

Department for Work and Pensions Five Year Strategy

Opportunity and security
throughout life



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Opportunity and security throughout life

Presented to Parliament by
the Secretary of State for Work and Pensions
by Command of Her Majesty

February 2005

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Foreword

By the Secretary of State



We stand at a crucial point in the history of the welfare state.

We are able to look behind us and reflect on a series of major achievements. Since 1997 we've lifted 600,000 children out of relative poverty and

1.8 million pensioners out of absolute poverty. There are now 2 million more people in work, unemployment is at a 30-year low, and we are spending £5 billion less on unemployment-related benefits. We have dramatically increased the opportunities of disabled people and with the Disability Discrimination Bill we will complete our manifesto commitment to legislate for their full civil rights.

We've gone a long way in tackling the scourge of unemployment, inactivity and poverty. Today Britain is working, Britain is far more secure in retirement and more of Britain's children are growing up free from poverty.

Yet we know that there is more to do. We now need to build on this success and ensure the welfare state can meet the challenges we now face.

Increasingly people are seeking a career, not just a job; the make-up of the traditional family is changing with more women wanting to work; and those who were left behind on benefits in the past deserve support and help into employment. People are also living longer and healthier lives. This is to be celebrated. But it also poses our greatest challenge: to support an increasing number of people over State Pension age and in doing so enable people to make the work and savings decision required to meet their own retirement ambitions.

We know that work is the surest route out of poverty, and the best support that we can give to Britain's children is to ensure their parents can find employment. Yet, we also need to get more people into work if we are to meet the challenge of an ageing society and enable older people to live more independent lives and deliver the state financial support to which they are entitled.

That is why we will ensure that work is possible for more people and why our aspiration is to increase our 75 per cent employment rate to a record 80 per cent. We will establish a more inclusive labour market to ensure all sections of our society are benefiting from economic success.

We realise that in achieving our aspiration of an employment rate of 80 per cent it is crucial that we help people who are economically inactive and extend opportunities to many of those traditionally assumed to be outside the labour market.

We will introduce a complete childcare, skills and financial incentives package for lone parents, and we will refocus incapacity benefits on what people can do rather than what they can't with support to help people return to and stay in employment. By putting in place a comprehensive and effective package of support, based on both rights and responsibilities, our long-term aspiration is to reduce the number of people on incapacity benefits by as many as 1 million.

We will tackle discrimination and break down the major barriers to work for ethnic minorities, for those living in disadvantaged areas, and for those above State Pension age who wish to continue their employment.

Through the Disability Discrimination Bill we target the institutional discrimination and lack of accessibility that prevents more disabled people from working.

In moving forward to meet the challenging aspiration of an employment rate of 80 per cent, we will not, however, forget our commitment to provide security for those who are unable to work, whether through disability, caring responsibilities or old age.

We can only realise our ambitions if we transform the way we operate, continue to invest in the frontline services of Jobcentre Plus and The Pension Service, ensure that we have a better understanding of our customers and tailor our programme of reform to specific needs in the most effective way possible. We can only do this through our dedicated and highly skilled staff who remain our greatest asset.

We are encouraged by our success to date, but we are driven by our vision for the future.

The next five years will be challenging. Yet I am confident that we can go further than ever before towards banishing poverty from all generations; providing economic opportunity for all ages, all abilities and all social groups; and securing adequate support for all those unable to enter into employment.

A handwritten signature in black ink that reads "Alan Johnson". The signature is written in a cursive style with a long horizontal stroke extending from the top of the "A".

The Right Honourable Alan Johnson MP
February 2005

Executive summary

Opportunity and security throughout life

1. During the 1980s and 1990s unemployment peaked at 3 million and the numbers on incapacity benefits trebled. By 1997, one in three children and 2.7 million pensioners were living in absolute poverty. Since 1997, the Government's priority has been to tackle the scourge of unemployment, inactivity and poverty through investment in and reform of the welfare state.

2. Today, Britain is working again. The welfare state is being transformed from a passive one-size-fits-all model to an active system that delivers both rights and responsibilities, tailoring help to the individual and providing the skills people need to move from welfare and into work.

3. Thanks to the creation of a stable macroeconomic framework, Jobcentre Plus and investment in the New Deal, unemployment is at its lowest for 30 years and we have the highest employment rate of any of the G7 countries. With more people in jobs than ever before, we now spend £5 billion less on unemployment benefits than we did in 1997.

4. Record increases in support for children, and better childcare to enable parents to work, mean that there are now 600,000 fewer children living in relative poverty. Thanks to a higher basic State Pension, the Winter Fuel Allowance, and the introduction of the Pension Credit, more money is going to all pensioners but most is going to the poorest. The new Pension Service is delivering all of these as the first-ever dedicated service for pensioners. Already, we have lifted 1.8 million out of absolute poverty and we have the policies in place to go further.

5. But today Britain also faces the challenge of a society that is getting older. The welfare state of the 20th century was designed to provide support from the cradle to the grave. In the future, the period between the cradle and the grave is going to become longer, healthier and more active as the demographic profile of Britain changes. By 2007, the number of people over State Pension age will overtake the number of children.

6. We now need to meet this challenge by building on our success to achieve an even fairer, more inclusive society in which all individuals can make the most of their potential, and in which child and pensioner poverty are consigned to the past. Employment is at the heart of our approach – as through work, people can lift themselves and their children out of poverty and save towards a secure retirement.

A modern vision of full employment

7. With unemployment at a 30-year low and 2 million more people employed than in 1997, including 1 million more women, we are on the verge of achieving at least three-quarters of the working-age population in work. But to meet the ageing challenge, we need to go further. That is why we set out in this Strategy the **aspiration of an employment rate of 80 per cent**. This is a rate beyond any we have ever seen. It is a modern vision of full employment that will eliminate pockets of marginalisation and extend real employment opportunity to all.

8. Because of our success in reducing unemployment since 1997, the majority of people who are still not in employment are those traditionally defined as being outside the labour market. They have more complex and difficult barriers to overcome, but this does not mean that they do not want to or cannot work. Indeed, given the right specialised and tailored support, many can and want to. So reform is possible but must go forward on the basis that any new responsibilities must be balanced by the right to appropriate support. Supporting these inactive people into work is crucial to our ability to achieve our aspiration of an 80 per cent employment rate – and doing so means that we must:

- support children and families – including helping lone parents into work by making work possible and making work pay;
- help people on incapacity benefits¹ to get the support they need to fulfil their own ambitions to return to work; and
- break down the barriers that prevent disabled people, older workers and ethnic minorities from fully realising their ambitions in the workplace.

9. Our approach is all about helping people meet their own desires to move back to work, not about time-limiting or cutting benefits. Delivering financial security for those who need it will always be a central function of the welfare state. But as a society we simply can not afford to lose out on the skills and contributions of many who can work but who remain outside the labour market. As we extend rights we must also ask people to fulfil greater responsibilities.

10. Achieving our long-term aspirations will play a significant part in meeting the challenges of our ageing society. If current employment rates remain constant, the economic dependency ratio (defined as the number of non-workers supported by each worker) would increase by almost a quarter by 2050. However, with an employment rate of 80 per cent, this ratio would be roughly the same in 2050 as it is today.

Supporting children and families

11. Our vision is that all children should grow up free from poverty, being offered the best start in life. Social justice demands this, and it is also essential if every child is to achieve their true potential and play a full role in the economy. Work is the best route out of poverty and we are determined to help families meet the considerable challenge of balancing the demands of work and family life. Our approach will help support the choices that parents make.

12. We will make sure that work is possible, make sure it pays and provide financial security for children by:

- providing over 2 million sustainable childcare places for children up to the age of 14 by 2010;
- supporting Extended Schools so that by 2010 there will be out-of-school-hours childcare available for every primary school child in the country; and
- supporting parents in work through Working and Child Tax Credits and in their parenting responsibilities by extending Statutory Maternity Pay.

¹ Incapacity benefits is used here to cover contributory Incapacity Benefit, Income Support with the disability premium and Severe Disablement Allowance.

13. Expanding childcare will boost the overall employment rate, and the female employment rate in particular. Sweden is one of the few industrial countries with a higher female employment rate than our own. It is no coincidence that Sweden has an excellent childcare system.

14. We believe we can help up to an extra 300,000 lone parents into work by providing accessible, tailored employment advice and giving them the opportunity to get the skills they need to move off benefits and into work. International evidence suggests that countries with high lone parent employment rates offer a balanced package of measures, combining good and affordable childcare availability with a work focus and strong financial incentives. We will pilot this approach through *Pathways to Work for Lone Parents*, an integrated package of support to lone parents which includes:

- a guarantee about a clear gain from work;
- a guarantee about childcare support;
- a guarantee of the ongoing help of professional, well-trained and properly supported advisers;
- a responsibility to engage more intensively with our employment advisers.

15. The *Pathways* package pilot allows us to move towards a model of active engagement for all lone parents on benefit, based on clearer guarantees of advice and support. With all this additional help available, there is a reasonable responsibility to take steps to get into work. For those with children aged 11 or over, we will pilot automatic payments of an activity premium, on top of all existing benefits, conditional on taking up agreed activity to help lone parents move into work.

Supporting people with health conditions and disabilities

16. Large numbers of people with health conditions and disabilities who are without work would like to be in a job. But too often they remain inactive because of outdated assumptions and a welfare system that until recently ignored the special barriers to work that they face.

17. Wasting such potential is not only bad for the economy, employers and taxpayers, but also for the 1 million individuals themselves who want to work. Unlocking such potential – in particular, offering tailored support to help people on incapacity benefits return to work – is crucial to achieving our aspiration of an 80 per cent employment rate.

18. Our *Pathways to Work* pilots focus on early intervention and offer much greater support in overcoming barriers to return to work. They are showing very encouraging early results, with on average twice as many people in *Pathways* areas recorded as entering work, compared with those in non-*Pathways* areas. The pilots are now planned to be extended to cover one third of the country, on the road to making this a nationwide offer.

19. With an increase in help and support, there should no longer be an automatic assumption that just because someone is ill or disabled they are incapable of doing any sort of work. This is not just an issue about benefits. Action is needed on a whole range of fronts if we are to encourage and support people to overcome the multiple barriers to working that they face:

- **healthier workplaces** – so that fewer people get sick and injured;
- **enhanced role of the employer** – so that employers play a bigger role in rehabilitation of their employees;
- **more active GPs and NHS** – so that the medical profession is empowered to do more to help their patients fulfil their ambitions to get into employment;
- **extending help and support** – so that people who are on incapacity benefits are for the first time offered comprehensive return-to-work help;
- **reforming the benefit** – on the back of increased help and support, improve the benefit so that it encourages people to focus on what they can do rather than what they can't and;
- **disability rights** – so that people are not discriminated against.

20. As we take forward our reforms, **we will work closely with people with health conditions and disabilities themselves, as well as all our partners, to reform incapacity benefits.** The main role of incapacity benefits is to support those who, through no fault of their own, are restricted in their ability to work because of sickness and injury. This will always be essential. People with health problems will only have the confidence to work if they are financially secure. So it would be wrong to cut the rate of incapacity benefits or to limit the time for which it is available. But none of this means we cannot reform the benefit to help people to realise their own ambitions to work. Our agenda is one of rights and responsibilities: we can expect more of people as long as we safeguard their right to financial security and expand opportunities to engage with the labour market.

21. The success of *Pathways* shows that with the right support many people on incapacity benefits *can* move back into work. So in tandem with the build-up of this support and the strengthening of legal rights against discrimination from employers, we can look to reform benefits, so that they provide the security needed whilst also ensuring that the majority of claimants with more manageable conditions engage with the help and support available, offering the right rewards for engaging with the labour market.

22. Building on *Pathways*, the next step in offering a better deal for claimants of an incapacity benefit will be to reform further the benefit and the support on offer to create a new system which recognises that a person's health condition can affect their ability to work in varying degrees and ensures that people are properly rewarded for taking steps which will bring them closer to the labour market. It would involve:

- an initial 'holding benefit' payable at the same rate as JSA – before people have satisfied the Personal Capability Assessment (PCA) which would normally occur within 12 weeks;
- the PCA process could then become the gateway to the new main benefits, but coupled to that would be a fuller assessment of potential future work capacity – **an employment and**

support assessment – so that we can help clients and advisers focus more fully on how they can best plan a return to work;

- following this process, the majority of people with potentially more manageable conditions would receive a payment that might be called '**Rehabilitation Support Allowance**', with a much stronger focus on supporting people back to work. Claimants would be required to engage both in Work Focused Interviews and in activity that helped them prepare for a return to work (this could include work preparation, training or basic skills support). They would receive more than the current long-term rate but those who completely refuse to engage would return to the holding benefit rate. The rules relating to sanctions will be decided in due course; and
- those with the most severe health conditions or impairments would receive a payment that might be called a '**Disability and Sickness Allowance**'. They should get more money than now because they are most at risk of prolonged poverty and are most likely to face significant obstacles to getting work. They will, as now, be required to engage in some Work Focused Interviews. They will also be encouraged to engage in return-to-work activity wherever possible (and be able to access all programmes and incentives as now) but there will be no requirement on them to do so.

Equality for disabled people

23. As well as tailored support and benefit reform, the Government is committed to achieving a culture change in society that will turn disability rights into reality. Real equality will take time to achieve. The Strategy Unit's report² sets out a 20-year vision, so that, by 2025, disabled people in Britain will have full opportunities to improve their quality of life, and will be respected and fully included as equal members of society. But we have concrete plans – covering the reform of services, civil rights and the active promotion of equality by the public sector – which will take us very significantly closer to this vision over the next five years.

2 *Improving the life chances of disabled people*, Strategy Unit, 2005.

- We will work across government to implement the recommendations of the Strategy Unit to improve the life chances of disabled people. In particular, we will pilot and develop personalised and more effective services, enabling disabled people to live independently, delivering improved outcomes and actively promoting equality for disabled people.
- The Disability Discrimination Bill will be the final step in meeting the Government's 2001 manifesto commitment to ensure comprehensive and enforceable civil rights for disabled people, including a new statutory duty on public bodies to promote equality for disabled people.
- change tax laws to enable people to draw their occupational pension whilst working for the same employer; and
- help carers to remain in work and to return to work when their caring responsibilities have ended.

Breaking down barriers for older workers

24. People are living longer, healthier lives and many will want to work longer. We will provide choices to people, rather than compel them to work longer. We will tackle discrimination, in all its forms, and seek to move towards a culture where retirement ages are increasingly consigned to the past. Changes to our Welfare to Work policies, tax laws and public pension schemes will all encourage longer working. And to expand people's choices for working longer, we will:

- enact the European Directive on age discrimination in 2006, encouraging employers to recruit, train and retain older workers through the Age Positive campaign;
- sweep away retirement ages for people under 65, and give those above that age a Right to Request working longer which their employers will have to seriously engage with. In 2011 we will review whether the time is right to sweep away retirement ages altogether;
- provide incentives to extend working lives by enabling people to defer taking their State Pension in return for a lump sum payment or a higher weekly pension. For example, a typical person who delays taking their State Pension for five years could receive a payment of £20,000 to £30,000, or an increase of 50 per cent to their weekly pension for the rest of their life;

Ensuring security and dignity in retirement

25. All these measures will help us move towards achieving our new and unprecedented aspiration of an 80 per cent employment rate. As well as supporting more people into work and facilitating choices for people to work for longer, the Government needs to take measures directly to help people build up the pensions that they want. People will only save if they have confidence that when they have done so the pension will be there when they need it. The Pension Protection Fund and the new proactive Pension Regulator will play a crucial role in this respect. Other reforms to tax and regulation are needed to ensure that the system is as simple as possible for employers who want to get on and run good schemes. And through our informed choice programme we are empowering people to take control of their retirement planning.

26. These programmes will go a long way towards helping us meet the future challenge in pensions that we know that we must face. Further changes may be needed as well, in particular to take account of the issues facing women. Any changes must be developed on the basis of the evidence, in tandem with the evolving thinking of the Pension Commission, and must be grounded on clear principles. We will come forward with the principles which will underpin the reform of pensions.

27. For today's pensioners we will continue to tackle poverty and provide financial security. We will help older people to live more independently through delivering the state financial support to which they are entitled. In particular, we are:

- committed to helping the poorest pensioners through increasing take-up of Pension Credit with increases linked to earnings. Pension Credit provides a reward for those with modest savings

for the first time. By 2008, 2.2 million of the poorest pensioners will be in receipt of the guarantee element, which will be increased in line with earnings. We will develop steps to make payments of Pension Credit more automatic;

- continuing to support pensioners through specific benefits such as the Winter Fuel Payment and free television licences for the over 75s;
- developing Joint Teams with local authorities to provide the best possible service to our customers. We are enabling partners to verify supporting information for a claim. We are awarding Partnership Funds to voluntary organisations to boost take-up; and
- working across government to develop a wider strategy to support independence and well-being in an ageing society.

Delivering a better service to the public

28. As a department we have over 20 million customers. We make 13 million payments every week and help nearly 5,000 people into work every day. Our customers are often the most vulnerable in society, who need help, support and advice from our committed staff. To ensure that we serve our customers' changing individual needs and the taxpayer in the best way possible, we will continue to modernise the way we deliver our services and respond to changing individual needs.

29. Our approach is to:

- working with other organisations, understand our customers and tailor our support to their needs, taking account of the fact that some of our customers require more intensive support than others;
- pull together enhanced longitudinal data to enable us better to identify people who might be missing out on their entitlement, and to cut through unnecessary form-filling;

- support our committed and skilled staff, who are our most important asset;
- transform our operations to be as effective and efficient as possible. We will drive up efficiency through organisations streamlining, better processes linked to improved IT support, and reducing performance variations. We will strengthen our efforts to reduce fraud and error; and
- maintain existing performance levels while losing net 30,000 posts in the period to 2008.

Conclusion

30. We are at a crucial point in the history of the welfare state. Through our reforms we have already lifted 2.1 million children and 1.8 million pensioners out of absolute poverty; and with more people employed than ever before we are on the verge of achieving our initial aspiration of three-quarters of the working-age population in work.

31. We must build on these foundations but we must go further in moving to an opportunity society. Achieving our new aspiration of an equivalent to 80 per cent employment rate could mean reducing the number of claimants of incapacity benefits by as many as 1 million and lone parents on benefit by 300,000 by getting them the support they need to return to work. Traditional barriers, whether physical or discriminatory, must be broken down so that all individuals – regardless of age, physical capacity or background – are empowered to fulfil their potential.

32. This new vision of an opportunity society will support all individuals to have longer, active lives and empower them to provide for themselves, their children and their future retirement.

33. Opportunity and security throughout life is our ambition for all – and this Strategy sets out the next stages in how we aim to realise this vision.

Opportunity and security throughout life

Introduction

Opportunity and independence for all

Mission statement

The Department for Work and Pensions exists to promote **opportunity and independence for all**. We provide help to individuals and support the country's economic growth and social cohesion.

The Department **helps individuals** to achieve their potential through employment, to provide for themselves, their children and their future retirement. We work with others to combat **poverty**, both of aspiration and outcome.

Introduction

1. The Government is committed to achieving a fairer, more inclusive society where nobody is held back by disadvantage or lack of opportunity. We are taking forward a programme of reform, aiming to:

- ensure the best start for all children and end child poverty by 2020;
- promote work as the best form of welfare for people of working age, while protecting the position of those in greatest need;
- combat poverty and promote security and independence in retirement for today's and tomorrow's pensioners;
- improve rights and opportunities for disabled people in a fair and inclusive society; and

- ensure customers receive a high-quality customer service, including high levels of accuracy.

2. For most people, work is the best way to achieve economic independence, prosperity and personal fulfilment. Employment opportunity for all is a precondition for a fair society; social justice and full employment go hand in hand. Getting people into work reduces the risk that their children live in poverty through raising incomes and aspirations, while having a strong work history is the best way to ensure security in retirement. We must provide decent support for those who cannot work.

At the heart of our approach is employment opportunity for all, with security for those who cannot work.

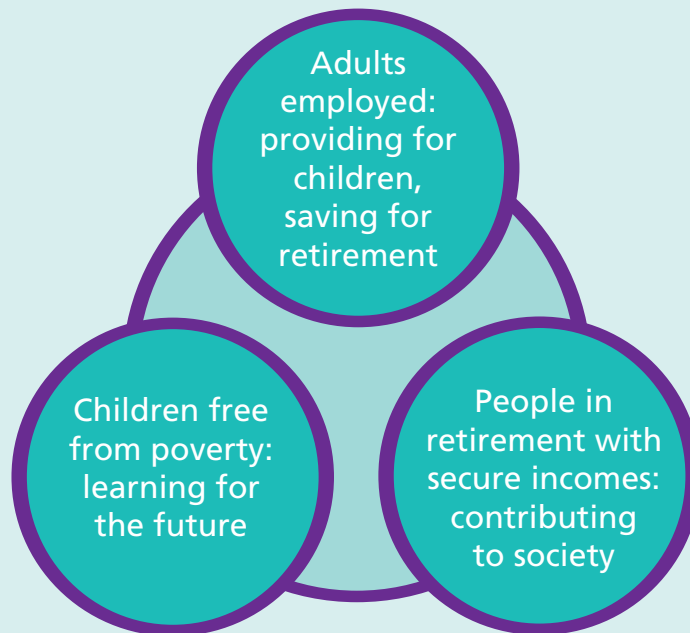
3. Poverty and worklessness are problems in themselves, but it is the way they reinforce one another and multiply the barriers for the individual that make them such complex issues to tackle. For example:

- where parents, particularly lone parents, are out of work for prolonged periods, it leads to poverty for their children;

- childhood poverty is a predictor of negative adult outcomes, including inactivity and unemployment; and
- a pensioner's retirement income is determined by patterns of working and saving during their working life.

The challenges are more severe for some groups than others. Disabled people face particular challenges at all stages in the life cycle.

Figure 1: The life cycle diagram



Equality for disabled people supports successful outcomes at each stage in the life cycle.

