decades have also affected the matching process between vacancies and job seekers. Since the mid-90s, search intensity has progressively increased along with the rise in educational attainment, but there has been a worrying downward trend in matching efficiency, the rate at which job seekers are matched with job vacancies, beginning prior to the 2008 recession. Carlo and Speigner (2017) find that matching efficiency declined by around 15% between 1995 and 2010 but recovered about 5% from 2011-2017. This is worrying because it indicates that supply and demand are not meeting efficiently in the labour market resulting from institutional failures in the functioning of the education system and the design of unemployment insurance, culminating in rigid matching.

High transaction costs, information imperfections/asymmetric information, and difficulties matching demand and supply have further weakened matching efficiency (i.e. an outward shift of the Beveridge curve, as vacancy rates rise for a given unemployment rate). Asymmetric information in labour markets occurs when a party has more information about their skills, abilities, and productivity than the other party — labour is being traded between well-informed sellers, employees, and ill-informed buyers, employers. This can lead to adverse selection - lower-quality employees are able to select into their preferred jobs without employers being aware of their quality due to the informational asymmetry. Additionally, signals that employees have to put out to gain good employment, and the screening practices employed by employers are both extremely costly, and may not provide inherent economic value. Longer-term trends like rising education levels increase applicant pools but reduce signal clarity for employers who use credentials as low-cost screening devices and degrees begin to lose informational value — worsening matching efficiency as employers demand more credentials.

A decline in matching efficiency does not only reflect increased difficulty for workers to find jobs, but increased difficulty for employers to identify, assess, and hire suitable workers. Declining matching efficiency further reduces employer flexibility, even in a nominally flexible labour market like the UK. The decline may also be a reflection of greater skill specificity required by employers as technology continues to progress. Additionally, seemingly 'flexible' mechanisms like contractual flexibility doesn't automatically improve matching efficiency. For employers, shorter-term contracts may reduce incentives to invest in screening and training. Hence greater ex-post flexibility may paradoxically serve to reduce ex ante matching efficiency, this relationship needs to be accounted for in policy decisions.

Since improved matching efficiency contributes to shorter periods of unemployment it lowers equilibrium unemployment, boosting potential output in the economy.

The UK Government's response: public employment schemes

Because of these market failures, the UK government has attempted to intervene with public employment schemes, but with mixed success: deadweight loss, the substitution effect, and the searching effect have plagued government responses. Public employment schemes do not fully mitigate the adverse effects of search costs because they tend to select workers who have a high

probability of successfully transitioning into employment, leaving very disadvantaged groups unable to receive any kind of job matching/placing services, which is problematic from the perspective of equity considerations. Secondly, policies are often implemented selectively (i.e. allocated to target specific groups of workers), which may encourage perverse distortion in companies' selection and hiring process. This can mean that to increase productivity, companies may tend not to hire *more* workers as intended by the policy and instead substitute existing workers with new workers targeted by labour policies.

Public training and upskilling programs similarly fail to aid outcomes because they do not effectively integrate into existing labour systems, and are not complemented by job search measures that enable workers to use their upskilling to place into a better job. Thus, all these programs currently do is delay participants' job search.

Public-private partnerships as a better solution

The UK was the first country in the world to develop the concept of public-private partnerships (PPPs) for public services projects. PPPs are collaborations between private agents and the public sector to achieve specific goals, and can occur in the context of different domains, i.e. the labour market, healthcare, education, etc. The UK is an acknowledged world-leader in healthcare PPPs but analysis of PPPs within the context of the labour market is not as developed.

In the labour market, PPPs can be used to increase structural flexibility by providing additional job matching mechanisms and by resolving market failures and undesirable indirect effects generated by public interventions . They promote 'flexicurity' - flexible and reliable contractual arrangements between agents with high external numerical flexibility for employers and high levels of security for employees. They, along with private employment agencies, also facilitate job matching, essential in the UK where there is immense diversity between workers' skills and of employers' desired qualifications.

Ayaita et al. (2022) examine the efficiencies of job placement and matching agencies by comparing private and public employment agencies in Germany, finding evidence that voucher policies, which target long-term unemployed individuals, incentivized employers to target these harder-to-employ workers instead of focusing solely on employing already highly qualified individuals, indicating that PPPs that correctly incentivize public employment agencies (PEAs) can help mitigate selection effects.

