# ‘Sick nation’ Britain is infecting the economy, says welfare adviser

*Paul Gregg also believes that a universal income may be needed as AI takes more jobs*

by Caroline Wheeler, Political Editor, The Sunday Times

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The government’s new welfare adviser has admitted that Britain is a “sick nation” and said there had been a “surge of economic inactivity” since Covid.

Paul Gregg described the growing phenomenon of young people leaving education and going straight on to sickness benefits as “very scary”.

Gregg, professor of economic and social policy at Bath University, was appointed last month by Liz Kendall, the work and pensions secretary, to chair a new advisory board to look at longstanding problems in the labour market.

His role as chair of the Labour Market Advisory Board will involve looking at ways to reduce inactivity among working-age people. He is helping Kendall draw up a white paper on the “plan to get Britain working”. The aim is to help the government reach its ambition of raising the employment rate from 75% to 80%.

Economic inactivity has spiralled: 9.3 million people are neither in work nor looking for a job — a rise of 713,000 since Covid. The UK is the only G7 country whose employment and inactivity rates have not returned to pre-pandemic levels.

Speaking at the Ludgate Lecture in London last week, organised by the think tank Bright Blue, Gregg said this was due to the twin problem of “big rises” in economic inactivity for health reasons among under-35s and the rise of the state pension age, which has led to greater numbers of older people claiming sickness benefits. “We’ve seen very large rises over a long period of time of obesity and diabetes associated with diet,” he said. “These are the kind of big trends compared to other European nations.

“We are a sick nation, we have far higher rates of mental health problems and we have far higher rates of obesity and diabetes than other countries. This has come together … to form this surge in economic inactivity.”

The number of 16 to 24-year-olds not in employment, education or training (Neet) reached 872,000 in April to June, the latest official estimates show.

“Those kind of ages are the ages where you start gaining the skills and experience which allow you to gain higher earnings,” Gregg said. “So these people, even if we’re getting them back [into the labour market], are having really long serious damage done to their earnings potential.”

He blames a “lockdown effect”, adding that the UK is “pretty much unique” in not having bucked the trend since Covid. “There’s something going wrong and I can’t tell you exactly what it is, but there’s something about our childhood, perhaps later childhood, teenage years, which has gone wrong. The school system may not be helping. Intense pressure about exams and working.”

Chief among his concerns is that once people are on sickness benefits they tend to stay on them for years. “What somebody told me recently is that 30% of those people who are currently economically inactive for health reasons last worked when Gordon Brown was prime minister. That gives us sort of a sense of the extremely long durations.

“If we’ve got a rising number of younger people under 35, including people in their early twenties, moving into sickness-related inactivity, they are potentially there for 40-odd years. We are potentially writing off a section of society from the workplace … for decades and decades. That’s very scary.”

At the other end of the spectrum, Gregg claims that only about 30% of people aged 65 are working, with the other 70% already retired or claiming sickness benefits. He said that one of the reasons for this was that often many physical jobs become too onerous as people aged and “light duties” had been slowly eradicated. “Lots and lots of older men worked what was called light duties,” he said. “They stayed in employment in the firm but didn't do the regular kind of full intensity work that the rest of the workforce did. That's gone."

Gregg claims there is "no coherent support system" for helping the unemployed, or those on incapacity benefit, back into work and wants to bring together charities, health professionals and employers to help solve the problem. However, he ruled out introducing sanctions to force people on sickness benefits back into work. "We also need to develop a system that's built around the needs, capabilities and desires of the individual, not waving a big stick," he said.

Gregg suggested that a universal basic income might be needed to deal with the impact of artificial intelligence. He said giving fixed amounts of cash to everyone might have to be considered because AI would widen inequality between low and high earners.

Gregg said he thought that the proliferation of AI would result in the expansion of service sector "customer-facing jobs" at the expense of "routine high-end" roles. He said: "People talk about a citizen's income, a universal basic income kind of thing. I think …. down the line … that pressure might rise that we, in a sense, need to support earnings at the bottom end of the distribution and quite a large part of the distribution through income supports whilst taxing artificial intelligence and the earnings of the very wealthy beneficiaries of that.

"I think every conversation we have is how do we tax wealth, how do we tax high-earning dividends and high-earning individuals? It's really tough to get that practically to happen. But in a sense it feels it kind of has to happen."

Gregg's prediction on AI follows that made earlier this year by Professor Geoffrey Hinton, the computer scientist and Nobel laureate regarded as the "godfather of artificial intelligence", who urged the government to establish a universal basic income.

His comments were echoed by Elon Musk who has suggested AI will abolish human jobs, which will result in "universal high income".

The concept of a universal basic income amounts to the government paying everyone a set salary regardless of their means. Critics say it would be extremely costly and divert funding from public services.

In the US there are more than 100 universal basic income pilots being explored or delivered, including in Massachusetts where 2,000 low-income families are guaranteed a tax-free income of $500 (£385) a month, for 18 months. The only basic income pilot running in the UK is a Welsh government scheme for 600 young care leavers. Each is receiving £1,600 a month (£1,280 after tax), for 18 months, so that researchers can evaluate its benefits. The Scottish government and the mayors of Manchester, Liverpool and London have all publicly expressed enthusiasm for running pilots in their areas, but none have done so.

One of the biggest obstacles is that HMRC refuses to exempt participants from income tax, significantly increasing the gross amount required. Participants also need to be financially compensated if other benefits are affected.

It is not the first time Gregg has played a crucial advisory role in government. He was asked by James Purnell, a former Labour work and pensions secretary, to come up with ways of reducing the benefits bill during the financial crisis of 2008.

He recommended quicker, clearer and more effective sanctions for those who failed to look for work, with a simple system of fixed penalties and an escalating series of sanctions for repeat offenders.

Although never brought in under Labour, it was the precursor to the coalition's universal credit.
Gregg also said he "personally" believes that there needs to be a "rising of the personal pension age, not just the state pension age".

A private pension, either called a personal or stakeholder pension, can be used without penalty from your 55th birthday. This minimum age will rise to 57 in 2028 in accordance with the government timeline set out in 2014 and confirmed in the Finance Act 2022. The state pension age is rising from 65 to 67 by the end of 2028.

 