4. These ambitions represent sound economics. Effective labour market policy boosts output and contributes to a more successful economy. This enables us to support an ageing population. As well as boosting overall output, our policies can ensure that the extra wealth is fairly shared by making sure more people enjoy the benefits of a regular wage. Our economy should not lose out on the human potential of those marginalised from the labour market, especially as their experiences of poverty will impact on future generations.

5. To deliver our ambitions, we are developing a new relationship between all stakeholders in society: individuals, employers and the Government. This new contract is about balanced rights and responsibilities, active support (not just benefits), and services tailored to the individual. The modern welfare state will help people as they seek work, support their children and plan for their retirement. However, in return people are expected to take advantage of the opportunities available to them.

6. This Strategy, which sets out the Government's policy priorities for the Department for Work and Pensions over the next five years, will be financed within available resources. Future resources will be determined in the normal way.

Achievements since 1997 – Building on macro-economic stability

- 2 million more people in work than in 1997.
- Best combination of employment and unemployment figures of the G7 major industrialised countries.
- 700,000 fewer children in relative poverty.
- More than 50 per cent of lone parents in employment for the first time.
- Numbers on incapacity benefits stabilised, after having trebled between 1979 and 1997.
- More than 50 per cent of disabled people in employment for the first time.
- One of the best health and safety systems in the world.
- Over 6 million more people accruing second-tier pension.
- Pensioners in absolute poverty down by two-thirds, or 1.8 million.
- New legislation to give full civil rights to disabled people.
- Labour market policies extended from the unemployed to all those economically inactive through the new Jobcentre Plus service, which provides integrated employment and benefits advice tailored to specific customer groups.
- The Pension Service now provides the first ever dedicated public service specifically for today's pensioners, and a source of valuable financial advice for those saving for retirement.
- Fraud halved in Income Support and Jobseeker's Allowance.

We have been able to commit significantly greater resources to reducing child poverty and pensioner poverty. We have done this while reducing expenditure on unemployment-related benefits by £5 billion since 1997. Overall, this has helped to ensure that the proportion of social security spending as a share of Gross Domestic Product (GDP) has been contained. Including tax credits, welfare spending has declined from 12.3 per cent of GDP in 1997 to 11.6 per cent today.



Chapter One

Facing the future

Key future trends

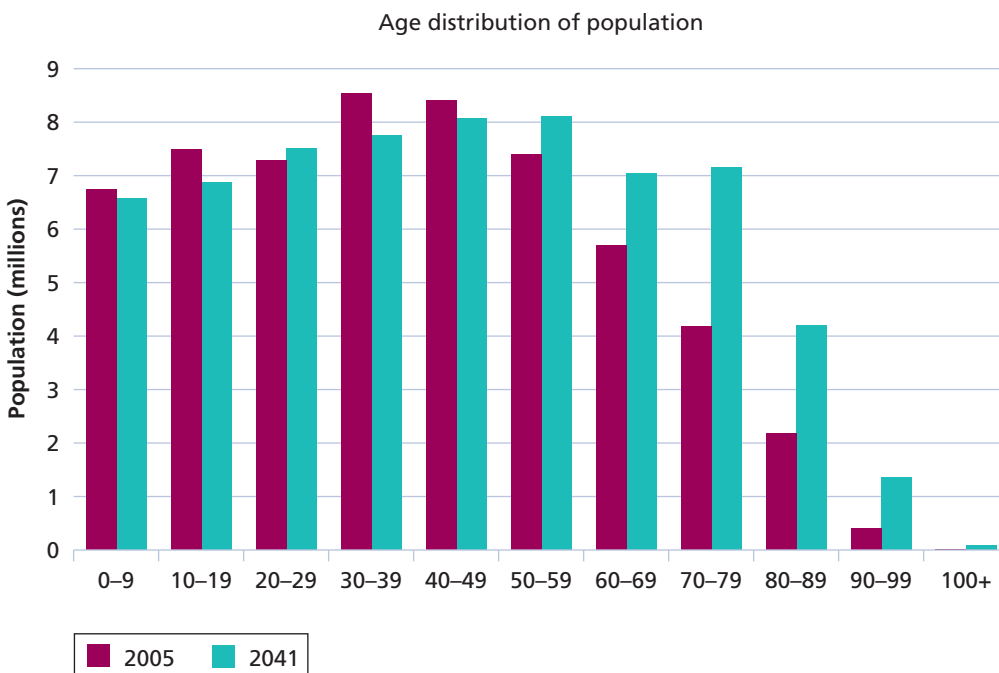
- People are living longer – something to be celebrated – but this has implications which will need to be addressed.
- The importance for the success of our economy and labour market of skills and education will continue to increase. We want to ensure that all sections of society, including those who live in pockets of poverty, benefit from economic change.
- Society is becoming more diverse. Citizens as individuals are becoming more demanding of public services (in terms of quality and value for money).

Ageing society

1. People are living longer than in previous generations. As a result, the Government Actuary's Department estimates that the number of people aged 65 and over will rise from 16 per cent of the population in 2005 to 25 per cent in 2041. Over the same period, the proportion of the population aged 16–64 will fall from 65 per cent to 58 per cent.

2. There will be more pensioners and particularly more older pensioners. Current life expectancy at age 65 is a further 19 years for men and 22 years for women. In 2005, people aged 75 or over represent 7.7 per cent of the population. By 2041, the Government Actuary's Department estimates

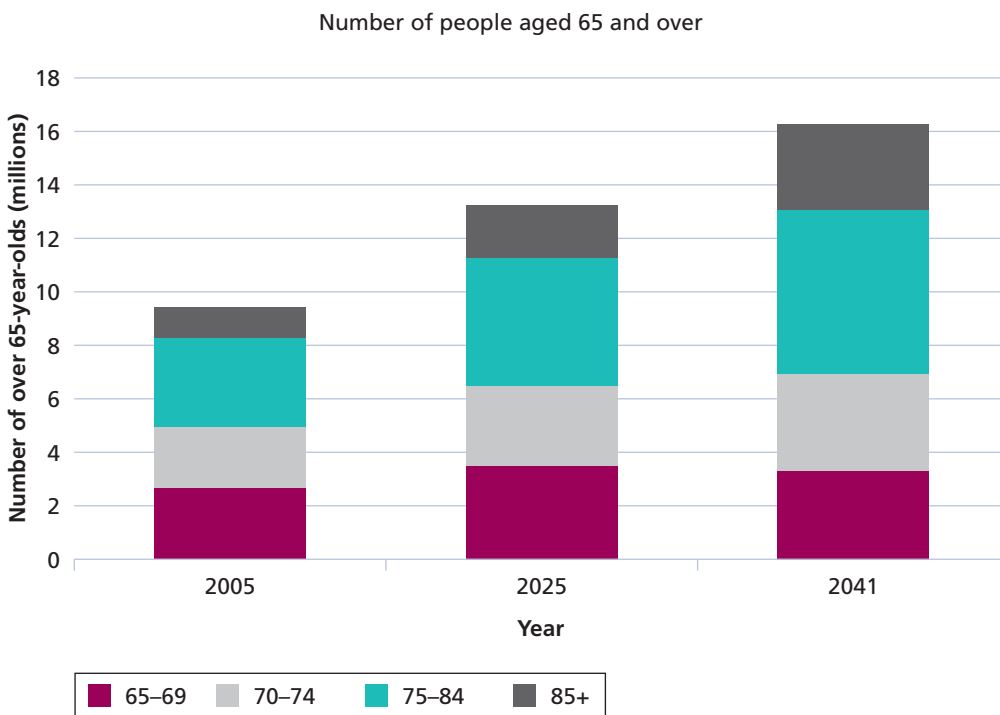
Figure 2: The structure of the population is changing³



³ Government Actuary's Department principal 2003-based Great Britain projections.



Figure 3: More pensioners and older pensioners⁴



that this will have risen to 14 per cent. By 2025, more than half of pensioners will be aged 75 or over.⁵

Increased opportunities alongside local deprivation

3. Technological change, increased competition inside the UK and internationally, and greater international trade have all helped to make Britain more prosperous. A key recent development has been the enlargement of the European Union. Ten countries joined the European Union in 2004, two more are likely to join in 2007 and other countries are potential entrants in the longer term. This will consolidate political and economic stability in

Europe and expand opportunities both for the new member states and also for the UK.

4. In 2005 the UK, during its Presidency of the European Union and the G8 group of major industrialised countries, will try to take advantage of these opportunities by promoting policies aimed at increasing employment growth. The UK plans to highlight the importance of active policies delivered through a modern public employment service. This will be a key element in the mid-term review of the European Union’s progress towards achievement of the Lisbon strategic objective of being ‘the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion’ by 2010.

⁴ Government Actuary’s Department principal 2003-based Great Britain projections

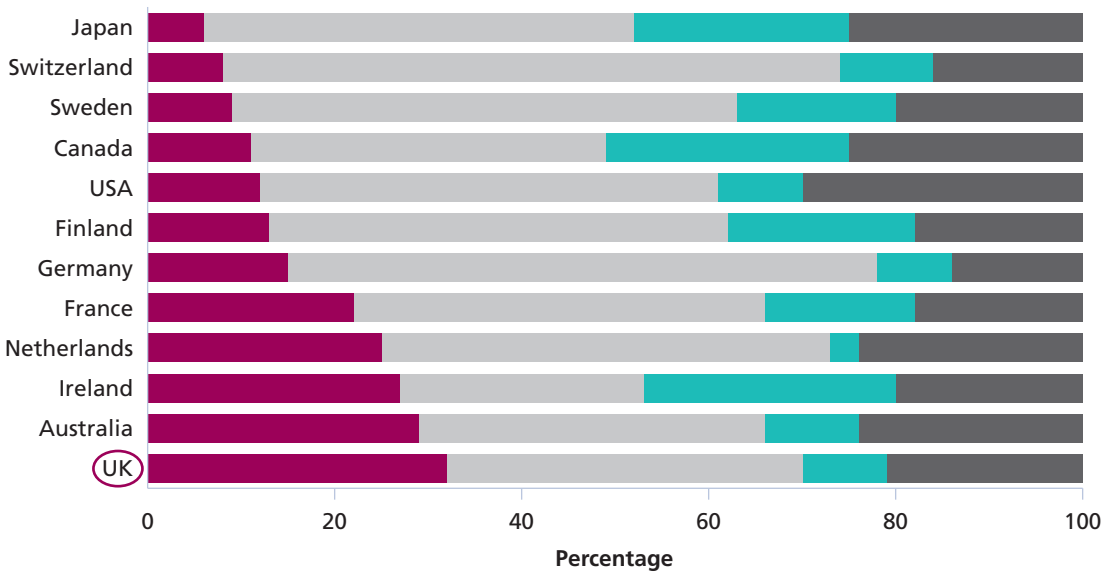
⁵ Calculations based on principal 2003-based Government Actuary’s Department population projections.

5. While we have much to look forward to, we need to ensure that communities and individuals are not excluded from the benefits of economic change and left behind in an increasingly competitive international economy. Over the past two decades, there has been a sharp rise in the skill premium, increasing the importance of education

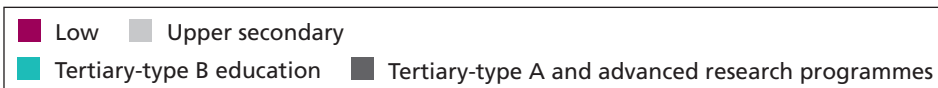
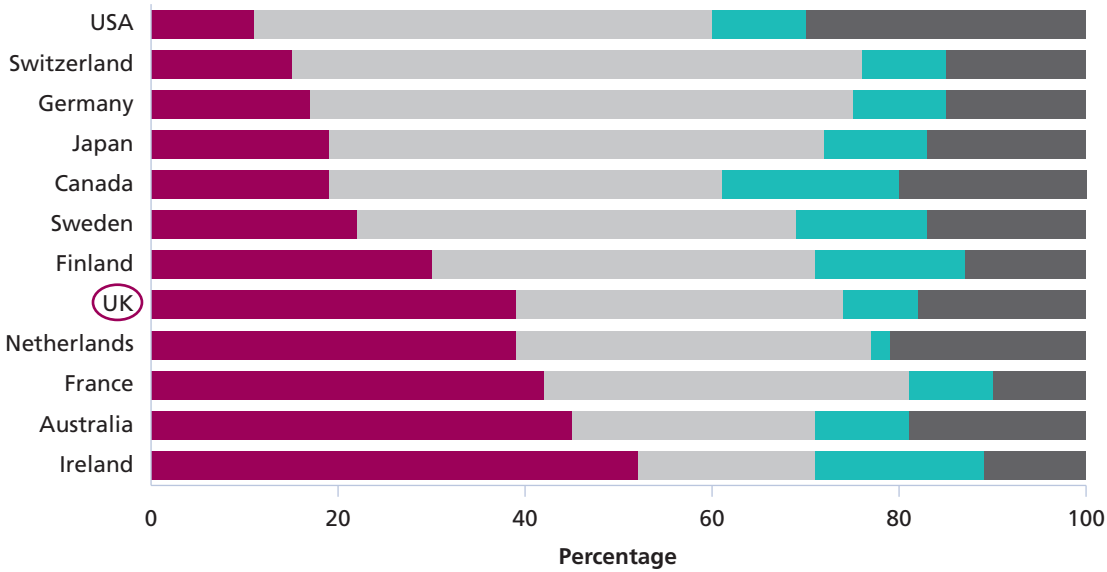
and skills. However, as Figure 4 shows, Britain has a legacy of large numbers of adults with low educational attainment. Ensuring that everyone – not just those leaving school now, but those already in the workforce – is equipped with the skills and education they need to succeed in the labour market will be crucial to our continued success.

Figure 4: Educational attainment of the adult population, 2001⁶

Population aged 25–34 years

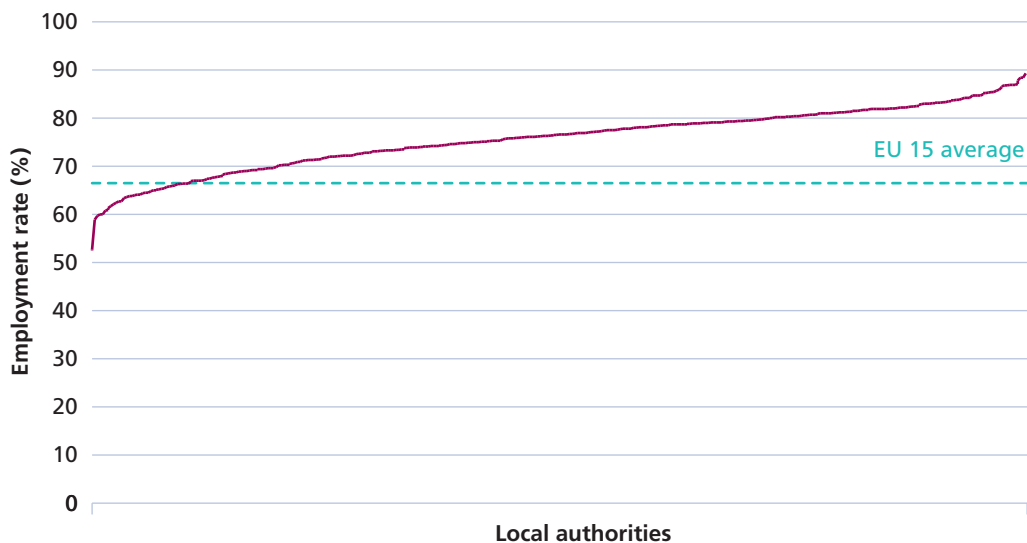


Population aged 45–54 years



⁶ Source: OECD, *Education at a Glance* (2003); 'Low' comprises persons having primary school, lower secondary school or ISCED 3C short programmes as their only formal qualification; upper secondary includes also post secondary non tertiary programmes.

Figure 5: Local authority employment rate ranked from lowest to highest employment rate⁷



6. Also, while it is true that employment is high across the UK, and all parts of the country have benefited since 1997, there still remain a few areas with low employment. Figure 5 shows that while over 90 per cent of local authorities have an employment rate above the EU average there is still a small minority below that average. There is therefore still more to do. Most of the communities where relatively few of the residents are working are in the great cities. Here the problem is not a shortage of available jobs; the challenge is connecting people with those jobs. We will also need to combat discrimination, in all its forms, which prevents individuals from fulfilling their potential.

Society is becoming more diverse and expectations of service standards are increasing

7. Household formation is more **diverse**, the continuation of a long-term trend. The traditional family unit of a man and a woman with dependent children is much less common than in 1971: this traditional family unit accounts for 23 per cent of households, against 35 per cent in 1971. Almost half of all households (46 per cent) are **not** headed by a couple.⁸

8. Information technology changes consumer patterns. People are able to shop around more, using the internet for advice and to search for different products and services.⁹ For organisations, the technology provides opportunity to do some activities more cheaply. It also means that organisations can assemble and analyse data on their customers more easily, to provide services tailor-made for them. This provides opportunities to be proactive and contact potential customers. Consumers will come to expect this.

9. People increasingly see themselves as consumers of public services. Citizens expect to be treated as individuals in their dealings with the State and are demanding better service, value for money, and clear, personally-tailored communications.

⁷ Source: Local Area Labour Force Survey 2002.

⁸ Social Trends 34 (Office for National Statistics, 2004).

⁹ 79 per cent of those who access the internet for personal use, use it to find out about goods and services; Office for National Statistics (www.statistics.gov.uk/StatBase/xsdataset.asp?vlnk=4089&Pos=&ColRank=1&Rank=272).

Figure 6: Household formation is more diverse – there is a declining proportion of ‘traditional’ households¹⁰

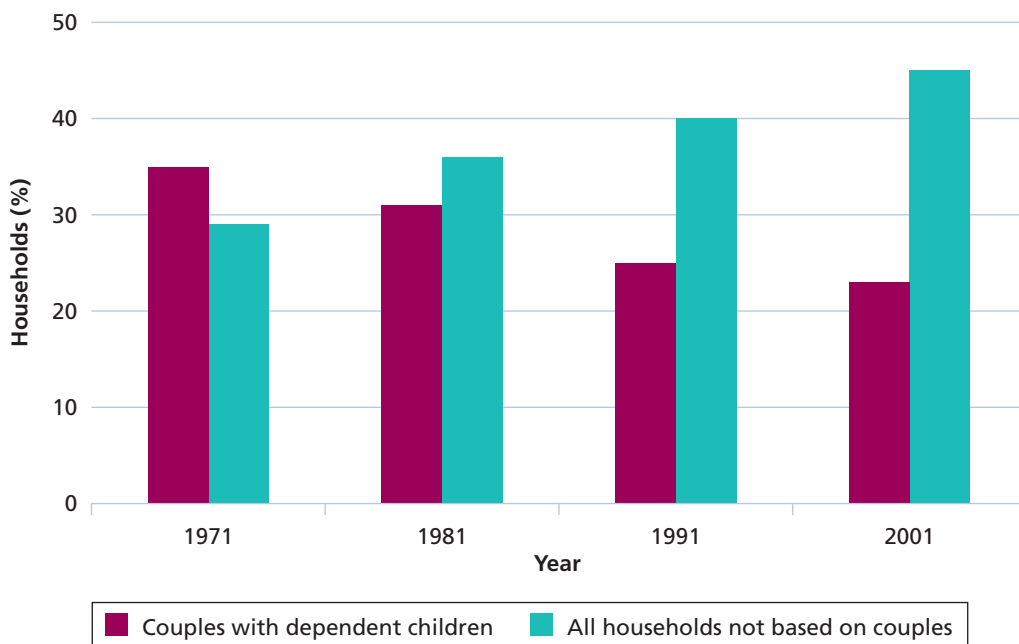
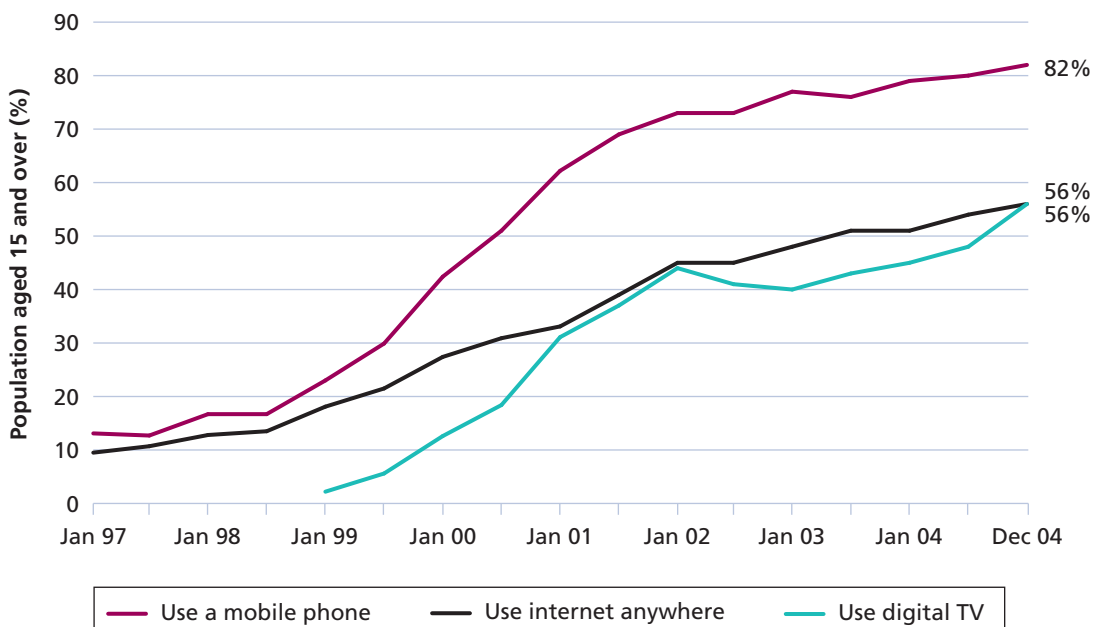


Figure 7: Use of selected technologies, January 1997 – December 2004¹¹



10 Social Trends 34 (Office for National Statistics, 2004).

11 MORI technology tracker (www.mori.com/emori/tracker.shtml).

What this means

Despite the success of recent years we have to face up to the strategic challenge of a society that is ageing, that has ever higher expectations and that exists in an increasingly open and competitive global economy. To rise to that challenge we need long-term stable policies that look across the life cycle, which complement each other and which are based on a set of clear principles.