PPPs in the UK

Contracting out to PEAs is an important feature of public employment services (PES) in the United Kingdom. In the UK, PES dominates in placing unemployed people and providing job matching services for semi-skilled and unskilled labour while PEAs generally focus on providing services to organizations seeking highly skilled and professional workers.

To provide some examples, **Jobcentre Plus** contracts out with various private sector partner organisations that deliver specialized services like interview training and CV preparation and the **New Deal programme** outsources to private sector organisations through regional-level tendering. **Employment Zones**, introduced in 2000, assigned New-Deal-eligible clients unemployed for 18 months to PEAs contracted by the Department for Work and Pensions. In 2002, Jobcentre Plus had contracts with over a thousand organisations to deliver employment programmes — amounting to a quarter of total spending on active labour market programmes.

Case analysis: The Work Programme

Between 2011 and 2017, the **Work Programme** (WP), a leading employment services and activation scheme was introduced. It replaced existing public private partnership delivery models (Flexible New Deal, Employment Zone, and Pathway to Work, combining it into a single, new programme which targeted a wider range of jobseekers and included a wider range of unemployed individuals. It was delivered through competitive contracts with non-public providers, including private organisations, and involved semi-conditional payments to providers based on results achieved, offering more generous rewards for harder-to-help jobseekers. The programme was distinctive given the high degree of flexibility in the delivery of its interventions.

An analysis of WP raises interesting questions for future policy design regarding PPPs, especially with regard to (i) how providers are rewarded, (ii) the degree of differentiation across jobseeker profiles, and (iii) the degree of flexibility in the definition of interventions.

Gamage and Martins (2018) find that the WP has a much stronger effect in increasing transitions from unemployment to temporary employment (e.g. transitions to inactivity, non-sustainable employment, etc.) than in increasing transitions to permanent employment despite the fact that incentives were focused on the latter outcome. This result can be interpreted as a natural effect of the activation perspective, where the scheme screens jobseekers to focus job search support on those individuals who are effectively in greater need and who are willing to invest more in their full return to the labour market. This has important implications for future policy design, and implicitly suggests that activation programmes like the WP may reduce access to unemployment benefits without the corresponding guarantee of sustainable employment. The WP also failed to significantly equalise job outcomes across varying jobseeking profiles; participants facing greater barriers to employment like long-term unemployment, health conditions, or low skills, i.e. “harder-to-help” jobseekers, achieved significantly worse outcomes than “easier-to-help” jobseekers, in spite of the fact that providers received substantially higher outcome payments for placing these “harder-to-help” jobseekers into work. These results suggest that there were unintended negative effects of the WP; selection bias for “easier-to-hire” employees and against “harder-to-hire” employees remained pervasive after the policy’s implementation.

Case analysis: DWP and REP initiatives

However, PPPs have also been implemented successfully. PPPs have been used in the UK to augment provision of PES with private provision through contracting these out, especially in times of downturn — it can be quickly set-up despite time limitations. Following the financial crisis in 2008, the DWP and Recruitment and Employment Confederation (REC) ran an initiative from 2009 to 2012, to help newly unemployed people, particularly those made redundant by the crash in the financial services sector. The initiative allowed jobseekers, often professionals, to navigate challenges through outsourced coaching services, gaining job search skills and advice on updating skills. A UK-wide list of approved private sector suppliers was drawn up from the membership, where the Jobcentre Plus would refer jobseekers to a localised approved recruitment specialist for targeted support. The scheme helped to equip over 40,000 jobseekers from professional backgrounds with the skills to transition to employment. Thus, this avenue to increasing flexibility of the employer-employee matching process deserves further exploration (see Section 4).

Employer flexibility is also about enabling efficient reallocation. The DWP and REC post-2008 initiatives supported displaced professionals in transitioning across sectors and reduced frictions in moving labour from contracting to expanding industries thereby increasing flexibility. This prevents both skill depreciation and labour market detachment which creates negative feedback loops. This also increases employer flexibility as it expands the pool or 'ready-to-hire' labour and allows for faster and less costly workforce reconfiguration. Such programs that effectively augment capacity of PESs to maintain matching capacity preserves flexibility by maintaining the responsiveness of hiring and reduces the risk that employers substitute toward outsourcing or automation as hiring frictions begin to increase during downturns.

