

## HL: Labour Market

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See the full transcript [here](#)

The House of Lords debate on the labour market was initiated by Lord Londesborough, who pressed the Government on their assessment of employment trends. He pointed out that while Ministers often highlighted resilience, the reality was more mixed: **unemployment was rising, vacancies were falling, and graduate opportunities had contracted sharply, with some 40% of graduates in low-skilled jobs or unemployed.** He stressed that this mismatch between supply and demand, especially skills shortages, was holding back productivity and growth.

Responding, Baroness Sherlock, Minister of State at the Department for Work and Pensions, emphasised that the latest data showed record levels of employment, falling inactivity, and continued wage growth. She argued that the labour market was changing rather than collapsing, and that the challenge was to ensure people had the right skills to meet evolving needs. She pointed to the recent **report from Skills England, which set out priority skills to 2030 across ten critical sectors aligned with the industrial strategy**, and confirmed that responsibility for adult skills had been moved into DWP to strengthen the focus on workforce capacity and growth. She underlined that the government's **Get Britain Working strategy** aimed to create a more inclusive labour market, especially for young people and those with health conditions, ensuring that "no one is left behind".

Lord Sharpe of Epsom queried whether the government's optimism was misplaced, noting reports that starting salaries were at their weakest in years due to shrinking demand and payroll cost concerns. **He pressed Ministers to revisit the Employment Rights Bill**, suggesting that current provisions increased business costs without helping workers. Baroness Sherlock defended the Bill, insisting that "appropriate rights for workers increase productivity and strengthen the labour market", and stressing that investing in skills and protections was the best response to tightening conditions.

A notable intervention came from Baroness Winterton of Doncaster, who suggested **digital identity cards as a way of tackling illegal working**, often linked to trafficking and modern slavery. She urged the government to move swiftly. Baroness Sherlock confirmed that digital ID systems were being rolled out through **e-visas**, providing a digital record of individuals' right to work, and assured peers that proposals to strengthen border security and prevent exploitation were being seriously examined.

Lord Palmer of Childs Hill raised the impact of **National Insurance changes** made in the previous year's Budget, which lowered the threshold for employer contributions. He argued this disproportionately harmed part-time and entry-level work, undermining pathways into employment. The Minister rejected that analysis, noting that reforms were tough but necessary, and pointed to new personalised employment support within DWP, which focuses on helping people not only into jobs but into better jobs and more hours. She gave the example of the new **Jobs and Careers Service**, which engages people working very few hours but not on benefits, to encourage progression and skill-building.

Lord Forsyth of Drumlean pressed a harder line, arguing that if universal credit leaves some people better off out of work than in work, it is unsurprising that millions remain inactive. Baroness Sherlock responded by noting that universal credit had been designed by the previous government to cover in-and-out-of-work support, but acknowledged that imbalances had emerged. She highlighted that the recent **Universal Credit Bill** had halved the health-related top-up for new claims while raising the standard allowance, in order to improve work incentives and ensure fairness.

Baroness Deech introduced the issue of industrial relations, condemning the disruption caused by Tube strikes and accusing the government of conceding too readily to trade union demands. Baroness Sherlock reminded her that transport in London is devolved to the Mayor and TfL, but acknowledged the strikes were damaging for businesses and passengers, and urged all sides to resolve disputes quickly.

Baroness Northover then shifted the discussion to **public health and employability**, citing research that smokers are three times more likely to be out of work for health reasons. She urged a return of the smoking and vaping Bill originally introduced by Rishi Sunak. The Minister confirmed legislation was already moving through Parliament and would reach the Lords shortly.

Lord Sikka pressed the case for tackling in-work poverty and inequality, stressing that millions of **people live in poverty, including 1.2 million on insecure zero-hour contracts**, and argued for measures to increase workers' share of GDP. He sought assurance that **the government would not dilute the Employment Rights Bill**. Baroness Sherlock gave that assurance, saying the government was committed to ensuring protections for workers and would consult widely to shape the detail, insisting that strong rights would increase productivity and economic health.