Our principles are to:

- support families and children;
- have more people in work choosing to work longer and save more; and
- provide security and dignity in retirement.

We recognise that disabled people face particular challenges. We have a responsibility to ensure that disabled people have better rights and opportunities.

Chapter Two

More people in work

More people are employed than ever before – 2 million more than in 1997. We are on the verge of achieving our initial aspiration of having at least 75 per cent of the working-age population in work. The next stage will be even more stretching with a **long-term aspiration of moving towards an employment rate equivalent to 80 per cent of the working-age population** – a rate beyond any we have ever seen. This is a modern vision of full employment and it involves helping more people into work, including those outside the traditional definition of unemployment, and enabling people to work for longer. This will help us support an ageing population.

In order to extend employment opportunity to everyone, we will:

- complete the roll-out of Jobcentre Plus, which provides employment support, regardless of the benefit that the person is receiving;
- further develop our employment policies for groups traditionally defined as being outside the labour market. Those raising children, especially lone parents (Chapter Three), people on incapacity benefits (Chapter Four) and older workers (Chapter Five) must be supported in their desire to work;
- ensure people from ethnic minorities and from the poorest areas benefit from economic growth;
- support people with low skills to enter the labour market; and
- improve the benefits system to provide the right incentives, for example reforming Housing Benefit to empower individuals, and improve work incentives.

Introduction

10. Our objective is to achieve employment opportunity for all through high and stable growth and by providing people with effective help to find work. Before 1997 the UK economy was prone to large fluctuations in output and inflation, causing uncertainty for firms and individuals alike and damaging the economy's long-term growth potential. During this cycle of boom and bust, unemployment topped 3 million, long-term youth unemployment hit 300,000, and the numbers on incapacity benefits trebled. The social and economic cost of millions unable to work and fulfil their potential, combined with the costs of higher numbers reliant on benefits, meant welfare to work reform was a priority in 1997.

11. Since 1997 the Government has delivered macroeconomic stability, invested in active labour market policies, developed tax and benefit reforms to ensure that work pays, invested in skills and delivered a flexible labour market. This has helped to reduce the costs of economic failure. The Government spends £5 billion less on unemployment-related benefits than in 1997.

The New Deal

12. Since 1997, our investment in active labour market policies has achieved significant results, felt right across the country. The New Deals focus on what the individual needs in order to get a job and have helped over 1 million people into jobs.

- **New Deal for Young People** – since being launched in 1998, the programme has supported over 535,000 young people into jobs.

- **New Deal 25 Plus** – since being launched in 1998, the programme has so far supported over 204,000 people into work.
- **New Deal for Lone Parents** – over 296,000 lone parents have found work through the programme since 1998.
- **New Deal 50 Plus** – since it was introduced in April 2000, we estimate that in the region of 150,000 jobs have been gained through the programme.
- **New Deal for Disabled People** – the programme supported over 46,000 disabled people into work between July 2001 and September 2004.
- **New Deal for Partners** – this is a smaller programme, which has supported approximately 2,000 people into work since 1999. It was extended in 2004.

Jobcentre Plus

13. We have also revolutionised the way work and benefits support is delivered through the new Jobcentre Plus network. For the first time, getting benefits has been combined with a strong work

focus. Everyone has a personal adviser who offers tailored support and ensures that individuals meet their responsibilities to look for work in return for receipt of benefit. This approach is about a new relationship between the citizen and the welfare state: a relationship that is active not passive, about responsibilities not just rights, support not just benefit, and individual services not just lumping people together.

14. The establishment of Jobcentre Plus is a unique change, and provides the platform on which we can increase our support for all regardless of which benefit they receive, particularly for those who are economically inactive and on benefit, such as lone parents and those on incapacity benefits. We have opened over 500 new Jobcentre Plus offices integrating benefit payment with help in finding work.

The result

15. As a result of this investment and reform, the UK now has one of the strongest labour markets in the world: with more people in work than ever before; one of the highest employment rates in our history, 2 million more than in 1997; and the best combination of employment and unemployment among the G7 major industrialised countries (Figures 8 and 9).

Figure 8: Falling unemployment, rising overall employment¹²

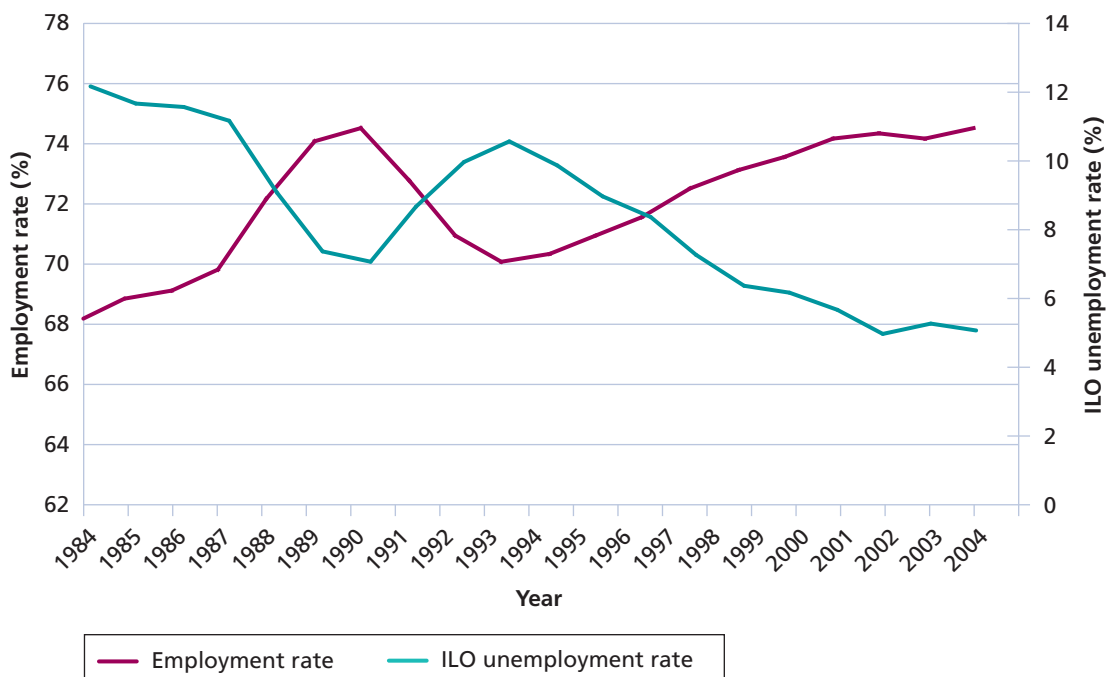
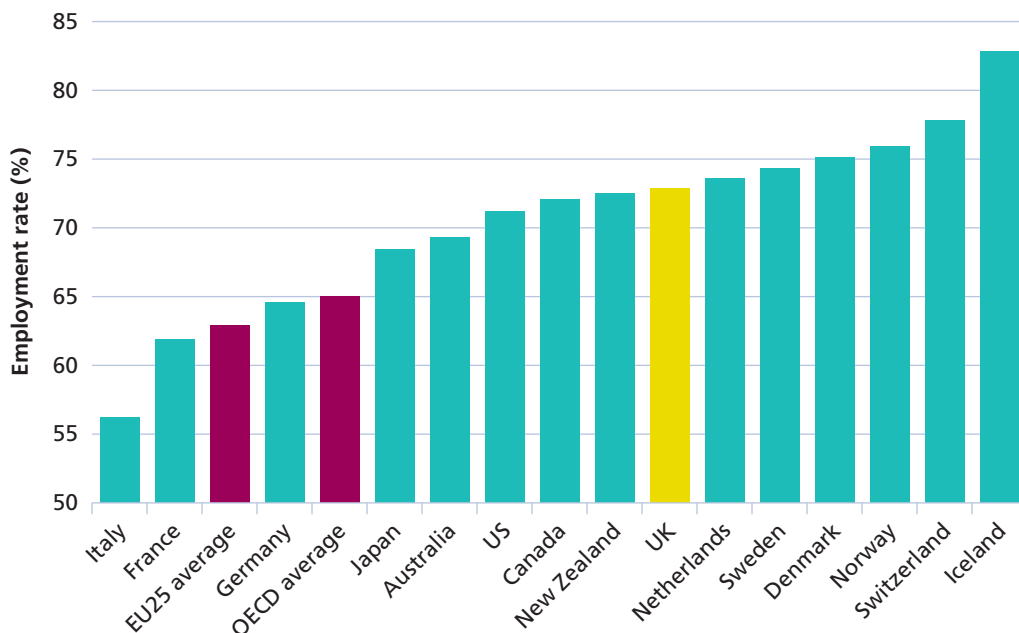


Figure 9: Employment rates in comparison with the UK¹³



12 Source: Labour Force Survey, May–July 1997 to February–April 2004, aged 16 to State Pension age (latest available data).

13 Source: OECD (2004) and Eurostat (2004). Figures relate to persons aged 15–64 (2003) except UK, US, Sweden, Iceland and Norway (16–64) and Iceland (2002).

16. Furthermore:

- **The fall in the number of people on out-of-work benefits is approaching 1 million.** In August 1997 there were 5.47 million people of working age claiming out-of-work benefits. In August 2004 there were 4.52 million.
- **Youth long-term claimant unemployment has been virtually eradicated.** The UK currently has just 6,600 young people aged 18–24 who have been unemployed for a year or more, compared with more than 300,000 at the peak in the mid-1980s.
- **Adult long-term unemployment has been reduced by around 75 per cent since 1997.** There are now 121,100 adults who have been unemployed for a year or more, compared with 1 million at the peak in the mid-1980s.
- **Lone parent employment is over 50 per cent for the first time ever.** There are now nearly 1 million lone parents in work, while the number of lone parents claiming Income Support has fallen by 20 per cent over this period.
- **The numbers on incapacity benefits have now peaked.** The total number of people claiming incapacity benefits has peaked after two decades of substantial growth. More is being done to help people in the *Pathways to Work* pilots.
- **The number of women in work has risen by 1 million since 1997.** There are more women in work than ever before, and at 70 per cent the UK has one of the highest female employment rates in the world. Since 1997 the gap between the male and female employment rates has narrowed by 1.2 percentage points.

The next step – an aspiration of an employment rate equivalent to 80 per cent

17. When we have reached the milestone of having at least 75 per cent of the population of working age in work – not just in one year, but year on year – we will not stop. We are determined to

go much further and will set a new aspiration of moving towards the equivalent of 80 per cent of the working-age population in work.

To make work possible for more people and to eliminate pockets of marginalisation, we will create an opportunity society not just for people who are traditionally considered to be part of the workforce but for all adults.

Employment opportunity for all: definition of the aspiration of an employment rate of the equivalent of 80 per cent of the working-age population in work

- The Government is committed to high and stable levels of growth and employment in order to deliver employment opportunity for all – the modern definition of full employment. We have previously set out our long-term employment ambition:

By the end of the decade, there will be a higher proportion of people in work than ever before, on a sustainable basis.¹⁴

- We have now largely met this ambition, with working-age (16–59/64) employment now within a whisker of 75 per cent; youth (18–24-year-olds) long-term claimant unemployment (one year and over) virtually eradicated; and overall long-term claimant unemployment down to fewer than 130,000 – 10 per cent of the peak of 1.3 million reached in 1986.
- However, there are economic and social imperatives to go further. Increasing the employment rate will help to support an ageing society. It would also provide the opportunity to promote the fairness agenda by helping more people from welfare to work and increasing the employment rates of disadvantaged groups and areas. It is, therefore, time to move towards a raised aspiration of high and fair levels of employment.
- The forthcoming equalisation of the State Pension age and the increasing number of people who choose to work past the State Pension age means that we need to consider whether the current definition of the employment rate will remain the most appropriate for the future.

¹⁴ *The Changing Welfare State: Employment Opportunity for All*, DWP, November 2001.

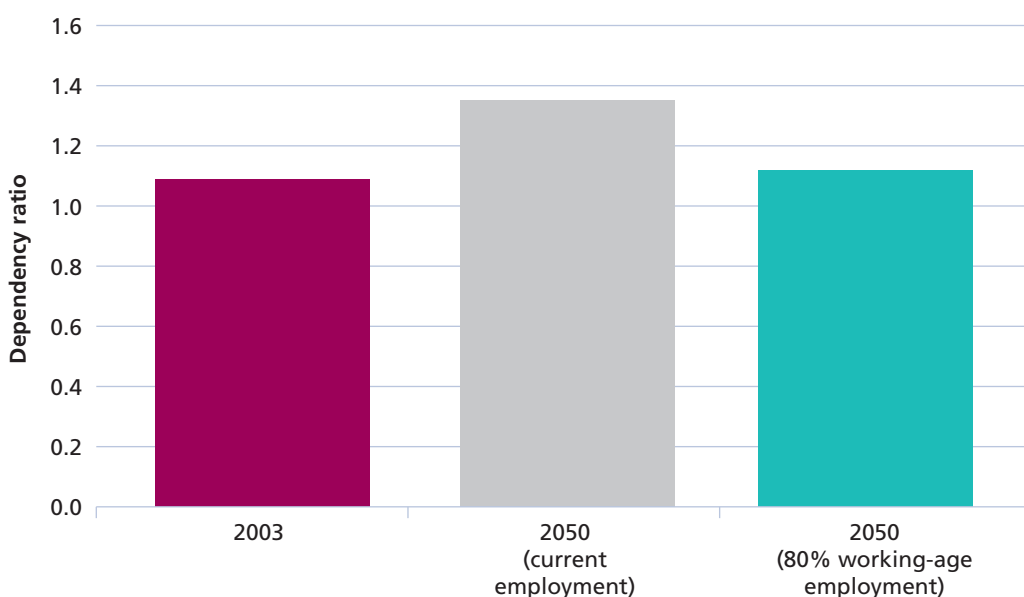
- The equalisation of the State Pension age will see the definition of working age in the UK change from 16–59 for women and 16–64 for men to 16–64 for all by 2020. Reflecting this change in the employment rate statistics would bring the UK into line with international practice. The working-age employment rate on this basis is 73.1 per cent rather than 74.7 per cent.
- We also need to recognise that there are already 1 million people above the current State Pension age in work (including around half a million people aged 65 or over). This trend will continue as we seek to promote employment opportunities among those close to or above the State Pension age.

We propose to engage with the Office for National Statistics and other key stakeholders in order to review the current definition of the employment rate and to set out proposals subsequently for defining progress towards our aspiration of an 80 per cent employment rate.

18. The potential impact of a higher employment rate on economic dependency is significant, though the precise impact depends on how this is measured. If we adopt the broadest measure possible – the ratio of non-workers to workers – an employment rate equivalent to 80 per cent of the working-age population would virtually fully offset the rise in the dependency ratio between now and 2050. This is shown in Figure 10.

19. Achieving an overall employment rate of 80 per cent would smash all existing records. We estimate that to achieve 80 per cent we will need to help another 2.5 million people into work. Because of the success in reducing unemployment since 1997, the majority of people not in employment are economically inactive as distinct from the traditionally defined unemployed. They are therefore further away from the labour market. This does not mean that they do not want to or cannot work – given the right specialised and tailored support many can and want to.

Figure 10: Impact of higher employment on UK dependency ratio (non-workers compared with workers)¹⁵



¹⁵ Source: DWP estimates, based on Government Actuary's Department principal 2003-based projections.

20. We are learning from the experiences of other countries which have higher employment rates than our own. Sweden is one of the few industrial countries with a higher female employment rate than us. Sweden has a particularly good childcare system and we believe that our ambitious plans to extend childcare will encourage more married women and lone parents into work, and thereby boost the overall employment rate.

21. The rest of this chapter sets out our plans to extend the support offered by Jobcentre Plus and the New Deal, prevent exclusion from the labour market, bring down barriers that stop people working, and equip people to progress once they have a job. In the following chapters we set out what achieving our employment rate equivalent to 80 per cent could mean for specific groups.

- Chapter Three sets out our plans to help 300,000 lone parents into work.
- Chapter Four outlines our further steps to achieve our long-term aspiration of reducing the number of incapacity benefits claimants by as many as 1 million by helping more people to move from benefit into work.
- Chapter Five identifies the right of older workers to continue working if they want to and how government and society can help.

Completing the roll-out of Jobcentre Plus

22. We will complete the roll-out of the Jobcentre Plus network across Great Britain in 2006 and tailor – even more closely – help to the individual. Jobcentre Plus will continue to work in partnership with thousands of not-for-profit and private sector organisations to deliver its objectives, in particular in helping customers to address their barriers to work. This will be done in our new modern offices where clients are treated with respect.

23. Jobcentre Plus has established an account management structure to serve employers. It is now developing targeted long-term strategic relationships with key employers, private recruitment bodies and diversity bodies.

Building on New Deal

24. We will also extend the successful New Deal so that we tailor the support we give people. Our ‘Building on New Deal’ approach will:

- replace current employment programme provision with a wide range of modular provision that caters for all client groups, so that individuals can access training and support tailored to their needs;
- build on existing specialist support for the most disadvantaged; and
- devolve more power to Jobcentre Plus district managers and personal advisers to choose provision to meet local and individual requirements and allow them to work imaginatively with local partners.

We will test the delivery of our new services in prototype areas, beginning in late 2005, with roll-out across the country at a later date.

Preventing exclusion from the labour market

25. We are determined to ensure that no one is excluded from the labour market through disadvantage. There remain discrete groups that have higher rates of unemployment than most, and we will further develop our labour market support to tackle the particular problems they face.

Ethnic minorities

26. The ethnic minority employment rate is rising, and the gap with the overall population is narrowing. Latest data¹⁶ show that the ethnic minority employment rate has risen by 1.8 percentage points since spring 2003,¹⁷ but at 59.6 per cent is still far too low and 15.3 percentage points lower than the overall employment rate. The ethnic minority employment rate increase represents around 60,000 more ethnic minority people in employment, in terms of the current working-age population.

27. Our strategy is underpinned by a Public Service Agreement target to raise the ethnic minority employment rate, and narrow the gap between the ethnic minority employment rate and the overall rate. Ethnic minorities are hugely diverse and a large part of our response must be to increase flexibility to tailor programmes to the needs of particular minorities in particular areas.

Paula Vika's story

Paula Vika arrived in the UK from Angola in 1999. She has won a prestigious Prince's Trust East of England award for setting up her own hairdressing business named Hair Design. When Paula arrived in the UK she visited Great Yarmouth Jobcentre. Tom Adams, a New Deal for Lone Parents adviser, referred her to Great Yarmouth College to study IT as well as English and Spanish-language speaking courses.



Once Paula had joined the New Deal for Lone Parents programme, she took further courses recommended to her by Tom. He also referred her to Norfolk and Waveney Enterprise Services where she was supported by The Prince's Trust. Paula's business was soon established and now her business is running from the Fitness Exchange – part of the modern Norwich Riverside complex. She has taken on an employee and is looking at taking on people who wish to gain work experience.

Image (by Rankin) is part of a photographic exhibition currently touring the UK. The exhibition documents 21 exceptional stories that celebrate 21 years of young people who have overcome barriers to start up in business with The Prince's Trust. Supported by the RBS Group.

28. We will champion a cross-government strategy through the Ethnic Minority Employment Task Force to tackle the main factors in ethnic minority employment disadvantage. We will also:

- focus resources in areas of high unemployment with higher numbers of ethnic minorities;
- increase flexibility to allow managers to develop local responses to the needs of particular ethnic minority groups, for example through the Ethnic Minority Flexible Fund. From spring 2004, district managers have had access to this £8 million fund, which allows them to use their local knowledge to implement ideas to resolve some of the issues preventing ethnic minority people from finding work;
- increase Jobcentre Plus' capacity to tackle employer discrimination and promote the recruitment of ethnic minorities, for example through specialist employment advisers;
- following the Budget announcement in 2004, work with employers and other local stakeholders through the 'Fair Cities' initiative to develop local strategies to tackle ethnic minority worklessness; and
- find ways to get our message through to people who, for whatever reason, are out of the loop of current employment help.

29. We also recognise the need to ensure that New Deal and other mainstream labour market and enterprise support meet the needs of ethnic minority clients, and that proper lessons are learnt from targeted initiatives. The National Employment Panel, working with the Ethnic Minority Business Forum, will report by Budget 2005 on measures to encourage employment, self-employment and the growth of small business for ethnic and faith minority groups.

¹⁶ Four-quarter average autumn 2004.

¹⁷ Baseline for our Public Service Agreement.

People in disadvantaged areas

30. The UK has high employment across the country. Yet, despite having one of the best labour markets in the world and one of the highest employment rates ever, there are pockets of deprivation where worklessness continues to be a substantial barrier to social inclusion. These pockets of deprivation, which often cover an area smaller than a local authority district (LAD), exist side by side with areas of affluence. From 2005 we will move our focus from the 30 most disadvantaged local authority areas to 903 individual wards to ensure that effort is more effectively targeted at the greatest deprivation.

31. Our strategy is threefold:

- Firstly, we seek to evolve national programmes to meet the needs of deprived areas more effectively. Residents of deprived areas are more likely in any event to benefit from programmes such as the New Deals.
- Secondly, we are using specific programmes to seek new ways of addressing area-based disadvantage in the labour market. In particular, Employment Zones, Action Teams for Jobs and the Working Neighbourhoods pilots are developing new approaches to reach and help local residents who are not in work.
- Thirdly, partnership working is key to rebuilding deprived communities. We are working at local level to build partnerships that will develop local solutions to problems, extending the reach of our programmes and identifying new ways of bringing together funding from a wide range of budgets, for example through local area agreements.