IV.Government and Regional Flexibility

The Defining Role of Policy in Regional Flexibility

A nation's economic stability depends fundamentally on how investment is distributed across its regions. Balanced development is essential to sustaining employment outside major cities and enabling workers to adapt their skills to changing demands. Yet in the UK, the idea of a flexible labour market—often presented as a natural feature of a dynamic economy—is, in reality, deeply

shaped by government decisions. True national adaptability is not automatic; it is determined by policy choices that either prepare every region for economic change or leave some locked into decline. In the British case, generations of uneven investment, above all the historic divide between North and South, have produced structural weaknesses that hamper the country's capacity to respond to shocks. What is termed "flexibility" today describes two starkly different realities: for skilled professionals in the South East, it means opportunity and mobility; for many in deindustrialised areas, it means insecurity and limited options. Building a resilient national economy, therefore, cannot rely on market forces alone. It demands deliberate, locally tailored policy that actively creates the conditions for adaptation in every part of the country.

How Regional Divides Took Root: The Legacy of Industrial Withdrawal

The roots of today's regional disparities lie in a decisive political shift away from the post-war approach. Between 1945 and 1979, large-scale state intervention—including the nationalisation of core industries—helped stabilise employment across the UK. This changed profoundly with the neoliberal reforms led by the Thatcher governments after 1979. An agenda of aggressive market liberalisation, deregulation and privatisation deliberately withdrew state support from traditional industries in the North, while fuelling growth in finance and services across London and the South East. The consequences were brutal and concentrated: between 1979 and 1986, more than two million manufacturing jobs disappeared. They represented the collapse of well-paid, skilled, often unionised work that had formed the economic and social fabric of whole communities. The assumption that the free market would automatically generate adequate new employment in these regions proved hollow. Instead, the era produced a new, geographically split labour force: in the South, a growing sector of often low-paid, insecure service jobs; in the North, a legacy of stranded skills, eroded human capital and a pervasive sense of abandonment. This divergence did not simply create an economic gap—it established the structural rigidities that continue to constrain the UK labour market.

How Regional Inequality Undermines National Resilience Today

These historical divisions have hardened into three interconnected problems that now limit the country's overall economic resilience. First, there is a deepening skills mismatch. As the economy shifts towards knowledge-intensive sectors like digital technology and advanced engineering, workers laid off from older industries are left behind. Chronic underinvestment in adult retraining has created a chasm between the skills people have and those the modern economy requires. This is starkly illustrated by the 47% real-terms cut to apprenticeship funding in regions such as Yorkshire and the Humber between 2010 and 2020. Without credible pathways into stable, higher-skilled work, many are confined to low-wage, low-security service roles, which in turn stalls the diversification of local economies.

Second, geographical mobility is structurally constrained. The idea that workers can simply move to where jobs are plentiful ignores real-world barriers. Soaring housing costs in prosperous areas like London and the South East put relocation out of reach for many on low and middle incomes. At the same time, transport infrastructure outside the capital remains chronically underfunded; per capita spending on transport in the North is roughly two-and-a-half times lower than in London. Poor connectivity not only limits commuting options but also deters business investment, reinforcing the economic magnetism of the capital. Firms cluster in London to access its deep talent pool and supply chains, further draining dynamism from other regions.

Third, many regional economies have become over-reliant on a shrinking public sector. As private investment retreated after deindustrialisation, the state became the primary source of stable, professional employment in places like the North East. The austerity programme introduced after 2010 then sharply cut this lifeline, with spending reductions falling most heavily on poorer regions. The resulting loss of public-sector jobs further weakened local economies, because underdeveloped private sectors could not absorb the displaced workers. This pushed up unemployment and swelled the ranks of those in insecure, part-time or zero-hour contract work, eroding what little economic resilience these areas had left.

Together, these factors mean the UK labour market is vulnerable to contemporary shocks, whether from automation, global competition or shifts in trade. Existing manufacturing, for instance, struggles to compete internationally after years of underinvestment, while London's economy remains somewhat shielded by its concentration of complex, less automatable professional roles. The nation's capacity to adapt is fractured along geographic lines.

