



# At last ... an 'influential committee' that lives up to its billing

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It's an unwritten rule of British politics that Parliamentary select committees do work that's highly important but has a low profile - unless they're being critical of the government of the day. Then, suddenly, they're invariably described as 'influential' with their reports generating interest from media outlets which had studiously ignored the inquiries that preceded them.

But if there's one select committee that should genuinely be regarded as 'influential' - year in, year out - it's surely the House of Lords' Economic Affairs Committee. Almost without fail, its membership is distinguished, its inquiries are impressive and its reports make compelling reading.

Today, for example, the committee's members include an ex-Bank of England governor (Lord King), a former TUC general secretary (Lord Monks) and a pioneering climate economist, Lord Stern - who's previously served as the World Bank's chief economist. So it's a committee of impressive CVs and even a CH as well, with Lord Stern being a Companion of Honour - an award, limited to just 65 people, for truly outstanding achievement.

Such credentials mean that the committee's inquiries are well worth following and its most recent report makes particularly interesting reading ("Where have all the workers gone?") Published just before Christmas, it looks into the workforce issues that have been perplexing many employers since the start of the pandemic and, it argues, accelerating inflation whilst putting a brake on economic growth.

In some respects, however, it's a frustrating report - as it does little to identify solutions to the many and varied problems it identifies. Indeed, many of its recommendations are simply calls for additional information to be collected by the Department for Work & Pensions.

Nevertheless, it's a great place to start if you want to understand the UK's fast-changing labour market and, if you work in public affairs, to provide your clients with the highest quality advice. In particular, the committee



addresses several claims which have been repeated so frequently that they're coming close to being accepted as facts.

First, for example, ill-health isn't actually the key reason for older workers withdrawing from the labour market, as is often reported; a bigger factor is 50-plus workers deciding to retire early, prompted by the combination of the pandemic and the furlough scheme which, in effect, gave them a trial retirement - one that many clearly enjoyed.

Second, Brexit has done much less to shrink the UK's labour market than is regularly suggested: indeed, decreases in EU migration have been offset - in fact, more than offset - by increases in arrivals from non-EU countries.

Third, contrary to popular perception, the number of both EU and non-EU workers in the health and care sector increased between mid-2019 and mid-2021 - so the causes of its staffing shortages surely lie elsewhere.

But the situation is both complex and, alas, set to become even more serious. For instance, although Brexit's overall effect on migration has been (as a GK interviewee recently told us) broadly "net zero", it has affected different sectors in very different ways - creating acute labour shortages in some sectors, especially lower paying ones, that had long been heavily reliant on staff from EU member states.

Looking ahead, the committee also makes it abundantly (and alarmingly) clear that the economy is fast approaching a crucial 'pinch-point' as the UK's population continues to age; quite simply, the size of the crucial 20-64 age group, which has long been growing, is set to flatline quite suddenly - intensifying the pressures which countless employers are already facing.

The Government's formal response should make just as interesting reading as the report itself. But it's far from clear how ministers

can or will address the problems that the committee describes. A new migration policy might form part of the answer - but only if common ground can be found between the Cabinet's 'hawks' and 'doves'. More generally, a partial solution might stem from the cost-of-living crisis, if early retirees feel compelled to work - although it is too early to tell, the committee says, if this is actually starting to happen. Or perhaps the Treasury will try to make it harder for people to retire early in the first place; it must be sorely tempted to, for example, look at raising the state pension age more quickly than currently planned. That would certainly incentivise more people to remain economically active for longer, so reducing some of the pressures identified in the committee's report. It would also save tens of billions of pounds for a Treasury that has never needed the money more - so we definitely wouldn't bet against it.

In the meantime, this insightful report, from a genuinely influential committee, is one that we're already finding invaluable - especially when advising GK's clients in labour-intensive sectors such as children's and elderly social care. We believe that its combination of fact-finding, myth-busting and trend-spotting makes it, policy-wise, a really essential read.