Particularly disadvantaged groups

32. We will continue to develop additional support targeted at those with specific or multiple needs and where only joined-up interventions across a number of departments and agencies are likely to be effective: ex-offenders, those with drug or alcohol problems, the homeless, and refugees. We will develop a national strategy for these 'most disadvantaged' groups, supported by local delivery plans, to ensure that these groups increasingly benefit from our welfare to work policies.

Removing barriers to work in the benefits system

33. We are committed to addressing the potential barriers for people seeking to enter the labour market. These include complexity and financial disincentives. We will make work possible, and we also need to make work pay.

Housing Benefit

Anxiety, born of uncertainty and processing delays, is a big deterrent to taking up employment. The new Local Housing Allowance is helping to remove this barrier.

34. Work incentives in the tax and benefit system have been improved, but the current structure and operation of Housing Benefit can still be a disincentive to work. Anxiety, born of uncertainty and processing delays, is a big deterrent to taking up employment. Social housing tenants depend on Housing Benefit and are disproportionately likely to experience further disadvantage.

35. The new flat-rate Local Housing Allowance promotes personal responsibility and choice by allowing tenants to choose how much of their income to spend on housing, and by paying the allowance direct to the tenant rather than to the landlord. The reformed system is simpler, with no need for rent officers to assess the individual property, a process that can cause delays. Where tenants are able to find accommodation that is

cheaper than their Local Housing Allowance entitlement, they keep the difference. The reformed scheme has been implemented for private sector tenants in nine local authorities starting between November 2003 and February 2004. We will extend the Local Housing Allowance to all tenants in the mainstream private rental sector by March 2008, informed by the evaluation of the current pathfinder areas.

36. We will also introduce pilots to test out the development of a Local Housing Allowance for tenants in housing association and council properties. We want to extend the same opportunities for people to make choices about their housing, and to simplify the current system. We recognise that conditions are different from the private rented sector (especially in London) and so we need to proceed carefully, working closely with key stakeholders in the social rented sector.

37. Alongside the Local Housing Allowance, we are implementing a package of simplification measures, aimed at stripping out complexities in the Housing Benefit rules and at achieving alignment with other forms of support. We also wish to overcome the disincentives to work faced by families who have experienced homelessness. We are considering testing new approaches with households in temporary accommodation so that high rents in the private sector do not create disincentives to work for those on Housing Benefit. In taking this forward we will make sure that the system as a whole fully protects the disposable income of these in temporary accommodation.

38. We are continuing to work with local authorities to improve the administration of Housing Benefit. The average time taken to process a new claim has improved by nearly two weeks since 2000/01. The most significant improvements have been in those authorities which previously had the poorest performance. Further improvements will be secured as Jobcentre Plus and The Pension Service develop ways of gathering information from customers in support of Housing Benefit claims, and sending this to the local authority. We are developing modernised methods of data exchange between the Department and local authorities, using web-based technology.

Complexity

39. We are exploring and developing ways to simplify benefits while continuing to protect social security expenditure. We want to ensure that they provide the best support for helping people into work while protecting the position of those in greatest need. We want to improve the financial incentives to work for some groups, to strengthen the incentives to seek work, and to save for retirement for all groups. We are looking at the interaction between the benefits system and other forms of support.

Equipping people to remain and progress in the labour market

40. We want to support people to take up jobs and remain in employment. Our tailored support to individuals enables us to achieve this goal.

Skills

41. Over the past two decades, there has been a sharp rise in the skill premium, increasing the importance of education and skills. In the future, the demand for skills is likely to grow and continue to evolve. While the proportion of people in the UK with higher skills levels compares well internationally, the share of the workforce with intermediate skills is relatively low. The unemployment rate of people with low or no qualifications is about double that of the working population as a whole.

42. The New Deal for Skills was announced in the 2004 Budget. It will help meet the Government's ambition to reduce the number of adults with low or no skills and help employers to improve the skills of their workforce. It will complement current Jobcentre Plus New Deal programmes and enable personal advisers to distinguish better between clients who already have the skills necessary to get jobs and those who need the chance to develop their skills further. This will include:

- the development of a skills-coaching service to ensure that adults with low skills can access the skills advice and support they require to improve their chances of sustained employment;

- the introduction of ‘skills passports’ to provide individuals with a simple and portable way of recording the skills and competencies gained and to support the transfer of skills between jobs; and
- better joint working between Jobcentre Plus offices and local Learning and Skills Councils and their devolved counterparts in Scotland and Wales, to offer a more effective and integrated skills service to individuals and employers.

43. As announced in the November 2004 Pre-Budget Report, we will test the effectiveness of increased access to full-time training for low-skilled inactive benefit recipients and jobseekers, by piloting additional financial support for those acquiring skills where this is judged as being the best way of helping them into work. At the same time we will make changes to the current study rules for jobseekers to ensure that independent part-time study is genuinely part-time and does not hamper jobsearch activity.

44. In February the Government will publish a Skills White Paper. This will continue to focus on ensuring that employers have the right skills to support the success of their business and that individuals have the skills they need to be employable and personally fulfilled.



Chapter Three

Supporting families and children

The Government's vision is to ensure every child gets the best start in life and to give parents more choice about how to balance work and family life. Providing more support to families is fundamental to Government objectives to end child poverty, to expand opportunity across generations and to break down the cyclical effects of deprivation. In an ageing society, current generations will depend more heavily on those who follow and so it will be ever more important that all children are given the chance to fulfil their potential. The increased investment in financial support for families combined with continuing progress against the Government's employment targets already means that the Government is on track to meet its target to reduce the number of children in low income households by a quarter by 2004.¹⁸ We now need to go further, if we are to meet our ambitious targets to halve child poverty by 2010, not simply in terms of low income, but also in terms of material deprivation, and eradicate it by 2020.

Our strategy for supporting families and children involves:

- **ensuring financial security**, with work for those who can and support for those who cannot;
- **enabling parents to have greater choice about balancing work and family life**, by extending rights to paid maternity leave and enabling parents of young children to request flexible working; and
- **enabling families to have access to affordable, flexible and high-quality childcare**, through the measures outlined in the Government's ten year strategy for childcare.

Children in lone parent households are at particular risk of poverty. Work is the best route out of poverty for lone parents and their children. Our policies to help and support lone parents into work have already been remarkably successful, helping nearly 300,000 lone parents into work and taking the lone parent employment rate to its highest ever rate. At 55.8 per cent it is now a full ten percentage points higher than in 1997.¹⁹ We intend to build on this achievement by moving towards a more progressive model of active engagement and persuasion for all lone parents on benefit, based on clearer guarantees of advice and support. This Five Year Strategy sets out our intention to pilot **Pathways to Work for Lone Parents**, which will test the effectiveness of an integrated tailored package of support in five areas of the country.

Introduction

45. Support for families with children is critical to breaking the transmission of disadvantage across generations. Investment in children ensures they lead fulfilling lives in childhood and that they have

the opportunities and capabilities to contribute in positive ways throughout their lives. Providing all parents with better choices about how to balance work and family life extends opportunities, especially for women and creates economic gains by increasing the range of talents employed.

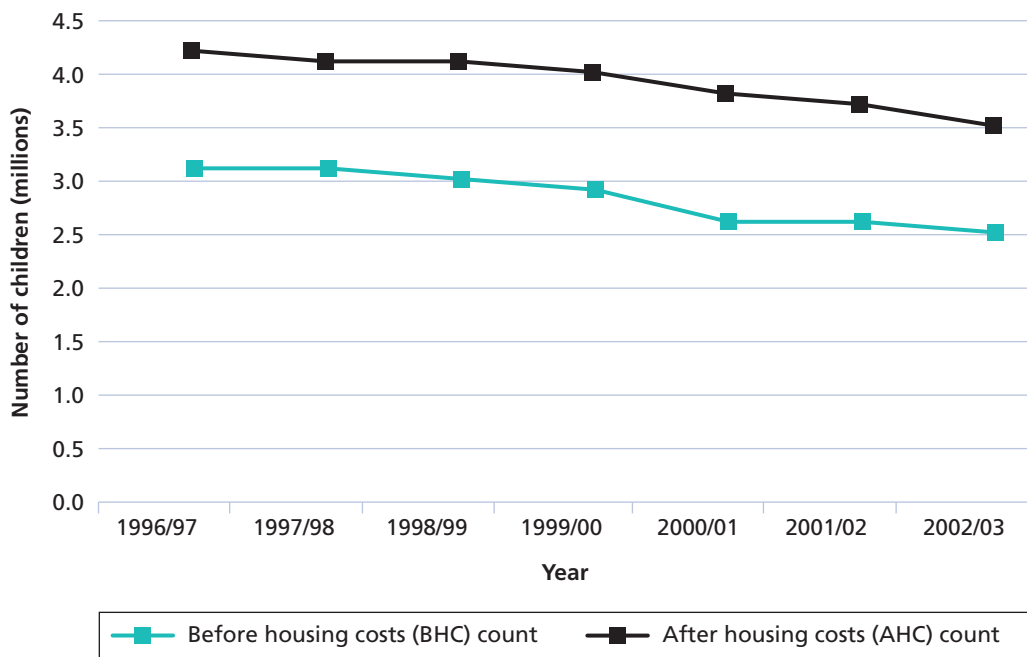
¹⁸ Data to confirm this will become available in spring 2006.

¹⁹ Source: HLFS, autumn quarters.

46. At the heart of our strategy to support families with children is a commitment to halve child poverty by 2010 and eradicate it by 2020. In 1997, 4.3 million children in Great Britain were living in low income households – almost one-third of all children and one of the highest rates in the developed world. Through a combination of financial support for children and success in helping parents into work, the previous trend of increasing levels of child poverty has been arrested

and reversed. We are on track to reach our intermediate goal of a 25 per cent reduction in the number of children living in relative low income by 2004/05. The latest figures for 2002/03 show that we have reduced the number of children living in relative low income by 16 per cent (on an after housing costs measure) since 1998/99.

Figure 11: Progress on child poverty – number of children living in relative low-income households²⁰



²⁰ 'Relative poverty' is defined as the proportion of children living in households below 60 per cent of contemporary median income (before and after housing costs); Source: *Households below average income 2002/03*.

Ensuring financial security

Work for those who can

Worklessness is a major cause of poverty in Britain ... The number of children in workless households is already down by a fifth since 1997... but we need to go further. The expansion of childcare helps to make this possible.

47. Work is the best route out of poverty for families and therefore our policies to achieve employment opportunity for all (outlined in Chapter Two and described in detail for lone parents later in this chapter) will play a crucial role in our strategy to eradicate child poverty. There is strong evidence of a correlation between a child growing up in a workless household, child poverty and adverse future outcomes. The number of children in workless households has fallen by a fifth since 1997 – from 2.1 million to 1.7 million – but we need to go further. Our approach is to make sure that work is possible and that work pays.

Reformed financial support for families with children: Child Tax Credit

48. The Government has radically reformed the system of financial support for families since 1997, rewarding work and increasing financial support for children through tax credits, Child Benefit and other benefits. This means that by April 2005 families with children will be, on average, £1,300 per year better off in real terms. Those in the poorest fifth of the population will be, on average, £3,000 per year better off.

Child Trust Fund

49. In January 2005 the Government launched the Child Trust Fund which will provide at least £250 and a savings account for every British child born on or after 1 September 2002. Babies born into families where the household income is less than the Child Tax Credit threshold, currently £13,480, will receive the larger sum of £500.

The Government has also promised a further cash gift when the child reaches seven. The tax-free accounts, first announced in the April 2003 budget, are designed to encourage a culture of saving and to provide a lump sum for every youngster when they reach 18. The Child Trust Fund will be accompanied by financial education that will encourage the young person to understand the benefits of savings and investment and to use these assets to realise opportunities for their future or to reinvest and provide security in the medium- or long-term.

Indebtedness

50. We know that excessive indebtedness contributes to poverty and are therefore modifying the Social Fund from April 2006 to provide more support for the families most at risk of indebtedness. Abolishing the double debt rule and easing the highest repayment rates will improve access and give the scheme greater transparency, enabling it to play a more effective role in helping families manage their finances.

Child support reform

51. It is the responsibility of parents to provide care and support to their children. The Child Support Agency helps parents who live apart from their children to meet their responsibilities. Child support maintenance contributes to the reduction of child poverty. The old child support scheme gave insufficient incentives for parents to co-operate as many saw maintenance deducted from their benefits, pound for pound. In the new child support scheme the child maintenance premium enables parents with care on Income Support to keep up to £10 a week of any maintenance paid without a reduction in their benefit. To ensure that work pays, maintenance is entirely disregarded in the calculation of tax credits. So a regular flow of maintenance provides a valuable additional source of income when starting work. Some problems have been encountered, but the money has kept flowing.

Improving Child Support Agency performance

The past two years have been extremely challenging for the Child Support Agency (CSA). The IT system to deliver the new child support arrangements contained significant faults, and this gave the CSA major problems. The Department recently announced a series of steps aimed at helping the CSA achieve a satisfactory level of service. They include:

- in spite of the Department's overall plans to save 30,000 net posts, the Secretary of State has announced in January 2005 that front-line CSA staffing levels will be protected until the computer system is working effectively;
- a new Chief Executive is to be appointed by the spring to lead the CSA forward;
- further strengthening of the management team combined with extra senior expertise;
- a Secretary of State summit with management and EDS to identify key milestones on the road to full recovery of the CSA system;
- next software release to correct more defects and fully enable the system for migration to be delivered by EDS by June. Delivery plan for correction of remaining defects and fully to enable the system for conversion to be provided by EDS by March;
- an improved management information system to permit the CSA to understand and manage its work flow more effectively; and
- careful consideration of all of the recommendations in the Select Committee's report on the Child Support Agency.

Enabling parents to have greater choice about balancing work and family life

52. The Government is determined to help families meet the considerable challenge of balancing the demands of work and family life.

Since 1997, we have introduced a package of measures to give parents more flexibility in adjusting their working patterns to suit their families' needs. Parents of children under six have the right to request flexible working from their employer. We will bring forward for discussion proposals to extend the right to request to parents of older children and carers of sick and disabled relatives. In April 2003, the Government increased the period for which new mothers could claim Statutory Maternity Pay and Maternity Allowance from 18 to 26 weeks and substantially increased the levels of support. From April 2007, entitlement will increase further to 39 weeks and the Government's aim is that paid maternity leave should last for one year. Furthermore, the Government intends to change the law so that mothers and fathers can share this entitlement.

53. The UK has a very diverse labour market in terms of the composition of employment. It has a very wide range of types and patterns of employment. Part time work is an important example of this. This wide range of jobs enables many more people to combine work with domestic and other responsibilities and is a reason why the UK has one of the highest employment rates in the world. The Government is currently promoting consideration of these flexible forms of working by employers so that they can keep hold of valuable workers and also give themselves a wider pool of staff from which to recruit.

Enabling families to have access to affordable, flexible and high-quality childcare

54. An integral part of our strategy is the provision of high-quality childcare places for parents and families. Sure Start programmes aim to ensure the best possible start and future for every child, and enhance parental opportunities, particularly for lone parents, to take up work, training and education. Sure Start is part of the cross-government *Every Child Matters: Change for Children* programme,²¹ on which we are working closely with other departments.

21 Further details can be found on the website (www.everychildmatters.gov.uk).

55. A number of key Sure Start programmes are providing good-quality childcare for young children, alongside, increasingly, a range of other early learning, health and family support. Through the National Childcare Strategy, now part of Sure Start, we have delivered a major expansion of childcare provision, increasing the stock of childcare places to 1.2 million (an increase of 80 per cent since 1997) particularly targeting the most disadvantaged areas. Sure Start supports Children's Information Services in each local authority, so parents know exactly what help is available to them. In addition we have also made free, part-time, early education available for all 3- and 4-year-old children.

56. We will build on this. The Government's Ten Year Childcare Strategy *Choice for Parents, the Best Start for Children*, was published in December 2004, outlining Government plans to deliver universal affordable childcare for 3- to 14-year-olds and a Sure Start Children's Centre for every community, so that early years and childcare services become a permanent, mainstream part of the welfare state. We will:

- provide over 2 million sustainable childcare places for children up to the age of 14, by 2010;
- establish a network of Children's Centres offering early education, childcare and a range of health and family support covering all disadvantaged areas. By 2010, there will be 3,500 centres, so every family has easy access to high-quality integrated services in their community and the benefits of Sure Start can be felt nationwide; and
- extend before and after school provision for primary and secondary school pupils. By 2010, all children up to the age of 14 will have access to childcare and other study support activities from 8am to 6pm, Monday to Friday, throughout the school year.

By 2010 there will be a Children's Centre in every community.

Support lone parents into work

57. Helping lone parents return to the labour market is the most effective way to ensure their social inclusion and the best route out of poverty for themselves and their children. The best way to meet our radical target to halve child poverty on three separate measures by 2010 would involve helping many more lone parents into work – reaching a lone parent employment rate of 70 per cent would lift around 300,000 children out of poverty.

58. Most lone parents want to have the opportunity to combine paid work with the vital job of being a parent. Undeniably, they face a lot of barriers along the way. Compared to mothers in couples, lone parents are twice as likely to report health problems; they also have lower levels of academic qualification and face more significant problems securing affordable appropriate childcare.²² Helping lone parents address these barriers and return to work gives their children the best start in life and provides the lone parent with confidence and a career once their child leaves home.

59. By investing in childcare, the New Deal, tax credits and Work-Focused Interviews we've successfully helped a large number of lone parents to move from welfare to work, reducing the number of lone parents claiming Income Support by over 200,000 since 1997. Over the same period, the lone parent employment rate has risen by a full ten percentage points to stand at its highest ever rate – and there are now nearly 1 million lone parents in work.

60. Independent research and evaluation evidence has confirmed the significant contribution our policies have made to these successes. The New Deal for Lone Parents has been particularly successful, helping nearly 300,000 lone parents into work. New Deal for Lone Parents clearly improves the employment chances of those lone parents who participate and as a result delivers a net saving to the taxpayer of over £40 million per year and a net economic gain to society of £115 million per year.²³

22 Barnes et al, *Families and Children in Britain: Findings from the 2002 Families and Children Study (FACS)*, DWP Research Report 206, March 2004.

23 Evans, M., Eyre, J., Millar, J. and Sarre, S., *New Deal for Lone Parents: Second Synthesis Report of the National Evaluation*, DWP Research Report W163, June 2003.

Julie Morrison's story

When a friend recommended that Julie join New Deal for Lone Parents in 2000, she had been out of work and receiving Income Support for four years. Julie wanted to work as a dog trainer but had no idea where to start. Julie's personal adviser, Terry White, found training for her in canine psychology. Julie successfully completed two courses. Terry then suggested Julie should take a Business Access course, which has helped Julie, step by step, through the process of setting up her own business. She now has a thriving enterprise – she even has to turn people away!

Julie enjoys her work and she feels much more positive and confident. She is much better off financially and has money to spend on her son for the first time. He helps out with the business from time to time, learning about work and earning a bit of extra pocket money.



Barbara Duffner, New Deal Task Force Scotland, presenting Julie Morrison with the New Deal Award for Lone Parents

61. But we know that we need to do more if we are to meet our child poverty goals. International evidence suggests that countries with high lone parent employment rates offer a balanced package of rights and responsibilities, combining good and affordable childcare availability with a work focus and strong financial incentives. This is exactly what we have been building in Britain and we are now running a series of pilots to test out the next stages of our strategy, which build on the success of New Deal for Lone Parents and Work-Focused Interviews.

Encouraging work search – the Work Search Premium

62. To help more lone parents make the transition from benefits to work we are piloting a Work Search Premium in eight areas across the country. Work Search Premium is a financial incentive designed to encourage people to search for work. It is a payment of £20 per week, paid on top of normal benefit entitlements, to lone parents who have been on Income Support for more than one year, and who voluntarily choose to search actively for a job. Participants undertake intensive work search linked to an action plan agreed with their personal adviser. Lone parents taking part in the pilots are also entitled to help with the cost of formal childcare while undertaking work search activities.

Making work pay – the In Work Credit

63. Making the first crucial steps into work can be difficult, especially for lone parents who have been on benefit for some time. So we are testing the effectiveness of an In Work Credit to aid the transition into work. To be eligible, lone parents need to have been on Income Support or income-based Jobseeker's Allowance at least a year, and to enter work of at least 16 hours a week. It is paid for 12 months, at £40 a week – on top of all tax credits and other benefits.

64. Jobcentre Plus is already piloting the In Work Credit in 12 areas across the country, often alongside the Work Search Premium, and, from April 2005, the In Work Credit will be available across London.²⁴ The In Work Credit will be further extended to six districts, all in the South East region, where high living costs are also a problem, from October 2005. These are:

²⁴ The pilot does not cover the North-East London Jobcentre Plus district, where the Employment Retention and Advancement Project is testing similar incentives.

- Surrey and Sussex;
- Essex;
- Kent;
- Berkshire, Buckinghamshire and Oxfordshire;
- Bedfordshire and Hertfordshire; and
- Hampshire and the Isle of Wight.

65. In developing the In Work Credit, the Department will gather evidence about the proportion of lone parents taking up the credit, and the impact in terms of supporting more lone parents to move off benefit and into work. But there is already strong evidence, from the evaluation of New Deal for Lone Parents, that nearly all lone parents would be more positive about considering work if they could expect gains of at least £40 per week.

Next steps – An integrated package

66. Piloting all of this as an integrated package from 2005 is our next step – in the five pilot areas, we will bring New Deal for Lone Parents, Extended School Childcare and In Work Credit/Work Search Premium together and give our advisers the tools they need to make a clearer, stronger and more comprehensive offer of help and support to lone parents than ever before, based around:

- a guarantee about a clear gain from work;
- a guarantee about childcare support;
- a guarantee of the ongoing help of professional well-trained and properly supported advisers; and
- a responsibility to engage more intensively with our employment advisers.