The Limits of "Moving to Work" as a Solution

A standard response to regional job shortages is to focus on enhancing labour mobility—helping workers move to where opportunities exist. But in the UK context, this approach is deeply flawed. The barriers to mobility—prohibitive housing costs, inadequate transport—are themselves the result of regional underinvestment. Expecting a redundant manufacturing worker from the North East to uproot their family and move south for an insecure, low-paid hospitality job is neither economically sensible nor socially tenable. Framing mobility as the primary solution individualises a systemic failure: it places the entire burden of adaptation on the worker, while absolving policymakers of the need to regenerate local economies.

Worse, a strategy centred on out-migration risks accelerating a "brain drain," stripping struggling regions of their remaining skilled workers and community leaders. This would only deepen the decline of those areas, wasting existing infrastructure and social capital. Rather than building national resilience, an over-reliance on mobility would effectively abandon whole regions, fostering a geographically divided society and permanently limiting the UK's overall economic potential. The problem is not that people will not move; it is that forced migration is a poor substitute for the creation of good jobs where people already live.

A Better Path: Place-Based Investment and Regional Renewal

The clear alternative to this cycle of regional decline and inadequate, mobility-focused solutions is not another temporary scheme. It demands a fundamental shift toward sustained place-based investment: an approach built on the conviction that true economic strength must be cultivated where people already live, not just in the established powerhouses of the South East. The aim is to forge a different kind of flexibility—one rooted in local opportunity and community resilience, rather than in the upheaval of mass migration. This is not about managing decline but about fostering genuine renewal, requiring deep, long-term investment in the core foundations of any modern economy: skills, infrastructure, and the capacity for innovation. The blueprint rests on three mutually reinforcing pillars.

The first pillar involves a generational commitment to rebuilding human capital through locally-anchored skills development. Decades of underinvestment have stranded a workforce trained for industries of the past. National, one-size-fits-all training programmes have consistently failed to bridge this gap. What is needed instead are large-scale, collaborative ventures designed from the ground up in partnership with local employers, colleges, and universities. These must be targeted explicitly at the growth sectors most viable for each region. A coastal area with a strong maritime heritage, for instance, could anchor a major skills academy in offshore wind and marine engineering, ensuring a direct pipeline from the classroom to high-skilled jobs in local green industries. This model moves beyond abstract "retraining" to create tangible, trusted pathways that reconnect communities to a shared economic future, restoring a sense of agency that has been systematically eroded.

Secondly, this effort will be stillborn without a parallel change in how the nation decides to build and connect itself. The persistent underfunding of regional infrastructure is not accidental; it is baked into a Treasury appraisal system—the "Green Book"—that rewards projects promising the highest immediate financial returns. This formula inherently advantages dense, affluent areas with high property values, guaranteeing that London and the South East continue to capture the lion's share of investment. A place-based strategy must dismantle this self-fulfilling logic. A reformed framework would need to legally enshrine different measures of value: long-term strategic benefit, the reduction of regional inequality, and the economic potential unlocked by connecting towns, cities, and research centres outside the capital. For example, a new rail link across the North may not match the direct cost-benefit ratio of a London Crossrail, but its power to integrate the economies of Leeds, Manchester, and Sheffield could create a northern innovation corridor rivalling the South East's. This requires a move from sporadic, politically-announced projects to a coherent, multi-decade national infrastructure plan that treats the whole country as an interconnected system.

Why Past Policies Have Failed: A Pattern of Underpowered Interventions

History shows that ad-hoc, underfunded initiatives cannot overcome deep-seated regional disparities. Early programmes, such as John Major's Regional Development Agencies and the later expansion of public-sector employment under New Labour, provided temporary relief but

were ultimately overwhelmed by a lack of resources and strategic heft. They could not stimulate the kind of lasting private-sector activity needed for transformation, leaving regions dependent on the state.

Recent flagship policies have repeated the same failures. The Northern Powerhouse agenda, launched in 2014, was compromised by its core mechanism. The Local Enterprise Partnerships (LEPs) tasked with its execution were given less funding and weaker authority than the agencies they replaced. Without the ability to secure loans or compel action on large-scale projects, they became little more than advisory panels. They simply did not have the institutional strength to deliver the kind of ambitious, cross-regional infrastructure that genuine economic renewal requires.

Similarly, the UK Shared Prosperity Fund, which replaced vital EU structural funds for regional development, has proven a poor substitute. Its budget is smaller, and its administration is tightly controlled from Westminster—a shift away from the locally managed EU model. This centralisation risks diverting resources towards short-term political announcements rather than long-term, evidence-based regional strategies.