67. Piloting the full range of measures in an integrated, marketable package – *Pathways to Work for Lone Parents* – will allow us to move towards a more progressive model of active engagement and persuasion for all lone parents on benefit, based on clearer guarantees of advice and support. We want to test whether giving lone

parents more information and encouragement leads to even more choosing to take up the offer to participate in the New Deal.

Next steps – Piloting increased work-related activity for parents with older children

68. The expansion of childcare (to make work possible) plus tax credits and the In Work Credit (to make work pay), all give lone parents new rights, while the introduction of mandatory Work-Focused Interviews has ensured lone parents find out about the job opportunities available to them. From October, we will require all lone parents to agree an Action Plan with their personal adviser, as an integral part of the Work-Focused Interview process.

69. Our strategy has been – and will continue to be – based on an incremental, evidence-based approach, piloting wherever possible. We believe it is essential to continue in this manner, ensuring that our approach is fully tailored to the specific needs of the lone parent group. That is why we think it would be wrong simply to move lone parents from Income Support onto the Jobseeker's Allowance regime: an unrestricted requirement to search for work is inappropriate, given the complex and difficult circumstances many lone parents face. We think such an approach would be expensive, unfair and ineffectual. Experience in New Zealand (see box) underlines this view.

70. But those lone parents with older children who are at secondary school are less likely to have significant childcare constraints, especially when the extra support outlined above is in place. We therefore believe that it is reasonable to ask them to engage in some work-related activity, agreed with their personal adviser and tailored to their individual circumstances, in preparation for returning to work. To give a clear financial incentive, we will pilot the automatic payment of a £20 activity premium to this group of lone parents, on top of their weekly Income Support. The payment will be conditional on undertaking the agreed activity. No one will be worse off but we will be able to test a new way of encouraging lone parents to take steps back to work.

New Zealand

New Zealand mandated full work search for lone parents on benefit with school age children (which in a UK context would be equivalent to putting them onto Jobseeker's Allowance), without making available adequate support and childcare so that such a work test would be effective. The approach was viewed as unsuccessful, having only a small effect on movements off benefit, and often not raising the incomes of those who moved into work. It was scrapped by the new Labour Government in 2002. In hindsight, it is clear that the benefit system and childcare infrastructure did not develop to support the welfare to work aims.

The New Zealand experience highlights how work tests can be counterproductive if they operate within an environment not likely to facilitate improved outcomes. In 2002, the crude work test was replaced by an Enhanced Case Management approach as part of a wider set of policy reforms. Under this approach, case managers take a more holistic and comprehensive approach to client assessment and support, with the aim of supporting lone parents into sustainable paid employment as their individual circumstances and parental responsibilities allow. Clients participate in a Personal Development and Employment Plan process, which identifies client-driven goals and action steps to achieving these.

Sanctions apply if, without a good and sufficient reason, clients do not participate in the Personal Development and Employment Plan process and demonstrate (on an annual basis) commitment to achieving goals/activities in their Personal Development and Employment Plan. In practice the sanctions are invoked in far less than 1 per cent of cases, as the overwhelming majority of lone parents fulfil the tailored actions agreed in their plan. The scheme allows for regular reviews of the client's circumstances to take place, with automatic prompts linked to the plan built into the computer system to ensure appropriate and frequent follow up. Early evidence suggests that this approach is having a positive impact – the proportion of lone parents leaving benefit for work has increased from 19 per cent in March 1997 to 36 per cent in March 2004.

New Zealand's experience shows how important it is to tailor lone parent conditionality to the particular circumstances of the group, and further, that it is important to introduce it in the right circumstances.



Chapter Four

Supporting people with health conditions and disabilities

Large numbers of people with health conditions and disabilities who are without work would like to be in a job. Too often they are excluded because of a lack of support, outdated assumptions and a welfare system that until recently ignored the particular barriers to work that they face. But the world is changing and we need a system fit for the 21st century. Our agenda is one of rights and responsibilities: we can expect more of people as long as we safeguard their right to financial security and expand opportunities to engage with the labour market.

Reforms to provide much greater support are being developed in the *Pathways to Work* pilot areas. These are showing very encouraging early results, with many more people on incapacity benefits recorded as entering work. The pilots will now be extended to cover one third of the country on the road to making this a nationwide offer. Wider changes are also required. We will only increase the employment opportunities available to people with health conditions and disabilities if we take action in these areas:

- healthier workplaces;
- a more active role for employers;
- more back-to-work support provided by GPs and the wider NHS to help sustain and improve their patients' health by supporting a return to work;
- extended employment advice and support;
- a reformed benefit, which rewards work and gives more help than now to those with severe impairments; and
- the ongoing development of stronger disability rights.

Our approach is not about time-limiting or cutting rates of benefit, nor is it about cracking down on those on benefits. It is all about investing in people to help them meet their own desires to move back to work. This approach will need to be developed through close co-operation with disabled people themselves and other stakeholders.

The challenge

71. As employment reaches record levels and unemployment drops to the lowest level for 30 years, we need to make sure that we make the most of everyone's talents and potential in the UK so that the chance to work is there for everyone.

72. There will always be a need for incapacity benefits²⁵ – and also for other benefits which help people with health conditions or disabilities, such as Disability Living Allowance. Many people will have times in their life when a health condition or disability makes it much more difficult to work. Society has a responsibility to support those unable

25 Incapacity benefits (IB) is used here to mean contributory IB, Income Support with the disability premium and Severe Disablement Allowance.

to provide for themselves. But for most of those starting a claim, incapacity benefits should be a short intermission between periods of work.

73. Before 1997, little was done to help and support those with health conditions or disabilities return to work. Many who became ill and claimed incapacity benefits or their predecessors were told that it was the end of their working life – and that they should not expect to work again. Millions of people had their lives written off unnecessarily and had to depend on benefits. Yet surveys suggest that perhaps a million people claiming incapacity benefits say they would like to work if they were given sufficient help and support.

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74. Since 1997, we have moved a long way. Jobcentre Plus has been developed to ensure that access to labour market advice and support is available not just to those on Jobseeker's Allowance, but also to those on incapacity benefits and other benefits. By legislating for disability rights, we are tackling the discrimination that has stopped many disabled people fulfilling their ambitions to work in the past. Through the various New Deal programmes – including the New Deal for Disabled People – we have now supported nearly 200,000 disabled people into work. And in the *Pathways to Work* pilots, we are developing a new approach with more financial, advisory and rehabilitation support for claimants.

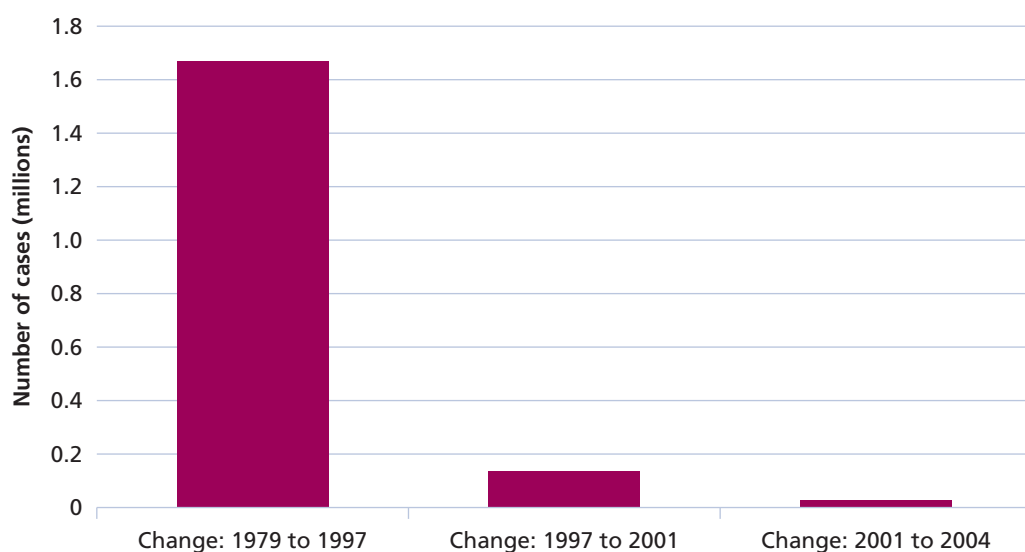
75. The changed approach is now starting to deliver results. Outdated stereotypes are being challenged because for the first time more than 50 per cent of disabled people of working age are in employment. Emerging results from *Pathways* are extremely positive. And the overall incapacity benefits caseload has been brought under control.

76. In 1979, around 700,000 people were claiming incapacity benefits. By the end of 1997 this number had trebled to 2.6 million. That is nearly 2 million more people consigned to long-term benefit receipt. Since 1997, the numbers have peaked at around 2.7 million²⁶ with new claims reduced by around a third, and the latest data showing a small fall.

77. But we know we need to do more. There are still 2.7 million people on incapacity benefits, and once a person has been on the benefit for 12 months, the average duration of their claim will be eight years. But long-term benefit receipt and deterioration into chronic incapacity are not the inevitable consequences of the main health conditions reported by people on the benefit. Only a small proportion of new claimants have very severe conditions such as chronic degenerative illness, tetraplegia or acute mental illness.

78. The majority have more manageable conditions and many want to work, but they face significant obstacles to doing so. Some of these barriers are health-related, but are of a different nature: of the 2.7 million half are over 50, 40 per cent have no qualifications and many have very poor financial incentives to return to work. So the support we offer must combine employment, skills and health support.

²⁶ Chart is based on the Department's administrative data.

Figure 12: Change in working-age incapacity benefits caseloads

79. For people with many conditions, effective support and proper management at an early point would help stop health problems from becoming significant:

- The best clinical management for back pain is to continue an active life, rather than waiting until pain disappears completely. This will mean a faster recovery and fewer long-term problems.
- An early return to work is now considered a major objective of cardiac rehabilitation for most people of working age and is seen as supportive of long-term recovery.
- With appropriate support, people with mental health conditions can get back to work – working will aid confidence, motivation and future health and is likely to be a key aim for most individuals.

80. And given the positive work aspirations of those making a claim to incapacity benefits (at the start of their claim 90 per cent fully expect and want to work again), the employment rate for disabled people is still too low. Leaving so many people stuck on incapacity benefits, wanting to work but without the help to do so, means we all miss out.

- The **economy** as a whole is damaged by this failure to harness the huge potential of these people.

- Individual **employers** miss out on particular talents.
- **Taxpayers** face higher bills because when people are not given the chance to realise their ambition to work, they cannot contribute to Income Tax and National Insurance.
- **Doctors** and other health workers end up having to spend more time on patients, whose health condition may deteriorate further as a result of unnecessary inactivity.
- Most importantly, individuals with health problems and their families miss out by being at greater risk of poverty, and having a lower chance of recovery if their ambitions to work are frustrated.

81. So there must no longer be an automatic assumption that just because someone has a health condition or is disabled that they are incapable of doing any sort of work. This is not just an issue about benefits and welfare-to-work programmes. We need to change the expectations and attitudes of Government, health professionals, employers and claimants. We also need to break down the disabling barriers of discrimination and the physical environment. This means action is needed on a whole range of fronts if we are to support people to overcome the multiple barriers that they face to working:

1. *healthier workplaces* – so that fewer people get sick and injured;

2. *enhanced role of the employer* – so that employers play a bigger role in rehabilitation and retention of their employees;
3. *more active GPs and NHS* – with greater recognition that work is a route back to health and plays a major part in providing rehabilitation;
4. *extending help and support* – so that people who are on incapacity benefits are for the first time offered comprehensive return-to-work help;
5. *reforming the benefit* – so that it encourages claimants to focus on getting back to work, whilst supporting those unable to work; and
6. *disability rights* – so that the opportunities to get into work and advance within it are fully open to disabled people and independent living is promoted.

Healthier workplaces

82. The first crucial step is to ensure that workplaces are as healthy as possible, so fewer people develop the health problems that can lead to a claim for incapacity benefits. The Health and Safety Commission and Executive have already done much to improve health and safety standards in workplaces. Workplace injuries are down over 10 per cent since 1997 and the number of deaths has reduced to 235 in 2003/04 (one of the lowest rates of any major industrial country).

Workplace injuries are down over 10 per cent since 1997.

83. We need to build on this and keep up the drive to make all workplaces healthy and safe. In the modern economy risks at the workplace are changing. The Health and Safety Commission's strategy proposes to meet these by forging partnerships across local authorities, the private and voluntary sectors. These partnerships will focus very closely on the specific work-related health issues that can most often lead to inactivity, such as stress and musculo-skeletal problems.

84. The Health and Safety Commission's work will increasingly involve educating employers about why their workers become ill. Information already

being given to employers on work-related stress – the management standards, toolkits and guidance – shows the way ahead. They offer practical advice on how companies and workers can together manage the risks.

85. Working closely with employers and workforces ensures that an approach is adopted which is practical and which minimises red tape. In this way, we have tackled the issue of stress by taking ideas from a range of businesses, professional bodies and unions, to develop a benchmarking system to help managers gauge stress levels, compare themselves with other organisations, and identify solutions. We will continue to apply this approach to other workplace health issues in the future.

Enhanced role of the employer

86. It is also essential that we do all we can to help ensure that people experiencing health problems who have jobs can keep them. Employers have a crucial part to play in reducing the number of people who become ill and don't return to work. In too many cases, sickness absence is not managed actively and employees are not rehabilitated by employers, leading to unnecessary loss of trained staff and an avoidable cost to the employer. Some employers can also have negative attitudes towards people with health conditions or impairments (particularly those with mental health conditions).

87. Employers make a difference by keeping in close touch with employees who are off work with sickness or injury, and by being actively engaged with helping people to get back to work. Flexibility and imagination in making (often small) reasonable adjustments to work patterns or practices can make all the difference. The transformation of disability rights that will be completed by the Disability Discrimination Bill now going through Parliament (see Chapter Seven) ensures that the necessary culture change is supported by statutory requirements. The Health and Safety Executive has already produced standards for employers advising them on how best to manage absences, and we will complete further work aimed at guiding employers better on addressing the root causes of absence.

88. We will also work closely with the Department of Health, employers and, where appropriate, insurers, to encourage better provision and use of rehabilitation to get people back to work quickly. We have a good example of how this can work in the Condition Management Programmes in the *Pathways* pilots and will build our evidence base of good practice over the next few years as we follow up the Framework for Vocational Rehabilitation, published in October 2004.

89. The Health and Safety Commission will now trial and develop an innovative new approach to improve health at the workplace. *Workplace Health Direct* will concentrate in particular on providing support for occupational health in small and medium sized firms, and will involve:

- a free problem-solving service, which can signpost employers to specialist help; and
- a national free advice line.

90. Statutory Sick Pay is an element of the system which ensures that a link between employers and workers who have gone off sick is maintained. We need to ensure that it provides the right incentives to employers to rehabilitate people and get them back to work quickly, and we will review it to this end.

More active support from GPs and the wider NHS

91. As the Government made clear in its recent White Paper on Public Health,²⁷ healthcare is about returning patients to good health, and that includes getting them back to work. Health professionals, wherever they work, need to start from the point of view that getting people back to work is likely to benefit their long-term health. This is particularly true for GPs, who play a crucial role in the early stages of sickness absence in certifying ill-health, in helping patients manage their health condition, giving fitness for work advice and encouraging an early return to work where possible.

92. Up until now many GPs have lacked the tools and the training to support their patients in returning to work, despite its importance in promoting well-being. As a result, their role has too often been restricted to certifying that someone has a valid medical reason for not attending their job – something that patients often misunderstand as an order from the doctor not to work. Evidence that work can support health has been building rapidly in recent years, and some doctors may not yet be fully aware of it.

93. In this context it's hardly surprising that surveys show that most people on incapacity benefits – including many with potentially manageable conditions – believe that their GPs think that they should not work. And it is this belief that can sometimes condemn people to unnecessarily prolonged periods of sickness absence, which in turn can make them less employable and less healthy in the long term.

94. So, we need to support medical practitioners (primarily GPs but also occupational health specialists and other healthcare professionals) to do more to help patients to remain in work, or return to work. We need to work with the medical profession to improve the training available, and provide them with better information. We will work with medical organisations and the Department of Health and the teaching hospitals to collate and disseminate the comprehensive evidence now available about the detrimental impact of worklessness on patient health. We need to provide best practice on related issues, including occupational medicine and fitness for work advice.

95. GPs do really important work in providing advice about fitness for work, both for their patients and for employers when people first fall ill. Currently, though, the system does not record the issuing of sick notes, something that contrasts starkly with the situation in respect of prescriptions, which are thoroughly audited. Working closely with the health departments and GPs themselves, we now need to explore and develop ways to improve the information held. This will pave the way for us to develop a system to feed back to individual GPs, information about their certification practice, which can be used for professional development and revalidation purposes.

²⁷ *Choosing Health: making healthier choices easier* (2004) Department of Health Cm 6374.

96. In part of the new *Pathways to Work* areas to be rolled out from October 2005 onwards we will build on our enhanced relationships with local GPs, Primary Care Trusts and other parts of the NHS. We will also develop better training materials to ensure that GPs with a special interest are able to provide earlier support on fitness for work. We will also pilot the placement of **employment advisers in GPs' surgeries**. These advisers will provide help and information to patients on the steps they can take to remain in their current job or return to work where appropriate. The advisers will be able to signpost people to the wider range of provisions that *Pathways* pilots offer – for example, where appropriate, NHS Condition Management Programmes.

Offering employment support through GPs' surgeries

In the last few years, a large number of initiatives have sprung up across the country that seek to offer return to work advice and support through GPs' surgeries. For example, the Compass project offers services to 15 GPs' in the Pollok area of Glasgow, and Tomorrow's People provides return to work advice in surgeries in Camden and Bristol.

Many GP practices in each of these areas have welcomed the presence of this support as it enables doctors to easily refer their patients to good quality employment advice to enable them to start thinking about getting back to work. There is some evidence that such support can be effective in helping people back into employment and in reducing the number of consultations with patients.

Extending help and support

97. In the past, employment policies did little to engage with those on incapacity benefits. And the Employment Service had little expertise in overcoming the specific barriers to work that people with health conditions and disabilities face,

so even if they engaged with the client group, they would have had little to offer. The development of Jobcentre Plus and the New Deal for Disabled People started to change that, but it was clear that more investment was needed to develop the tailored advice and support that people with health conditions and impairments need to get back to work.

98. That's why we developed *Pathways to Work*, currently operating in ten per cent of the country. Most new claimants are now required to attend six Work-Focused Interviews over the early months of their claim and are offered:

- specialist employment advice;
- NHS rehabilitation to help manage conditions; and
- a £40 a week Return to Work Credit to make work pay.

The number of incapacity benefits claimants helped into work in the pilot *Pathways* districts has doubled compared with the same period last year.

99. The early results from *Pathways* are extremely promising. The number of incapacity benefits claimants helped into work in the pilot districts has doubled, compared with the same period last year and, as the chart overleaf shows,²⁸ a significantly higher proportion of people in pilot areas are being helped to leave the benefit. We're also finding that in these areas we are encouraging five times more incapacity benefits claimants to take up New Deal for Disabled People and other help. And whilst attendance at Work-Focused Interviews is mandatory for new claimants, over 10 per cent of those taking part are existing incapacity benefits cases, doing so on an entirely voluntary basis. This is well over initial expectations, demonstrating how keen many of those on incapacity benefits are to get all the help they can to get back to work. The box on Yvonne Haughan's story (overleaf) shows what these impressive figures mean at an individual level.

²⁸ The off-flow rates presented are produced from the Working Age Statistical Database (WASD) and look at the proportion leaving IB by the four-month stage of their claim. WASD does not include a proportion of very short-term IB claims, therefore the off-flows presented on both lines will be lower than actual rates. However, the comparisons and trends over time will be consistent.

Figure 13: Incapacity Benefit off-flow rates
 Increasing numbers leaving benefit in the initial *Pathways to Work* areas



Yvonne Haughan’s story

Twelve months ago, Yvonne Haughan “felt nothing but hopelessness”. The 57-year-old ex-teacher had been diagnosed with severe depression after a three-year illness. Now she is busy running her new floral display company, Aquilegia.

Her situation changed when she was called by Chris Penny, of Bacup Jobcentre Plus. Chris invited her to attend a pilot *Help for Health* therapeutic package offered by the NHS trust, an option with the Department’s *Pathways to Work* pilot. Yvonne’s condition improved with each group therapy session, “gradually guiding me back to my life as I knew it by focusing negative thoughts on to a more positive wavelength”.

On completion of the Condition Management Programme, Yvonne showed interest in setting up her own business. Chris referred her to the *Help Yourself* project in Burnley, run by East Lancs into Employment, offering business start-up advice and support geared to people with work or health limitations.

Aquilegia was launched in October. A cameo role on Trevor Macdonald’s national TV show, plus air time on BBC Radio Lancashire quickly followed. Yvonne says, “My life has changed 100 per cent. There is life after severe depression and I’m so excited for my business to do well. I’d never have believed I could achieve what I have.”



100. Recognising the success of *Pathways*, the Chancellor announced in the Pre-Budget Report an extension starting in October 2005 to cover one-third of the country, on the road to making this a nationwide offer. Together with the existing *Pathways* pilots, this now means we will be able to offer intensive support across all of the 30 local authority districts with the highest concentrations of incapacity benefits recipients.

101. In addition, in current pilot locations we will extend mandatory personal adviser contact to those who have been on incapacity benefits for up to three years from February 2005 and introduce a new job preparation payment of £20 per week to encourage those who have been on incapacity benefits for some time to try and get back to work. Eventually, we will want to ensure everyone on the benefit has the opportunity to engage in the help and support offered through *Pathways*.

102. We will also want to make continuous improvements to the whole range of what we offer. Closer linkages between Jobcentre Plus and individual GP surgeries are just one area where we would hope to go beyond what is on offer in *Pathways* (see box on page 45). The voluntary and private sector have a crucial role in the delivery of *Pathways*. As the programme rolls out we will want to keep this role under review, ensuring that where different kinds of provision offer clients advantages it is fully utilised. We will also closely monitor and seek to link into other regional and local initiatives, such as the Northern Way, with a view to improving the support we can make to incapacity benefits claimants.

103. Building on the extension of *Pathways*, we will reform the benefit.

Reforming the benefit

104. The priority for people with health conditions and disabilities over the last seven years has been to improve the help and support available. We now need to go beyond this. Society is changing and we need to reflect this, both by building up further support and by reforming incapacity benefits itself.

105. The main job of incapacity benefits is to support those who, through no fault of their own, are restricted in their ability to work because of a health condition, injury or disability. This job will always be essential. But the design of incapacity benefits needs to change. At the moment, rather than reflecting people's own desires to get back to work, it sends out a strong signal that people on the benefit are incapable. This signal is wrong.

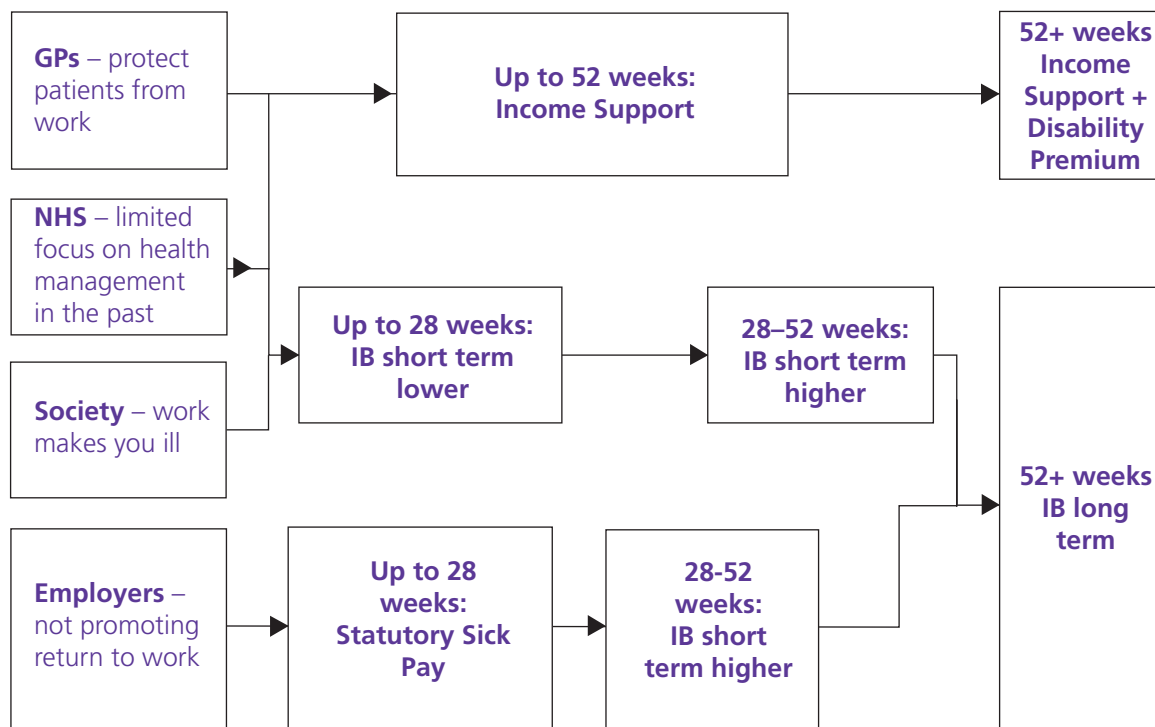
106. Whilst health conditions vary hugely, incapacity benefits currently treat all those who receive it in the same way. Of course, there are people with a health condition or disability so severe that a return to work would be very difficult indeed. For them, the benefit rate needs to be set at a sufficient level to provide real financial security over the long term. But with the right help and support, many others on incapacity benefits could be in work. Rather than simply having to prove what they are incapable of, claimants should be supported and rewarded for managing their condition and planning their return to work.

107. The benefit needs to be reformed to achieve both these objectives. We reject calls to abolish the benefit, cut its rate or limit the time for which it is available: this would undermine basic financial security that people with health problems and disabilities have a right to expect. Society has a responsibility to support those at a time when they cannot be expected to work. What is important is that the benefit is built on the principle of rights and responsibilities: we can expect more of people as long as we safeguard their right to financial security and expand opportunities to engage with the labour market.

108. The success of *Pathways* demonstrates that with the right help and support, very many people on incapacity benefits **can** move back into work. So in tandem with the successful build-up of this help and support, and with disabled people being increasingly protected in law against discrimination by employers and in society, we can look to further reform. We aim to change incapacity benefits so that they reflect the more accurate view of the world that people with health conditions and impairments want to work. We should provide financial security whilst also offering the right rewards for taking steps to return to or enter work.

109. The current incapacity benefits process and the main inputs into it from outside social security are captured in the diagram below.

Figure 14: The current Incapacity Benefit process²⁹



110. At the moment, incapacity benefits are complicated and reinforce the obstacles to work that other parts of the system create – in particular:

- The name embodies the underlying approach that focuses on what people are incapable of doing, not what they are capable of.
- People receive incapacity benefits before they have gone through the medical examination. This means the link with the labour market is broken and people can get labelled as incapable even if they still have a contract of employment.
- The Personal Capability Assessment (PCA) process simply divides people into those entitled to incapacity benefits (effectively assumed to be incapable of any work) and those who are not

(effectively assumed to have no health barriers to work and to be able to claim Jobseeker’s Allowance). For those ‘satisfying’ the PCA there has historically been nothing in the system to encourage them to consider their potential to work, and no support to manage their condition and get back to work.

- The financial and non-financial incentives to encourage people to get back to work are often too weak – many people fear that trying to get back to work will lead to them losing out.
- The complexity of the system, with staged increases in benefit levels the longer the duration of a claim, does nothing to help people focus on a return to work.

²⁹ The Personal Capability Assessment is usually completed within three to six months of a claim.

- There are different systems for different people with varying rates, rules and requirements.
- Those with the most severe impairments get no extra help, despite the severity of their condition and their greater risk of persistent poverty.

111. Building on the extension of *Pathways*, the next step in offering a better deal for incapacity benefits claimants will be to reform the benefit and the support on offer to further:

- recognise that whilst for some claimants a return to work will always be unlikely, the majority have a good prospect of a return to work;
- give more support than we do currently to those with the most severe health problems and impairments;
- change expectations so that those who are able to, engage in rehabilitation, training or work preparation;
- ensure there are clear rewards for moving into work, and that we address the anxieties many claimants have about trying out a job by minimising the risks;
- establish a single aligned system for all claimants which is not time limited, regardless of whether they receive targeted support or non-targeted support today; and
- address the wider barriers to work, such as attitudes, the built environment and policy design through the strategy set out in the Strategy Unit report³⁰ *Improving the life chances of disabled people* and wider legislation including the Disability Discrimination Bill.

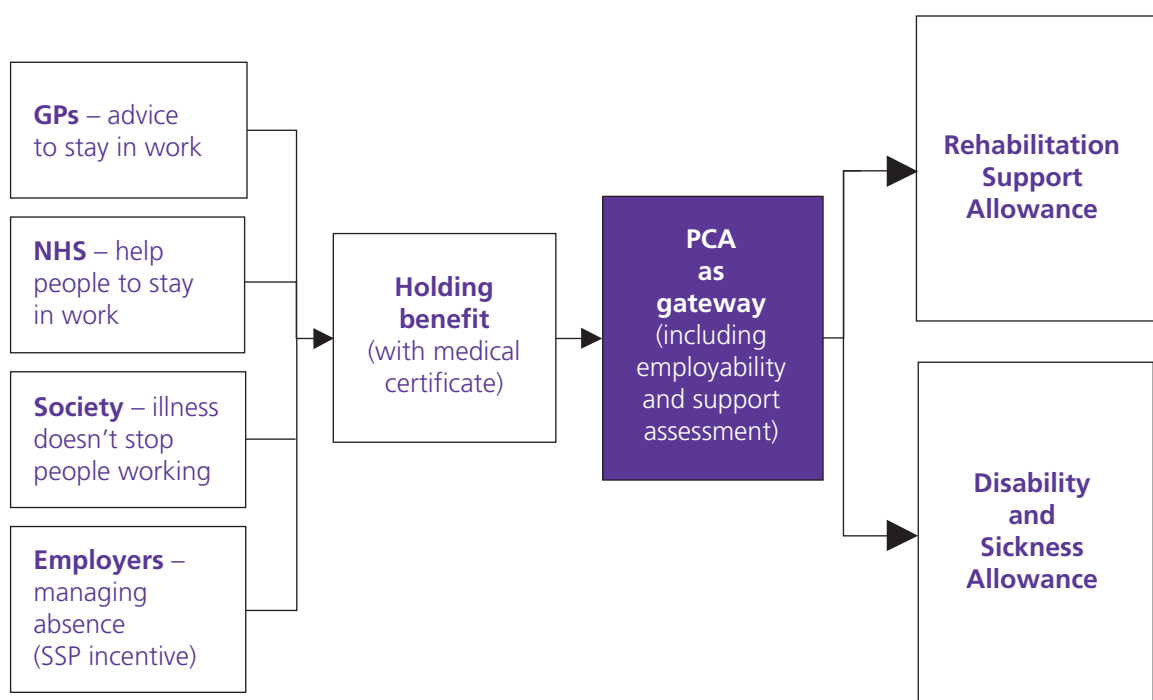
112. For new claimants, a future model designed on these lines would involve a number of elements:

- An initial '**holding benefit**', payable at the same rate as Jobseeker's Allowance – before people have satisfied the PCA which would normally occur within 12 weeks.
- The PCA process could then become the gateway to the new main benefits, but coupled to that would be a fuller assessment of potential future work capacity – an **employment and support assessment** – so that we can help clients and advisers focus more fully on how they can best plan a return to work.
- Following this process, the majority of people with potentially more manageable conditions would receive a payment that might be called a '**Rehabilitation Support Allowance**', with a much stronger focus on supporting people back to work. Claimants would be required to engage both in Work-Focused Interviews and in activity that helped them prepare for a return to work (this could include work preparation, training or basic skills support). They would receive more than the current long-term rate but those who completely refuse to engage will return to the holding benefit rate. The rules relating to sanctions will be decided in due course.
- Those with the most severe health conditions or impairments would receive a payment that might be called a '**Disability and Sickness Allowance**'. They should get more money than now because they are most at risk of prolonged poverty and are most likely to face significant obstacles to getting work. They will, as now, be required to engage in some Work-Focused Interviews. They will also be encouraged to engage in return-to-work activity wherever possible (and be able to access all programmes and incentives as now) but there will be no requirement on them to do so.

30 *Improving the life chances of disabled people*, Strategy Unit, 2005.

113. The reformed system would take place in a context where society, doctors and other health professionals and employers were all doing more to get people into work. It would work in the following way:

Figure 15: The reformed Incapacity Benefit process³¹



114. The reforms will be developed for new claimants. Existing claimants would be free to access the help and support on offer to help them return to work, and we will explore how best to incentivise them to do so. We are reviewing the operation of the existing linking rules to ensure that existing claimants' positions are protected if they take a job and then need to return to incapacity benefits. This will allow us to address the anxieties that existing claimants might have about trying out a job.

115. As with *Pathways* these proposals will only work if they are developed with the close involvement and co-operation of stakeholders (including people on the benefit itself). They will need to be shaped on the basis of evidence about what works, with piloting likely to play an important role. Our goal is for the main elements of the new system to be in place for new claimants by 2008.

³¹ We will ensure that the statistical data on these benefits that the Government produces will allow for straightforward comparison between the total stock of cases under the old and new systems.

Disability rights

116. Our proposals for helping more people get back to work and stay in work are part of the Government's wider strategies for empowering disabled people and tackling the disadvantages that they face.

117. The comprehensive strategy for disabled people (outlined further in Chapter Seven) includes:

- extending the scope of disability rights and promoting awareness of them. Important steps were taken in October 2004 to bring within existing legislation millions of extra jobs;
- further strengthening disability legislation to provide comprehensive and enforceable civil rights through the new Disability Discrimination Bill; and
- taking forward the recommendations in the Prime Minister's Strategy Unit report *Improving the life chances of disabled people*, including a commitment to introduce measures to support independent living.

118. Taken together, these measures will ensure that the wider framework necessary to support disabled people to be fully valued as members of the community will increase the opportunities for them in the workplace.

119. The Strategy Unit report recommends the introduction of individualised budgets to promote independent living. This personalised system will be a vital foundation for improving links between disabled people and the labour market. With increased control and choice over how they live their lives, disabled people will be better able to take up support for a range of employment options.

120. The strategies for tackling age discrimination in employment and training (set out further in Chapter Five) are also key to our approach on IB, since some 1.2 million of those receiving IB are over age 50. Legislation outlawing age discrimination will be in place by October 2006. Our successful *Age Positive* campaign to win the hearts and minds of employers will also continue.

Conclusion

121. The growth in incapacity benefits claimants reflects problems that have been created over the course of a generation. Putting in place the comprehensive range of support outlined above, alongside a new benefit regime, will tackle these entrenched problems by helping far more people avoid benefit and move from benefit into work. What we want to do is to create a framework of support, agreed amongst all key stakeholders, that will be fit for purpose for the next few decades. We believe that this will help us achieve our long-term aspiration of reducing the number of incapacity benefits claimants by as many as 1 million.



Chapter Five

Preparing for retirement

We will give people the choice and opportunity to work longer. Enabling people who want to extend their working lives, and providing better rewards for those who choose to do so, is a vital part of our response to the challenges posed by ageing society.

We will:

- seek to increase employment rates for the over 50s;
- help carers remain in work, and to return to work when their caring responsibilities have ended;
- support older people, including those over State Pension age, to make informed decisions for themselves about work, saving and retirement;
- tackle age discrimination and promote flexible working; and
- reward later withdrawal from the labour market through generous State Pension deferral and flexible retirement options.

We need to ensure that people are empowered to make sufficient provision for their retirement. Record levels of employment provide a foundation. Working with others, we will:

- seek to increase participation among those eligible for membership of occupational pension schemes;
- work with employers to enable people to be better informed about their choices in retirement; and
- safeguard occupational pension provision through the Pension Protection Fund and the Pensions Regulator.

We are committed to supporting people to work longer – this is critical for individuals to sustain themselves in longer periods of retirement. We must change the culture that can write people off on the basis of age. Although the average age at which people leave the labour market is no longer falling and the average retirement age has now started to rise, it will need to rise further if we are to meet the challenge of increasing longevity.

Working longer

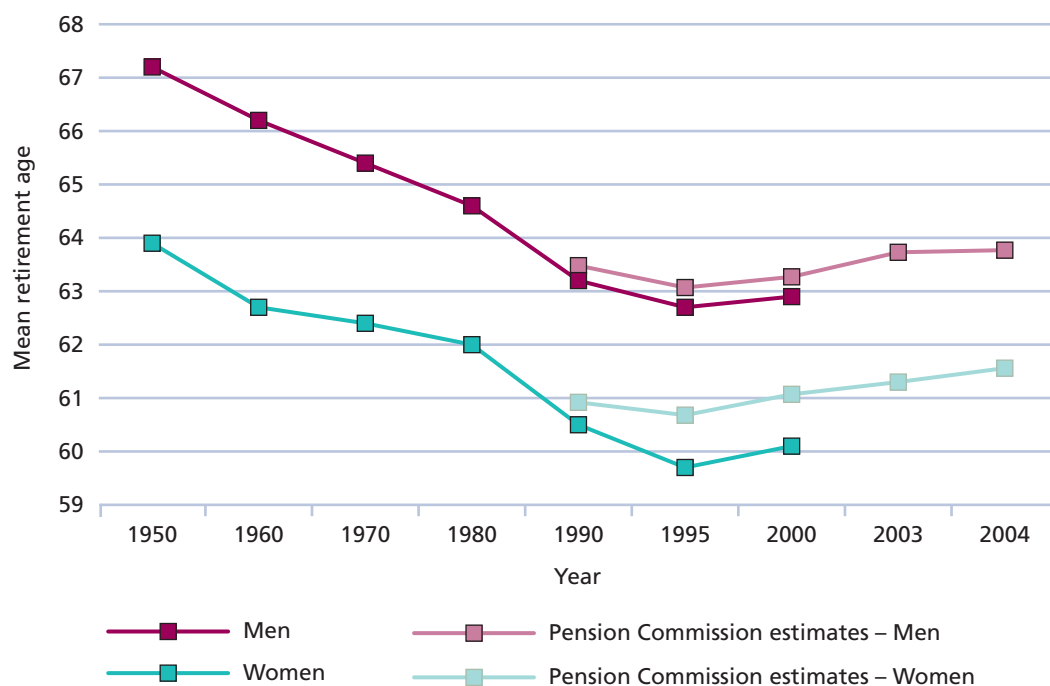
122. Many people over 50 leave the workforce early, frequently involuntarily and often without adequate provision for their retirement. Population projections suggest that the number of people aged between 50 and 69 will increase from 13 million to 15.9 million by 2024.³² It is likely that more of this group will want to, and will be expected to, work. As the chart overleaf shows, more people are already choosing to work for longer and our policies will support these people.

123. We want older workers to have the choice and opportunity to continue working up to State Pension age and beyond. Employers and employees gain from extending working life. Working a few years longer can make a significant difference to current and retirement income, and, more than that, allows employers to keep experienced staff with valuable skills and keeps

options open for older workers. And, by 2010, the earliest age at which a private or occupational pension can be taken will be raised from 50 to 55, and the Government has proposed an increase in the normal pension age of public sector schemes from 60 to 65.

124. Our employment programmes have reduced unemployment for this group, and new help for those claiming Incapacity Benefit will support inactive older people returning to work (half of the 2.7 million people claiming Incapacity Benefit are over 50). Looking forward, our biggest challenge is to support older people in staying in the workplace for longer, improving information and countering the factors that have forced them into inactivity and unplanned early retirement in the past. The Government is seeking to achieve a cultural change, including working with employers to tackle discrimination against older people in the workplace, and promoting the benefits of age diversity.

³² Government Actuary's Department 2003 population projections.

Figure 16: Mean retirement ages have stopped falling³³

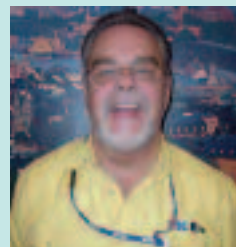
Age discrimination

125. We must prevent discrimination against older people. We are already tackling ageism through the Age Positive campaign by encouraging employers to realise the business benefits of recruiting, training and retaining older workers as part of an age diverse workforce. Over 100 organisations have the status of 'Age Positive Champion' in recognition of their good practices.

126. In 2005, we will launch a new high-profile national guidance campaign, providing practical guidance on adopting flexible approaches to work and retirement in relation to age and supporting preparations for the implementation of age discrimination legislation. In 2006, we will enact the European Directive on age discrimination, making it unlawful to discriminate on the basis of age in employment and vocational training. As part of this legislation, employers will be able to set a compulsory retirement age below 65 only if they can objectively justify it. Employers will also be required to consider formally requests from employees to work beyond 65. After five years, we will conduct an evidence-based review of the legislation and consider whether compulsory retirement ages are required.

Howard Clarke's story

IKEA has been working with Jobcentre Plus and Age Positive to ensure that staff in its flagship Cardiff Bay store reflects the diversity of its customer base.



"Before we could open for business, we needed to recruit around 500 staff," says Gay Gwinnitt, IKEA's HR manager. "We wanted to be sure that we were attracting a truly diverse workforce by reaching everyone in the community, including older people."

IKEA held special coffee mornings for the over-50s. The events were publicised by adverts in the local paper, in-store and at regional Jobcentres. The people who attended met IKEA management staff and similarly-aged workers from throughout the store who shared their experiences with them.

Howard Clarke, 57, was made redundant from his engineering job in 2002. He was offered full-time work in IKEA's recovery department but requested part-time work. Howard now uses his engineering skills to build IKEA furniture.

³³ Source: Blondal and Scarpetta (1999) Pensions Commission estimates World Economic Forum, *Living Happily Ever After: The Economic Implications of Ageing Societies*

Carers

127. Caring responsibilities are particularly relevant for the older worker. There are over 5 million unpaid or informal carers of disabled people. Over a quarter of carers provide care for more than 20 hours a week, and just over a tenth for more than 50 hours. Evidence³⁴ shows that the peak age for caring is 45 to 64 years, when one in four adults has some caring responsibilities. Women carers in particular have lower incomes than non-carers. We will continue to support carers to ensure that they have the same opportunities and rights, as well as responsibilities, as other members of society, working closely with other government departments and carers' organisations. We will help carers remain in work and will assist carers in returning to work when their caring responsibilities end.

Flexible retirement

128. The Government is committed to easing the 'cliff edge' of retirement, where people can be valuable members of the workforce one day and shunted into retirement the next. Instead, we want to provide all older workers with options for flexible retirement. Changes to occupational

pension rules from April 2006 mean that people will be able to draw their occupational pension and continue to work for the same employer. We aim to explore how flexible working, financial incentives and information about retirement income can help older workers make sensible and supported choices about working, saving and retirement.

Choosing to work past State Pension age

129. From 2010 to 2020, we will be equalising women's State Pension age with that of men at 65. Currently, 1 million people have already chosen to carry on working past State Pension age – many in part-time work. Research³⁵ shows that what people want is choice. The Government plans to increase the choices and opportunities for individuals to stay in work by introducing more generous options for deferring State Pension (from April 2005). For the first time, people will be offered the choice of a lump-sum payment as an alternative to an increase in their weekly pension: a typical person who delays their State Pension for five years could receive a payment of £20,000 to £30,000 or a 50 per cent increase in their weekly pension for life.