Perhaps most telling is how even nationally uniform policies often worsen regional divides. The National Living Wage, though raising incomes, ignores vast differences in living costs and local productivity, potentially straining small businesses in weaker economies. Fiscal policies presented as neutral, such as cuts to Corporation Tax or R&D tax credits, disproportionately benefit London and the South East, where corporate profits and research-intensive firms are concentrated. For instance, while making up just 15% of the UK population, London and the South East account for roughly 45% of all R&D tax credit claims. Such measures effectively channel national resources into already prosperous areas, widening the gap they claim to address.

Forging a Genuinely Resilient Labour Market

The stark regional inequalities in the UK labour market are not natural or inevitable. They are the outcome of policy decisions—and policy failures—stretching back decades. The result is a system where economic flexibility and security are distributed by postcode. Building a truly resilient national economy requires a decisive break from the patterns of the past, from spatially blind national policies, from underpowered regional institutions, and from the flawed assumption that mobility alone can heal deep structural divides.

The alternative is a serious, sustained commitment to place-based investment. This means granting regions the long-term funding, strategic authority and tailored tools they need to build durable local economies. Only by creating opportunity across the whole country can the UK develop a labour market that is genuinely flexible, resilient and fair for all its citizens.

V. Policy Recommendations

Now that we have discussed the merits of flexibility in the employee, employer, and government context, we consider policies to address flexibility in each of these domains.

Employees: Creating Stronger Worker Protections and Upskilling

As raised in Section 1, a significant portion of gig workers suffer from inadequate and inconsistent social protection. The rights an individual enjoys depend on their employment status: (Gov.uk, 2025):

- Employees – those with a regular work relationship with predictable work patterns, where the employer controls the way work is performed;
- Limb workers – those who are hired to perform the work for the employer's client but do not have specified work hours, with the employer exerting a certain degree of control over the way work is performed;
- Self-employed – those who perform the work directly for the employer, with full independence over the way in which they work and flexibility over the amount of work they take on. The independence of self-employed individuals comes at the expense of work regulation and social protection.

Typically, gig workers have been qualified as self-employed, meaning that they have not been covered by the National Living Wage; moreover, they have not had the right to sick pay, paid holiday and do not receive payslips (Acas, 2024). Because of the large control gig economy platforms yield over their workers, an increasing number of gig workers have been able to successfully gain the status of limb workers over the past years. For example, in 2018, Yaseen Aslam and James Farrar claimed that the degree of control Uber has over their work makes them limb workers, rather than self-employed individuals as it was formally described by Uber in the driver's contract. After a victory in court and a series of appeals from Uber, the Supreme Court recognised the drivers as limb workers in 2021 (*Uber v Aslam*, 2021). Unlike previous precedent, the Supreme Court pointed out that employment status should be determined on a factual basis, instead of nominal terms specified in the non-negotiable contract that workers sign upon joining the platform. They highlighted three factors:

- Fixed remuneration and contractual terms – the drivers had no say in determining their pay or working terms, as should be the case if they were self-employed individuals contracted to perform the services;
- Control over the work – when the drivers were logged into the Uber app, they were forced to accept tasks assigned to them by the platform. Otherwise, they would face a temporary account suspension. Moreover, drivers did not receive full information about their task

(e.g. they were not told about the passenger's destination) before they decided to take on the ride;

- Separation from the end client – Uber limited to the minimum the ability of drivers to communicate with their clients before and after the provision of the service. This implied that they did not work for the client directly, but for Uber itself.

The Supreme Court also declared that the basis for the National Living Wage should be the entire time that limb workers spend on the app, not only the time they spend on the tasks. Despite the litigation's success, Uber failed to fully implement the orders of the Supreme Court, with Turnnidge (2025) reporting that drivers are not paid the living wage for the whole time they are logged in on Uber.

Since *Uber v Aslam*, there has been some litigation from gig workers on other platforms; most notably, Bolt drivers gained the status of limb workers at the end of the previous year (BBC, 2024). However, much is yet to be done to secure the interests of platform workers. We acknowledge that the Government is pursuing some much needed reforms in their Employment Rights Act which received the Royal Assent in December 2025 – most notably strengthening enforcement of employment law through the establishment of the Fair Work Agency, and increasing the time limit for employment tribunal claims from 3 to 6 months (*Employment Rights Act, 2025*).