Figure 17: Benefits of deferring State Pension³⁶

Amount of State Pension	Years of deferral	Lump-sum payment accrued	Extra State Pension earned	
			Weekly	Annual
£105	1	£5,646	£10.92	£568
	2	£11,673	£21.84	£1,136
	5	£32,306	£54.60	£2,839
	10	£77,090	£109.20	£5,678

34 Maher, J. and Green, H. (2002) *Carers 2000*, London: The Stationery Office.

35 Vickerstaff, S. et al (2004) *Happy Retirement? The impact of employers' policies and practice on the process of retirement*, Bristol: the Policy Press/Joseph Rowntree Foundation.

36 Assumes a base rate of 4.75 per cent, which means an interest rate of 6.75 per cent for the lump sum. The £105 is the average pension entitlement of a 65-year-old male (to the nearest £5).

... Saving more

Our goal is to ensure that people have the information and opportunities to work and save for retirement.

Introduction

130. Effective working and saving for retirement is central to our long-term vision of personal responsibility and planning over the life cycle. In 2002, we estimated that there may be 3 million people who, over time, given current savings and employment trends, may be under-saving for their retirement. Depending on their expectations of retirement, a further 5 to 10 million people might want to consider saving more or working longer.³⁷ The Pension Commission estimates of under-saving released in 2004 are similar. The challenges of financing an ageing society are faced by all Western European countries. We will advance policies that are sustainable for future generations.

131. We have already taken some significant steps. The fact that more people are employed in Great Britain than ever before means that more people are in a position to save for retirement. The introduction of State Second Pension and stakeholder pensions is also important in encouraging greater pension provision for people on low incomes.

132. About 18.7 million people have gained from the introduction of State Second Pension, including 5.8 million low earners, 8.8 million moderate earners, 1.9 million carers and 2.2 million long-term disabled people. State Second Pension is at least twice as generous to low earners than the previous SERPS system. In SERPS, carers and disabled people were completely excluded from building up a second state pension. Ninety-five per cent of the carers benefiting from the scheme are women, as are an estimated 65 per cent of the 5.8 million low earners. In 1996/97, 19 million people were accruing a second-tier pension, but by 2002/03 this had increased to 25.9 million – that's over 6 million more people accruing second-tier pensions above and beyond the basic State Pension.

133. Stakeholder pensions were introduced as part of long-term reforms to ensure that everyone has the chance to save for a decent income in retirement. Stakeholder pensions provide an attractive savings option for all, especially for those who don't have access to an occupational pension, including moderate earners, the self-employed, those not working (such as carers) and children, as well as for employees. They are simple, flexible, portable and good value for money. The charges for stakeholder pensions have also now been driven by one-third across the industry. At the end of September 2004, almost 2.2 million had been sold, with the latest statistics showing around one third of sales going to women.

Occupational pension schemes

134. Employees are more likely to save than anyone else, underlining the importance of occupational pensions.³⁸ We are working with employers and partner organisations to evaluate a range of techniques to increase membership of workplace pension schemes. We want to establish which are the most effective in delivering increased pension saving in the UK. Evidence from the US, and the UK experience of automatic enrolment, suggests that when new employees are automatically placed into their employer's pension scheme, participation rates are much higher than when individuals have to opt in. Firms could be encouraged to activate staff to join pensions in such ways if any new requirements on employers to provide information and advice about pensions were waived for those companies who had succeeded in achieving high take-up of pensions. Automatic enrolment, and other such techniques are vitally important to furthering private pension provision. We are aware that currently 4.6 million people are not taking up the pensions that are offered to them, so if we can significantly increase take-up we could make a big dent in overall under-saving.

Informed choice

135. Beyond this, we are seeking to support individuals in making sensible financial plans for

37 *Simplicity, security and choice: working and saving for retirement*, (Cm 5677) DWP, December 2002.

38 McKay, S. and Kempson, E. (2003) *Savings and Life Events*, DWP Research Report No. 194.

retirement. The creation of The Pension Service means we have an organisation equipped to support customers in this way. Our Informed Choice strategy empowers individuals to make real and informed choices on working and saving for retirement, providing pension forecasts showing individuals how choices they make today relate to their own retirement prospects. 2.5 million individuals had received a combined pension forecast, predicting future state and occupational provision, by December 2004. We will introduce a web-based retirement planner in 2006, which will give people the opportunity to look at their accumulated and projected pension rights from both state and private sources, and will signpost them to non-governmental sources of independent and impartial advice.

Julie Waugh's story

Julie Waugh is one of the many people who have benefited from our combined pension forecasts.

Julie works for ASDA in Gosforth as a counter manager. Julie has been employed by ASDA for 13 years, but has an interrupted career record after taking breaks to look after her children. Recently, Julie received a combined pension forecast, setting out her estimated future pension from the employer and from the state on a single statement.

“It was a real wake-up call. I’d never thought much about pensions before, and always thought they were too complicated. The forecast was in plain black and white – it was easy to understand. I’ve now decided to work full time and will step up my contributions into the ASDA pension scheme. I would encourage everyone to ask their employer to produce similar combined pension forecasts.”



136. Employers have a responsibility to their employees to help them think and plan for their retirement provision. We are working with employers and partner organisations to provide information to employees. The Pensions Act contains powers that could require certain employers to provide their employees with access to pension information and advice (the results of a pilot study will inform how the new power will be used). Another power could require the trustees and managers of private or occupational pension schemes to issue combined pension forecasts if sufficient numbers of employers and pension providers do not participate on a voluntary basis.

Safeguarding retirement provision

137. People will not save unless they are confident that it will pay them to do so. We also need to safeguard the provision that people have made for their retirement. We understand the frustration and anger of individuals who have paid into occupational pension schemes and then lose their entitlement through no fault of their own. The Pensions Act 2004 will deliver meaningful security and certainty for people in occupational pension schemes, protecting individuals and restoring trust in the system.

138. The Pension Protection Fund will protect members of defined benefit schemes by paying compensation if their employer becomes insolvent and the pension scheme is underfunded. Over 10 million members of final salary pension schemes will benefit from the security and peace of mind afforded by this. The Fund will provide a 100 per cent level of compensation for people who have reached a scheme's normal pension age; members below a scheme's normal pension age will receive a 90 per cent level of compensation, subject to a pension cap, plus annual increases. The Fund will be financed, in part, by charging a compulsory annual levy on all schemes that could be eligible for compensation.

139. The Pensions Act also provides for the setting up of a Financial Assistance Scheme to give help to some people who have lost out on their defined benefit occupational pension because their pension scheme has been wound up underfunded and the employer has been unable to make up the deficit. The sum of £400 million spread over 20 years has been committed to the scheme. Details, including who will be eligible and the level of assistance to be provided, are being developed in consultation with stakeholders. Formal regulatory consultation will begin in the spring. In April, we will set up the body to administer the Financial Assistance Scheme and, following the formal consultation, we will lay regulations before Parliament, making payments as soon as practicable thereafter.

140. Finally, a new proactive Pensions Regulator will replace the Occupational Pensions Regulatory Authority (Opra) in April 2005. The Regulator will be able to provide education, assistance and information to those administering or advising on pension schemes. It will also have more extensive powers to collect relevant information and to have breaches of the law and specific events notified to it. This will lead to a proactive, proportionate form of regulation that rewards well-run schemes by reducing the regulatory burden.

Making it easier to run effective schemes

141. We have already taken action to help schemes strip away layers of regulation that have built up over the years. The removal of the limited price indexation cap for defined contribution schemes is a major simplification. This complements the radical tax simplification in the Finance Act 2004, which from April 2006 will replace today's eight separate tax regimes with one single regime.

142. While it is important to bolster the security of occupational pensions, it is also essential to ensure that the right structures are in place so that companies actually want to offer occupational pension schemes. That means cutting through bureaucracy wherever possible to ensure that companies running efficient and effective schemes are able to get on with doing so. The Pensions Act and our broader reform programme have this principle at their core.

- The Finance Act will sweep away eight tax regimes and replace them with a single, simplified system based on a lifetime limit of £1.5 million. This change alone will save businesses £60 million per year.
- The old 'Section 67' is to be abolished, cutting through the restrictive layer cake of regulation, freeing up companies to rationalise pension rights accrued in different years, with different regulations in place, into one single system.
- As soon as possible, we will pass legislation to do away with the restrictive Guaranteed Minimum Pensions regulations.

- With better information stored centrally, our new Regulator will operate a risk-based approach, with a lighter touch for low-risk schemes.

144. In parallel with the Pension Commission's work, which examines the regime for UK private pensions and long-term savings, we will come forward with the principles which will underpin our reform of pensions.

Pensions Commission

143. We will be aided as we take this work forward by the findings and recommendations of the independent Pensions Commission, chaired by Adair Turner, which we set up in 2002 with a remit to keep under review the regime for UK private pensions and long-term savings, taking into account the proposals in the Green Paper,³⁹ assessing the information needed to monitor progress and looking in particular at current and projected trends. The Commission's first report, a comprehensive analysis of the private pensions landscape that underscores the long-term importance of the priorities and challenges identified by the Government, was published in October 2004. The Commission will report again in 2005.



39 *Simplicity, security and choice: working and saving for retirement* (Cm 5677), DWP, December 2002.

Chapter Six

Security and dignity in retirement

The challenges of an ageing population

The number of pensioners in absolute poverty was reduced by two-thirds between 1997 and 2003. In 1997 the poorest pensioners were expected to live on just £69 per week. Now every pensioner has a guarantee of £105.45 per week thanks to the Pension Credit, and from April this will increase to £109.45.

We need to support pensioners by working with other organisations, continuing to reduce poverty, and putting in place further mechanisms to support an older population. We are committed to increasing the quality of life for all pensioners, not just the poorest.

- We are providing more for all by increasing the basic State Pension to £82.05⁴⁰ per week for a single person and £131.20⁴⁰ per week for a couple, by paying out Winter Fuel Payments to all households with someone aged over 60, and by giving free television licences to all those aged 75 and over.
- Pension Credit provides the means for us to continue to combat pensioner poverty. We are moving towards there being 3 million pensioner households in receipt of Pension Credit in 2006 and 3.2 million pensioner households in receipt of Pension Credit in 2008.
- The Department must increasingly operate joined-up services with other organisations in the community to ensure that pensioners receive a holistic service that is responsive to individual needs. We are setting up Joint Teams with local authorities across the country.
- The Pension Protection Fund will ensure that pensions built up over a lifetime will be safe throughout retirement (see Chapter Five).

Introduction

145. Our policies through the life cycle are designed to empower people to avoid poverty in old age by their own efforts. But our duty to poor pensioners is amongst our most important. Overall, this Government will be spending around £10 billion extra on pensioners in 2004/05 as a result of the measures introduced since 1997. Half of the extra money – around £5 billion – goes to the poorest third of pensioners – the very people

who need help most. By 2002/03, 1.8 million pensioners had been lifted out of absolute poverty – 1.3 million of whom were women. A recent report by the Institute of Fiscal Studies noted that for the first time in nearly 20 years, in spite of buoyant incomes for those of working age, pensioners are now no more likely to be in poverty than non-pensioners, measuring income after housing costs (AHC).⁴¹

⁴⁰ Based on full contributions.

⁴¹ Institute of Fiscal Studies, *Poverty and Inequality in Britain*, March 2004. There was one year in the 1980s when pensioners were no more likely to be in poverty than the rest of the population, but this was at a time of recession and high unemployment which temporarily increased the risk of poverty for non-pensioners.



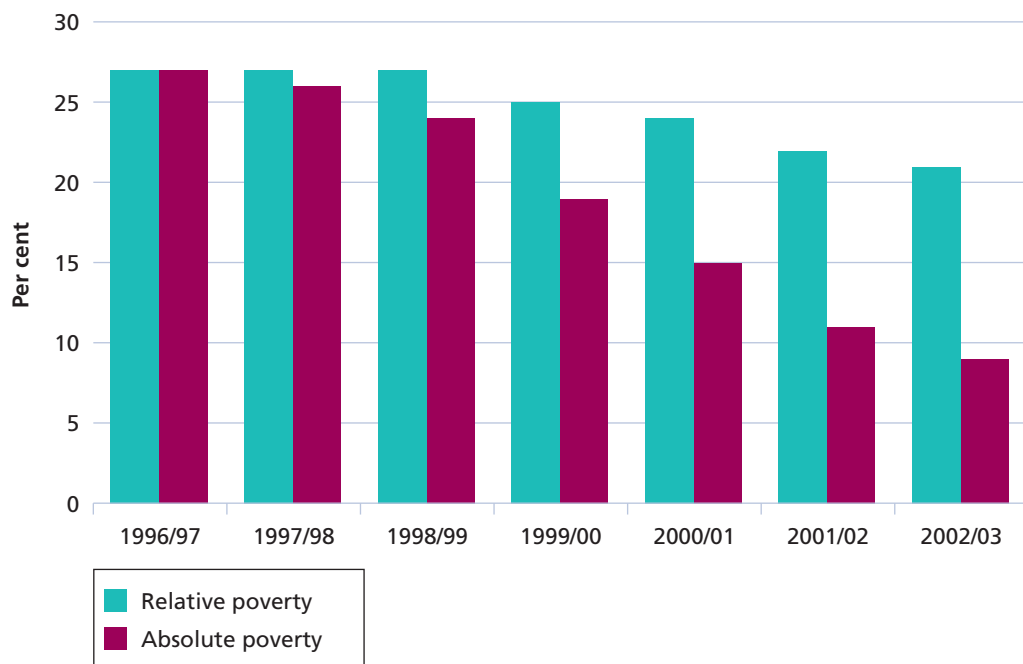
Changes introduced by the Government mean that the average pensioner household will be £1,350 per year, or £26 per week, better off in 2005/06 than they would have been under the 1997 system. The poorest third of pensioner households will be £36 a week better off.

modest savings and provides generous back payments. There are already 2.65 million pensioner households (3.2 million pensioners) in receipt of Pension Credit, two-thirds of whom are women. We are confident of meeting targets of 3 million pensioner households (about 3.7 million individuals) in receipt by 2006 and 3.2 million pensioner households (about 4 million individuals) by 2008. The average weekly award is £41.65. We want to ensure that as many eligible pensioners as possible take up the extra cash that is available to them. Currently over 2 million pensioner households are receiving the Guarantee Credit – these are the poorest pensioners.

Pension Credit

146. Pension Credit is a decisive response to the problem of pensioner poverty. Up-rated in line with earnings, it rewards pensioners who have made

Figure 18: Proportion of pensioners below 60 per cent of median income, after housing costs⁴²



⁴² 'Relative poverty' is defined as the proportion of pensioners living in households below 60 per cent of contemporary median income (after housing costs); 'absolute poverty' is defined as the proportion of pensioners living in households below 60 per cent of 1996/97 median income held constant in real terms (after housing costs). Source: *Households below average income 2002/03*.

Developing services that respond to pensioners' needs

147. The Pension Service is the first-ever dedicated service for pensioners. In the past, pensioners had to negotiate a bureaucratic and complex system, involving trips to unattractive Benefits Agency offices, to access their entitlements. Now, for the first time, there is an organisation providing a modern service dedicated to the needs of today's and future pensioners. It offers a local service, working increasingly with voluntary sector partners, that provides outreach activity in convenient locations and a home visiting service. In dealing with Pension Credit applications The Pension Service's efficient telephone-based process collects information over the phone, filling in the necessary paperwork, so it can simply be mailed to pensioners to sign, and checked upon return.

A pensioner's story

A staff member from The Pension Service received a telephone call from a very distressed customer. A visit was arranged. The Customer Liaison Manager noticed that the woman was disabled and only had full use of one hand. The resulting awards of Pension Credit and Attendance Allowance increased the customer's income by £100 per week. This woman, who obviously had struggled for many years, is now able to afford to pay someone to do her cleaning. She is able to take taxis back and forth from the hospital. She is also able to pay for someone to do her ironing.

But the most pleasurable purchase of all was a pair of slip-on shoes. For, prior to this visit, the customer would have to ask someone to tie her laces for her, before being able to leave the house. If no one called, she remained at home all day. With these new slip-on shoes she regained some of her lost independence. A few days later, she phoned the Customer Liaison Manager to tell her she was her hero.

Joint Teams

148. It is not acceptable for vulnerable pensioners to be passed between service providers. Yet, if we can increase the sharing of data between different computers, within different agencies working on multiple benefits to which a pensioner may be entitled, then we can ensure that pensioners need to talk to us less. This makes their lives easier and helps to boost Pension Credit take-up. It is with this vision in mind that we are setting up Joint Teams with local authorities and voluntary agencies to respond to pensioners' different needs. The Pension Service's staff are working alongside local authority staff and, in some teams, voluntary sector partners to form a multi-skilled team. Over two-thirds of primary tier local authorities have agreed in principle to form Joint Teams with The Pension Service's local service. Our aim is to achieve full national roll-out of Joint Teams by June 2006.

Under Joint Teams, an individual will carry out a single assessment visit to a pensioner to identify potential entitlement for Pension Credit, Attendance Allowance and Housing Benefit/Council Tax Benefit and also carry out a care finance assessment. Previously four visits would have needed to be carried out.

149. We want to move to a position where, when we or local authorities hold the right data, we will be able to award Pension Credit more automatically. We can make better use of the information we hold on our customers to move in this direction. We can also do this through data transfer between public administrations, so that individuals do not have to give the same information twice and do not fall through the gaps between service providers – we're already on this road. Already local authorities accept The Pension Service's information when processing an individual's Housing Benefit claim. Further developments are in the pipeline and are laid out in the longitudinal data explanation in Chapter Eight.

Working through voluntary agencies will help us move further towards a forms-free application

150. We recognise that some pensioners prefer talking to local voluntary organisations. We are piloting with Age Concern a concept called 'Alternative Offices'. Alternative Offices use new regulations that allow voluntary organisations to take claims to social security benefits and to verify supporting documentation so that the older person does not have to send documents to The Pension Service. We are currently developing training and accreditation to increase the number of designated partners. In March 2004 we also established a £13 million Pension Service Partnership Fund which will provide funding to partners for initiatives to improve take-up of older people's benefits.

151. Building on this approach, we recently published *Link-Age: Developing networks of services for older people*,⁴³ which sets out our strategy for further joining up services for older people across and beyond government. At its core is the vision of a single needs assessment process with one assessment looking at care needs, income and health-related benefit entitlements: work which may have taken three or four assessments in the past. We are also committed to publish a wider cross-government Strategy for Older People.

Recognising disabled pensioners and carers, and gender issues

152. Our policies also recognise the interests of the 3 million disabled pensioners, the 1.5 million carers who are pensioners, and the 11 per cent of all adults who care for people outside their own households, many of whom are pensioners. Attendance Allowance provides pensioners with a contribution to the extra costs incurred by disability. The Government has also ensured that carers over 65 can now claim Carer's Allowance. Over 23,000 carers over State Pension age (60/65) now receive Carer's Allowance; many more benefit from the carer's premium in the income-related benefits and/or the additional amount in their Pension Credit.

153. We will be publishing a report on women and pensions in 2005, covering both issues for today's pensioners and saving for retirement.

We can see how Government policies already in place and those in the Pensions Act 2004 are helping today's pensioners and future generations by looking at a potential family scenario:

Mrs Anne Smith, aged 87, receives basic State Pension, a free TV licence, Winter Fuel Payments and Attendance Allowance. Her daughter Mary picks up a leaflet from the library and finds out that her mother might also be entitled to Pension Credit on top of this. Anne receives a visit from the local service's Joint Team. She is found to be eligible for a weekly payment of Pension Credit of £25, backdated for 12 months. At the same time, the Joint Team helps Anne to claim Housing Benefit and Council Tax Benefit.

Mary, 58, looks after her mother full time and claims Carer's Allowance, which gives her credits towards her basic State Pension. As she is getting Carer's Allowance, she is also accruing additional pension rights through the Second State Pension. Her husband Paul, 64, has just received his annual Combined Pension Forecast from his employer, setting out what Paul is currently entitled to in both state and private pension provision. Paul is keen to carry on working for a few years when he turns 65. He finds out that if he delays claiming his State Pension for two years after April 2005, he can either receive a pension of £126 a week or a lump sum of around £11,600.

Paul and Mary's daughter, Christine, 30, is a self-employed hairdresser earning £18,000 a year. She thinks that a stakeholder pension is a good option for her as they are low charge and flexible. She will also benefit from tax relief on the contributions she pays. When Christine decides to start a family, she knows that the Child Trust Fund means that her child will receive at least £250 from Government with further payments when the child reaches seven. She hopes that this initiative will give an early positive message to her children about the importance of saving for the future.

43 *Link-Age: Developing networks of services for older people*, DWP in conjunction with Department of Health, Office of the Deputy Prime Minister and Local Government Authority, 26 August 2004.

Chapter Seven

Equality for disabled people

The Department plays a leading role in promoting equality for disabled people. For the first time more than 50 per cent of disabled people are in employment,⁴⁴ but we still need to work to make a reality of disability rights.

The Disability Discrimination Bill has been introduced into Parliament and the final parts of the Disability Discrimination Act have been implemented. The Strategy Unit's report⁴⁵ sets out a 20-year vision, so that, by 2025, disabled people in Britain will have full opportunities to improve their quality of life, and will be respected and fully included as equal members of society. But we have concrete plans that will take us very significantly closer to this vision over the next five years.

We are also:

- working to increase the awareness of existing disability rights;
- developing a major cross-government strategy to make our vision for disabled people a reality; and
- setting up a new Office for Disability Issues within government.

Introduction

154. Delivering fairness and opportunity for all creates challenges that are more severe for some groups than others. Disabled children are more likely to suffer from poverty and do less well at school. Disabled adults are likely to receive a lower income, less likely to be in work, more likely to leave the workforce before State Pension age and less likely to have adequate pensions.

We will continue to work towards greater equality for disabled people by eliminating both discrimination and the barriers that can prevent them from participating fully in society.