We also recognise that the provision of the Employment Rights Act which guarantees minimum hours to zero-hour workers could benefit those gig workers who are recognised as limb workers. In cases such as *Uber v Aslam*, the reform would enable workers to request a minimum hour arrangement, making the gig economy a more stable and predictable source of income; this would increase the popularity of gig work, improving overall labour market flexibility.

We applaud the Government's reforms as the steps necessary to make the gig economy more fair and to improve the economic security of workers. In addition, we suggest that they prioritise outlining clear criteria for defining employment status. While there exists a general set of guidelines, those tend to be vague and require lengthy interpretations; a simpler set of rules would reduce the time disputing parties spend in employment tribunals and so remove some burden from those institutions.

The concept of introducing "bright red lines" was adapted by the European Union in its 2021/0414/COD directive (EPC, 2024), which ordered member states to define such criteria and to presume that workers are employees if the criteria are met. In our case, the "default" employment status for platform workers should be that of a limb worker. The criteria should be decided to ensure that self-employed workers are only those who exert full control over the work they perform.

A useful framework for policymakers should be the 2021 draft of the above-mentioned directive (EC, 2021), where platforms' "control" over the worker was presumed if at least two of the five criteria were met:

- "Effectively determining, or setting upper limits for the level of remuneration;

- Requiring the person performing platform work to respect specific binding rules with regard to appearance, conduct towards the recipient of the service or performance of the work;
- Supervising the performance of work or verifying the quality of the results of the work including by electronic means;
- Effectively restricting the freedom, including through sanctions, to organise one's work, in particular the discretion to choose one's working hours or periods of absence, to accept or to refuse tasks or to use subcontractors or substitutes;
- Effectively restricting the possibility to build a client base or to perform work for any third party."

While those criteria were later set aside by the EU in favour of national-level regulation, these criteria are a good benchmark for the United Kingdom in drafting its own "bright red line" act.

It must be noted that the government previously proposed abolishing limb worker status, which would create a binary distinction in types of work (Labour Party, 2021; DBT, 2024) – such a solution, included in the Status of Workers Bill (2022), will soon enter second reading in the House of Commons. However, the intermediate category of limb worker is invaluable in providing a fair scheme for flexible working where workers can enjoy basic social protection and employers have the freedom that is the fundamental element of the gig economy. Thus, we recommend that the limb worker status is preserved in employment law, with the policy focus being on clarifying the differences between the three types of workers.

Setting up "bright red lines" which establish clear boundaries between the three employment types would improve the protection of the worker rights; together with the reforms passed in the Employment Rights Act, this would make gig work a more stable working arrangement while preserving the flexibility which makes it attractive to workers.

Additionally, we support some propositions made by Jones and Muldoon (2022) to improve transparency and fairness of work agreements. We believe that codification of rules on non-payment and account closures and suspensions, as well as mandatory rating systems for both clients and contractors would improve the bargaining power of workers against gig work platforms, both location- and online-based.

Upskilling and reskilling are paramount to enable workers to capitalize on greater flexibility through matching high-paying gig jobs, reducing structural unemployment, which have positive implications for regional incomes, matching outcomes, and worker welfare. We recommend that the government introduce programmes that teach workers AI-complementary skills, such as programming and lead writing; additionally, in the regional context, development of industry-specific skills should be encouraged.

As discussed in the section on the gig economy, online platform freelancing has seen the highest rates of satisfaction across the sector; moreover, it has successfully managed to overcome the geographical clustering problem seen in location-based platforms. Digital skills used in freelancing are also increasingly applicable in the traditional labour market, as exemplified by the

threefold growth in the number of computer-related vacancies between 2010 and 2019 (Alekseeva et al., 2021); in the light of this, the United Kingdom government should introduce a policy focusing on two groups: people aged 16-25 years old and those living in economically disadvantaged regions, particularly North East and Wales. Both groups suffer from low employment rates (ONS, 2025), which makes them a perfect target for upskilling and reskilling policies. Young workers are particularly suited for training because of their high digital literacy and high demand for flexibility (CIPD, 2017); on the other hand, individuals from post-industrial regions suffer from large geographical frictions mentioned before.

Among young people, the policies should be coordinated using high schools, vocational schools and universities, allowing to leverage the strength of the education system. This approach has been tried by multiple countries, including Portugal and Estonia (Cedefop and ReferNet, 2023; FT, 2025a). For individuals from less economically active regions, cooperation with local universities and employers should be tried wherever possible; however, in more rural areas, it is recommended that education takes place through online courses. Those allowed to bypass geographical frictions and provide the opportunity to teach digital skills at large scale and low average costs – an approach tried in rural communities in Spain as part of the Aulas Mentor and Digitalízate schemes (Cedefop, 2024).

In teaching AI skills, a particular focus should be put on the high value-added abilities that can be easily applied to the work environment. Those can be divided in two strands: machine learning and complementary AI skills. The first will enable people to find a job in the growing area of ML design and programming; the other will support individuals who are more inclined towards traditional jobs, equipping them with skills to become more productive in their profession (be it in the regular labour market or the gig economy). The productivity gains from such measures could be immense – in the US, for instance, generative AI already saves workers 1.4% of work hours on average (Bick et al., 2025), with the gains expected to rise in the coming years.

The costs of a digital skills policy can be estimated using the case studies mentioned above. The best benchmark is Estonia's initiative called AI Leap, which aims to teach the use of AI tools to the country's high schoolers. By the end of next year, the project is expected to reach 58,000 students at a yearly cost of €6.5 million (FT, 2025a). If the UK government wanted to target the entire population two years before high school graduation and first three years after, this would amount to 4 million people, bringing the linear cost estimate to ca. £375 million per year. In the current fiscal situation of the country (FT, 2025b), it is unlikely that such an expense could be afforded.

Employers: A Road to PPP Implementation

Next, regarding improving the employment matching process, the UK can establish public-private sector matching hubs (PPSMHs), which are led by **sector-specific** PEAs, training providers, employers associations, and coordinations by JobCentre Plus. As illustrated above, labour market mismatches are often exacerbated by sectoral skill gaps and fragmented employer

information, and existing PPPs are not sufficiently tailored to the nuanced and evolving demands of specific industries. These hubs would be able to facilitate rapid feedback loops, improve signalling mechanisms, and ensure efficient re-skilling of workers in declining sectors (e.g. from fossil fuels/coal to renewables and the care economy) because they are attuned to industry-led intelligence. For example, a digital sector PP matching hub in Manchester could involve local apprenticeship providers and trainers, like Code Nation a software development apprenticeship provider, local universities, and tech employers to co-design training programmes and vet job candidates in an integrated process.

Secondly, a flexi-voucher matching scheme can be implemented across the board for all PPPs, building on the German voucher model discussed in Section 2 (Ayaita et al., 2022). Under this, unemployed individuals would receive job search vouchers redeemable with certified private providers for services including job matching, interview coaching, sector-specific training, etc. This incentivizes competition and innovation among PPPs and reduces cream-skimming as funding is tied to outcome-based placements with higher reward rates for harder-to-please/place jobseekers. This also benefits employees on the supply side, giving them more agency because they can choose the most appropriate support service.

Furthermore, inclusion incentives need to be embedded into PPP contracts. While existing PPPs like WP already have differential reward structures, disadvantaged groups were still underserved as discussed in Section 2(Gamage & Martins, 2018). Unlike the status quo, new contractual terms must penalise excessive 'parking' of the most high-need jobseekers and unemployed, promote ethical performance by rewarding long-term employment outcomes and *not* simply the entrance into employment, and promote transparency by mandating that providers publicise demographic and socioeconomic data on who their clients are, where they get matched, and what their intermediate outcomes are; this would serve as a foundation for audits and future improvements to the programme.

The design of these vouchers needs to be tailored to the needs of the specific locality where the PPPs is running — they need to be calibrated based on distance from the labour market (i.e. long-term unemployment receive higher value vouchers), this also means that planning and design for these PPPs, voucher mechanisms, etc. should be done not from a top-down central aspect (in London), but should involve bottom-up design. This would involve civil society, within each Combined Authority, or even at the mayoral level. Such a framework of 'bottom-up' policy design (McCann, 2019), ties in to the discussion on regional inequalities and disparities in the labour market above.

More funding and evaluation should be directed to facilitate 'labour flexibility pilots' which can test these and tease out design details through combined authorities (like the Greater Manchester Combined Authority), where local jobcentres, PEAS, and universities experiment. Local authorities need this devolved flexibility as labour markets are local. This enables place-based strategies to tackle regional economic shocks and allows for comparative evaluation across regions for best-practice dissemination. Pilot programmes can build on existing models like London's Work and Health Programme.

Additionally, data-sharing platforms should be regulated or mandated between all types of employment agencies (PEAs, PES, and PPPs), this can better aid PPP design and would result in a real-time labour market intelligence system which could be coordinated through a digital platform. This mitigates the principal inefficiency in matching (information asymmetries) which can be mitigated through open data ecosystems. PPPs would benefit from private employer's job vacancy and skills data, allowing them to provide jobseekers with granular, up-to-date labour market insights. This would also allow for better identification of bottlenecks and training needs across regions. In practice, this may look similar to the Office for National Statistics' Secure Research Service, but geared toward operational use by Jobcentre Plus and PPPs.

Such data would allow for identification of skills gaps, and a skills investment bank (co-financed by employers, Treasury, etc.) which can fund industry-aligned training programmes that directly feed into PPP placement schemes. This allows risk-sharing between public and private actors and encourages employers to commit to long-term training investments. It also can finance micr-credential and modular learning aligned with emergent sectors (e.g. AI safety, green infrastructure, etc.) tying into industry specific hubs mentioned above.

PPP design in the UK must be rethought, away from generic outsourcing models towards accountable, regionally/locally specific, inclusive, and sector-responsive partnerships.

Government

Transport affects workers' behaviour and labour supply, affecting firms' decisions and their demand for labour, and as a result changes the equilibrium between demand and supply in the labour market. Transport is a way of not just speeding up connections in a palace, but potentially changing them and opening up new ones — it improves spatial relationships and allows for potential agglomeration effects (Bothe et al., 2018). The agglomeration effects and labour market impacts of transport investments are substantial, and the geography of labour market impacts specifically have been limited in their scope of study (Gibbons and Machin, 2005). In line with the importance and benefits of strengthening transportation networks, we outline the following recommendations:

Firstly, projects like the Northern Powerhouse Rail (NRP), that aims to upgrade and improve connections between cities in the North of England and improve the access to jobs of people in the North West of England, should be accelerated and upgraded, not curtailed. This project was established with the aim to rebalance the UK economy by making the North of England more productive, and was estimated to cost around £39 billion, however, despite Government rejection of such, there have been claims that the NRP has been mothballed . This report recommends against the 'watering down' of the original scheme as suggested in 2021 under the Johnson government — because the 'slimmed down' plan would not deliver the long-term changes needed to level up the North's economy. An improved version could be modelled after Germany's "Unitary Transport Networks" scheme, which increased GDP in previous East Germany significantly, due to reduced intercity travel times.

Germany's Verkehrsprojekte Deutsche Einheit (VDE), or German Unity Transport Projects, prioritized a polycentric "mesh" network rather than a "hub-and-spoke" model centered on a single capital. Through this, the VDE successfully linked Eastern cities like Leipzig and Dresden to Western hubs, resulting in an estimated 2.7% higher GDP growth in connected regions compared to those left off the network (Ahlfeldt & Feddersen, 2018). For the UK, replicating this success requires moving beyond the "watering down" of the NPR and instead committing to the original transversal route (Liverpool–Manchester–Leeds–Hull). This would shift the UK's economic geography toward a unified Northern labor market where reduced intercity travel times—such as Leeds to Manchester in under 30 minutes—allow for massive agglomeration effects, effectively merging distinct local economies into a single high-productivity zone that rivals London's dominance (Gibbons & Machin, 2005).

To successfully implement these regionally tailored policies, the UK must decentralize transport governance, granting Transport for the North (TfN) statutory powers and multi-decade funding security similar to the German Länder (states), which prevents critical infrastructure from being "mothballed" by shifting national political cycles. As an additional critical solution, the UK should adopt an Integrated Multimodal Hub system, modeled after the German Verkehrsverbund (Transport Associations), to solve the "last-mile" barrier that often negates the benefits of high-speed rail. This entails a unified, digital-first ticketing and scheduling system that synchronizes local bus and light-rail "feeders" with the NPR high-speed spine. By utilizing "Digital Twin" technology to provide real-time adjustments to local transit when mainlines are delayed, the UK can ensure that the labor supply is not just connected between city centers but truly accessible to workers in outlying towns, thereby maximizing the total reachable labor pool and fully realizing the productivity gains inherent in improved spatial relationships.

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