Gwen Leighton's story

Gwen Leighton was born with cerebral palsy. She was assessed as eligible for receiving financial assistance from the Independent Living Fund (ILF), in addition to direct payments she received from her local council and Disability Living Allowance. "ILF enabled me to attend college and then university where I graduated in 2002 with a BA Honours in Management of Business and Tourism. This was very special to me because when I was born my parents were told to put me in a home because I would not be able to achieve anything, and a couple of months later I lost my mum suddenly, so was so glad that my parents had seen me graduate. My ILF payments were then reassessed in 2003 and increased, allowing me additional support so that I no longer had to attend a daycare centre, which has allowed me to continue with my studies. Payments from ILF give me the freedom and flexibility I need, to do what I want, when I want to do it. I have a very good quality of life because of it, and I am looking forward to achieving an awful lot more, because of the support I get. Although I am the employer and my carers are employees, they become my friends and give me emotional as well as practical support."



⁴⁴ Using the Spending Review 2002 definition of the employment rate for disabled people.

⁴⁵ *Improving the life chances of disabled people*, Strategy Unit, 2005.

Disability Discrimination Bill

155. Improved rights are vital if disabled people are to play a full part in society. In 1997 only the most blatant discrimination against disabled customers was outlawed and there was no protection at all for employees of small firms. We have steadily widened the scope of the Disability Discrimination Act. From October 2004, the Act now covers a further 7 million jobs, a further 600,000 disabled employees and 1 million small employers. We also established the Disability Rights Commission. As opportunities open up, society gains from the talents of disabled people. Thanks to the duty of reasonable adjustment, disabled people's needs have to be met using a co-operative, common-sense approach. When enacted, the new Disability Discrimination Bill will provide disabled people with the comprehensive and enforceable civil rights that the Government has promised. The Bill is the final step towards meeting the Government's 2001 manifesto commitment to extend rights and opportunities for disabled people. It puts in place major reforms, assisting the drive to ensure that disabled people can lead independent and fulfilling lives.

156. The Bill will widen and strengthen legislative protection for disabled people by extending the Disability Discrimination Act to cover: an additional 175,000 disabled people with HIV, cancer and multiple sclerosis, effectively from the point of diagnosis; the functions carried out by public bodies; and private clubs with 25 or more members. The Bill also extends the existing legal provisions on premises, and introduces new and improved rights relating to transport. For the first time, it goes beyond individual rights of redress, with a more proactive commitment to equality by introducing a new duty on public bodies to promote equality for disabled people.

Extending awareness

157. We are also working to increase the understanding and awareness of disability rights and, in particular, the new duties for employers and service providers from October 2004. We launched a major campaign on 31 March 2004 to inform businesses, especially small and medium-sized businesses, of their new duties from October 2004.

158. We are improving the accessibility of information and services provided to all citizens, focusing on the specific needs of disabled people, and making information available in alternative formats. Through the Directgov website, we are providing tailored information directly to over 7,000 disabled people each week. We will continue to build on the success of the site with more information and accessible services designed to reach as wide an audience as possible.

Working with others

159. Without further action, disability rights will not eliminate the disadvantages faced by disabled people. A step-change is needed in the way that society addresses the disadvantages they face. This will require sustained action by the Government, employers, service providers, non-disabled people and, indeed, by disabled people themselves.

160. The Prime Minister's Strategy Unit has undertaken a detailed examination of the current position of disabled people. It published its final report and recommendations *Improving the life chances of disabled people* on 19 January 2005. This report sets out a new 20-year vision for disabled people: 'By 2025 disabled people in Britain should have full opportunities to improve their quality of life, and will be respected and included as equal members of society.'

161. The Strategy Unit report makes proposals in four key areas:

- **Independent living** – disabled people should be given greater choice over how their needs are met through individualised budgets.
- **Families with young disabled children** – their needs should be addressed as part of the support provided to all families. Services should support all families to achieve ‘normal lives’.
- **Transition to adulthood** – there should be better planning of how to meet individual needs; continuous service provision, not the current ‘cliff edge’ in provision; more opportunities and choices.
- **Employment** – effective early intervention should help disabled people to access or stay in touch with the labour market. Further steps should be taken to improve the employability of disabled people. And disabled people should be able to access ongoing, personalised support.

162. The Department has taken lead responsibility for the Strategy Unit’s report. We are keen to ensure that disabled people begin to see real improvements as soon as possible. So we will be working with other departments to identify early options for piloting new ways of working. Specific options include the recommendation on individualised budgets and looking at simplifying the assessment process across different agencies. We will also ensure that the process of engagement with disabled people and their organisations, initiated during the review, is maintained.

163. We will work with other Departments to set up the new Office for Disability Issues, recommended in the Strategy Unit’s report. This office will provide a broader context for Departments to develop policy in a co-ordinated way and will be the means by which they take forward the strategy for disabled people. In addition, we will work with others in Government to establish the Commission for Equality and Human Rights, ensuring that it meets the distinct needs of disabled people. Finally, we will represent the UK in European and international fora, including negotiations on a UN Convention on disability rights.

Disability and Carers Service

164. We will improve the performance of the Disability and Carers Service, which administers the extra cost disability benefits and Carer’s Allowance. The Disability and Carers Service has recently been granted Executive Agency status. This significant change will help to strengthen accountability, support modernisation and improve customer services. The modernised agency will work more closely with other agencies to offer specific services based on customers’ personal circumstances.



Chapter Eight

Organisational transformation

Organisational transformation

We are proud of what has been achieved since the new department was created in 2001. We have created Jobcentre Plus and The Pension Service, and introduced a substantial modernisation programme.

We now need to make the next step on our journey, through streamlining processes and offering outstanding value for money to the taxpayer. We have an efficiency challenge to maintain our customer outcomes while reducing our staffing by a net 30,000 posts by 2008. At the same time, we need to improve the quality of service we offer to customers, and reduce the complexity of claiming benefits.

We will meet that challenge through:

- knowing our customers – this means that we can tailor our services to them, providing the right level of support for their needs;
- supporting our committed and skilled staff, to deliver performance at higher levels of productivity; and
- transforming our supporting operations to be as effective and efficient as possible.

Introduction

165. We have radically redesigned the way we deliver our services by listening to what our customers really want. Since 1997 we have:

- introduced the new Jobcentre Plus service, providing integrated employment and benefits advice, delivering the streamlined New Deal and other programmes to disadvantaged people of working age; and
- introduced The Pension Service to provide a distinct service for today's pensioners and financial advice for people preparing for retirement.

166. This is a step change from the previous structures, where people claimed benefits from a benefits office and looked for work in a Jobcentre. Despite the best efforts of our staff, benefit offices were often difficult environments for our customers, with pensioners particularly reluctant to enter. Our new organisations are developed to serve individual customers' needs. They are helping to deliver higher employment and reduced poverty for children and pensioners.

167. In addition we have:

- introduced new child support arrangements, and modernised the business to become more customer focused and cost effective. This process has been difficult, and our next steps are set out in Chapter Three;
- strengthened accountability by making the Disability and Carers Service an Executive Agency;

- welcomed the role of sponsoring the Health and Safety Commission and Executive, seeing their preventative role as an essential means to improve working conditions; and
- achieved significant improvements in the administration of Housing Benefit, working with local authorities.

168. We have supported these changes with a modernisation programme. We are modernising our services, including through investing in better information and communications technology. Modernisation has underpinned the new integrated Jobcentre Plus service and the new Pension Centres. New IT systems and telephony have enabled us to design and deliver these services and the improved outcomes for customers recorded through this document.

169. Modernisation also provides a service which is better value for money to the taxpayer. Eighty-five per cent of benefit accounts are now paid by Direct Payment into a bank or building society account, including the Post Office® card account. Payment direct into a bank account costs only a fraction of the cost of the old order book system and reduces fraud. The move to Direct Payment will save the taxpayer in excess of £1 billion over the next five years.

170. Looking to the future, we can reap further rewards from this modernisation. We can secure still better outcomes by working smarter through intelligent use of our technology, linked to an understanding of what works for the customer.

Knowing customers

171. Our knowledge of and relationship with our customers is at the heart of what we do. We pilot new approaches to understand what works and we are proud of our world-class analytical work. We want to empower our customers to achieve their potential, so we need to understand our customers and to focus our resource on where it is most needed. Supporting individuals means tailored back to work support for Jobcentre Plus customers, integrated local services for pensioners and accessible and quality services meeting the diverse needs of disabled people. The box below explains how we can make use of our databases to reduce form filling requirements.

Cutting through form filling using longitudinal data

The Department holds considerable information on its customers in databases, as do other government departments. We are working with HM Revenue and Customs (HMRC) and other government departments to pull together information and to better understand our customers and serve their needs. Over time, collective information on individuals facilitates:

- automatically using information from claiming one benefit or tax credit for processing a claim to a second one;
- better targeting of benefits – for example, prompting where we suspect a pensioner is not receiving Pension Credit but could be entitled to it;

Cutting through form filling using longitudinal data (*continued*)

- reducing multiple demands for information;
- targeting services, particularly labour-intensive services aimed at assisting our most vulnerable customers and ensuring our interventions work effectively – for example, by knowing a jobseeker’s benefit information we can understand what New Deal or training helps them to get a job and when they are likely to need help, so that they don’t slip out of work and back onto benefits;
- tailored advice to individuals – for example, advising lone parents on childcare arrangements within a short walk;
- improve performance – we will also be able to better monitor performance of our agencies and contracted providers by using information on outcomes recorded by other government departments;
- a much richer understanding of the way outcomes achieved in one stage in life affect the next, supporting long-term strategy development; and
- identifying where someone may be making a fraudulent claim and making better use of longitudinal data to identify parts of the system most at risk.

All these benefits of the new database mean we can do more for less. In the long term, better use of the information held by the Department should make our services simpler and easier to use for our customers.

We are in the early stages of this work, but already we can see its potential. We fully take into account Human Rights and Data Protection requirements at all stages. An ethics committee has been established to advise us on ethical issues associated with using this information.

Different ways to communicate

172. Not all customers require direct face-to-face intervention. We will focus our face-to-face interventions on the customers who require our support most. We need to move other transactions towards more efficient communication channels like the telephone and the internet. We can provide an individual service to customers through these media.

For example:

- The initial claim to Jobcentre Plus for benefit is already made over the telephone. Jobcentre Plus provides a telephone jobsearch advice service called Jobseeker Direct. Our ‘Job bank’ is the Government’s most used website, receiving around 3.5 million hits a week. We will establish a link between the Job bank and the new ‘MoveUK’ site, so customers and advisers can access information about housing vacancies at the same time as they look for work.
- The Pension Service telephone service enables pensioners to contact us from the privacy of their own home. A member of staff takes them through the application process (freephone for Pension Credit), and then they are sent a completed form to simply check, sign and return – they don’t even have to pay for the stamp.
- The Child Support Agency will continue to use the telephone as its preferred method of contact. Customers will be able to submit a range of forms over the internet and to use a web-based calculator to work out maintenance liabilities for themselves.
- The Disability and Carers Service is developing an on-line claims facility.

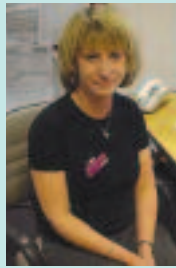
173. Tackling complexity would make the benefits system easier for our customers to understand and access. We are actively considering the possibilities for future benefit simplification – which could substantially cut the large sums both overpaid and underpaid because of mistakes and misunderstandings.

Committed staff

174. Our organisation is privileged in that it attracts people who want to make a difference to their communities and to British society in general. It is this motivation – the desire to make things different and better – which makes us special, and drives our staff to achieve extraordinary things. When we bring together different people with different skills who share the same vision, working effectively and efficiently to gain most benefit from our commitment and skills, we deliver substantial change.

Mandy Grant's story

Every person is an individual – that's what you have to remember. I get the most satisfaction out of seeing the change in the parents who come to see me. They arrive for their first New Deal interview unsure and nervous, and the change when someone comes in saying "I've got a job Mandy" is unbelievable.



People often don't realise all the help that is available to them and that's where our experience as advisors is important. Everyone wants to help the lone parents that come in – advisors want to do their job. My experience as a lone parent myself means that I can understand the difficulties people are facing with things like childcare.

The local community can play a very important part as well, because word of mouth is often how people become aware of the help available to them. I work part time now, so that I can look after my children in the holidays, but I still managed to help 30 lone parents to find work in three months.

Rewarding and valuing the workforce

175. Our reward structure must enable us to recruit and retain staff capable of delivering much higher productivity within the provision available. We need to look at the deal we offer our staff in the round: the satisfaction to be gained by helping some of the most disadvantaged in our society, the investment we are making in a better working environment and improved IT support, the opportunity to acquire skills, the offer of flexible working patterns, as well as our pay and pension package. Key elements of the pay strategy include:

- pay increases targeted at those lower down the pay scales where we are less competitive;
- further incentivising performance; and
- more effective performance management arrangements.

176. We need to provide the right environment for our staff to fulfil their potential and we will continue to invest in their training and development. We also support our staff in balancing work and family responsibilities.

Birmingham and Solihull Jobcentre Plus District won the Employer of the Year award, run by the Parents at Work charity. Judges praised the District's *Diversity with a Purpose* strategy, including policies on part time and job share arrangements, special leave for domestic emergencies, and a Keep in Touch scheme for people on maternity and sick leave.

Sarah Jackson, Parents at Work Chief Executive, said, "This year there was a record number of entries and Birmingham and Solihull Jobcentre Plus has done extremely well to come through a competitive field. The sheer range of our winners, from all around the UK, shows that work life balance policy and practise can bring many benefits to any kind of organisation."

Transforming our operations

177. The next step for our operational vision is to transform our operations to be as effective as possible. Over recent years we have already made major changes in the way we do things – one of our biggest successes has been the programme to pay benefits through bank accounts, rather than using outdated paper based methods. Over the next five years we will aim to make the most of past investment and the opportunities available from technology to transform our operations. For example, we plan major projects which will:

- centralise the processing of benefits within Jobcentre Plus, allowing us to transfer resource from benefit processing to active roles in supporting customers into work; and
- transform The Pension Service so that customers will receive decisions and information faster, through the use of telephone-based systems and the internet.

Reducing performance variations

178. We will improve productivity through reducing the variation in performance between the different parts of our organisation. Jobcentre Plus has the aim that all benefit processing functions should reach the productivity level of the current top quartile. Each part of the Department will have a nationally based performance management framework. Action is taken to support under-performing areas of the business, but where performance targets are not achieved, the business will take action to address underperformance, which could include contesting the work or moving the managers.

Fraud and error

179. Our continued effort to improve our processes as part of our drive on efficiency is linked to our determination to reduce further the amounts lost because of fraud and error in the benefit system. We have already made great strides, including exceeding our target to reduce fraud and error in Income Support and Jobseeker's Allowance by a third by March 2004, and in the

process cutting the fraud element itself by half. Progress is also being made in tackling loss in Housing Benefit.

180. We know that our approach works. The challenge over the next five years will be to build on it further in our rapidly changing business environment. The emphasis will be on working smarter and integrating control measures even more closely into our basic business processes. Key tools will include benefit simplification and tighter standard processes supported by better IT to reduce error, improved data-matching to catch cheating and mistakes earlier, and more help for customers to keep claims right. Deliberate fraud will continue to be dealt with robustly, with recourse to criminal sanctions where appropriate.

Reducing costs

181. In the Spending Review 2004, we agreed that by 2007/08 we will realise total annual efficiency gains of at least £960m. Part of these efficiencies will be made from procurement savings, for example, by reducing the costs of our major contracts, including estates, where we anticipate making savings related to our planned staffing levels by 2007/08.

Achieving staff reductions

182. A key part of our efficiency challenge is the planned reduction in the workforce of 30,000 full-time equivalent posts by March 2008. In areas where redeployment is not possible, we will seek volunteers to take part in voluntary early release schemes. Compulsory redundancies will be a last resort. In such instances, we will provide a wide range of support for staff affected. We will work closely with trade unions throughout.

Conclusion

183. We are changing people's lives and helping them to make the most of their potential. In future, we will do even more. We will provide a service tailored to individual needs, which promotes rights and responsibilities and supports those who need our help most. But taxpayers will expect such a service to be efficient and good value for money. It is vital therefore that our services are as productive as possible, freeing up resource for helping customers. High levels of efficiency and excellent value are a necessary condition for ensuring our services achieve even more.

184. We therefore have a transformation programme ahead – to know our customers better, to provide services tailored to them, to transform our operations and to increase productivity and efficiency. We believe that our committed staff can realise this vision. Beyond this, we will be developing the links between our separate businesses, but also links between them and HM Revenue and Customs. Our recent substantial investment in our people, processes, infrastructure and IT helps us to move in that direction, as we realise our ambition of supporting people over the life cycle.



Chapter Nine

The result

We are in the middle of a sustained and radical reform of the Welfare State. We must complete this transformation to respond to the demographic challenge we face, to respond to poverty now and to prevent poverty in the future.

185. We are in the middle of a sustained and radical reform of the Welfare State. To meet the demographic pressures we face, and to ensure we succeed in our mission to tackle poverty we must push forward to complete this transformation.

186. The old approach was passive, indifferent to the specific needs of individuals, and dismissive of the economic potential of those traditionally not classed as part of the labour market. The new welfare state must instead offer active support tailored to the needs of individuals aimed at empowering them to achieve their ambition. As individuals gain more access to the tailored support that they need, they will be better placed to work and to save for the future.

187. We need to apply the new approach at every stage of the life cycle to:

- support families and children;
- have more people in work, choosing to work longer and save more; and
- provide security and dignity in retirement.

We also need to ensure rights and opportunities for disabled people across the life cycle.

188. Concretely, this means in the next five years we will:

- complete the roll-out of Jobcentre Plus and make further improvements to the New Deal with local solutions meeting individual needs;
- continue to take the action needed to halve child poverty by 2010/11, on the way to eradicating it by 2020;
- improve the availability, affordability and quality of childcare for working parents, so that more parents can take up employment secure in the knowledge that their child will be cared for in a safe and stimulating environment;
- transform employment support for people with health conditions – focusing on what people can do, not what they can't;
- deliver better employment outcomes for those who have been disadvantaged in the past – lone parents, ethnic minorities, disabled people, those with low skills, older workers and those living in the most deprived areas;
- enable citizens to plan for their retirement, with the choice of working longer;
- build confidence in occupational pensions;
- tackle pensioner poverty by targeted activity to boost Pension Credit take-up and by taking steps to allow us to award Pension Credit more automatically;

- **reformed benefit structure** in place for new incapacity benefits claimants. Our goal is for the main elements of the new system to be in place for new claimants by 2008;
- **improve health and safety across the economy**, so that there are fewer fatal or serious accidents at work, less occupational ill-health and less sickness absence;
- **complete the implementation of the Government's commitment to full civil rights for disabled people**;
- **reduce fraud and error** – achieve a further reduction in fraud and error in Income Support, Jobseeker's Allowance and Housing Benefit; and
- **improve our efficiency and reduce staffing by a net 30,000 posts** – this means that our organisation will be smarter and leaner but still more effective.



Annex One

Public Service Agreement targets

This annex sets out our Public Service Agreement (PSA) targets, agreed in Spending Review 2004. Detailed definitions and monitoring information were set out in the Technical Note to the Spending Review.⁴⁶

Our PSA aim and objectives are as follows:

Aim

Promote opportunity and independence for all.

Objective 1 Ensure the best start for all children and end child poverty by 2020.

PSA 1 – Halve the number of children in relative low-income households between 1998–99 and 2010–11, on the way to eradicating child poverty by 2020, including:

- reducing the proportion of children in workless households by 5 per cent between spring 2005 and spring 2008; and
- increasing the proportion of parents with care on Income Support and income-based Jobseeker's Allowance who receive maintenance for their children to 65 per cent by March 2008.

Children in relative low-income households element joint with HM Treasury.

(The Government will also set a target as part of the next Spending Review to halve by 2010/11 the numbers of children suffering a combination of material deprivation and relative low income. The target will be met if there is an equivalent proportionate reduction to that required on relative low income between 2004/05 and 2010/11.)

PSA 2 – Improve children's communication, social and emotional development so that, by 2008, 50 per cent of children reach a good level of development at the end of the Foundation Stage, and reduce inequalities between the level of development achieved by children in the 20 per cent most disadvantaged areas and the rest of England.

Sure Start Unit target, joint with the Department for Education and Skills.

PSA 3 – As a contribution to reducing the proportion of children living in households where no one is working, by 2008:

- increase the stock of Ofsted-registered childcare by 10 per cent;
- increase the take-up of formal childcare by lower-income families by 50 per cent; and
- introduce, by April 2005, a successful light-touch childcare approval scheme.

Sure Start Unit target, joint with the Department for Education and Skills.

Many of those in disadvantaged groups targeted by PSA 4 will have children, and increasing their employment rates (in particular that of lone parents) will contribute to PSA 1



Objective II Promote work as the best form of welfare for people of working age, while protecting the position of those in greatest need.

PSA 4 – As part of the wider objective of full employment in every region, over the three years to spring 2008, and taking account of the economic cycle:

- demonstrate progress on increasing the employment rate;
- increase the employment rate of disadvantaged groups (lone parents, ethnic minorities, people aged 50 and over, those with the lowest qualifications and those living in the local authority wards with the poorest initial labour market position); and
- significantly reduce the difference between the employment rate of disadvantaged groups and the overall rate.

Full employment element joint with HM Treasury.

PSA 5 – By 2008, improve health and safety outcomes in Great Britain through the progressive improvement in the control of risks in the workplace.

Objective III Combat poverty and promote security and independence in retirement for today's and tomorrow's pensioners.

PSA 6 – By 2008, be paying Pension Credit to at least 3.2 million pensioner households, while maintaining a focus on the most disadvantaged by ensuring that at least 2.2 million of these households are in receipt of the Guarantee Credit.

PSA 7 – Improve working-age individuals' awareness of their retirement provision so that, by 2007–08, 15.4 million individuals are regularly issued a pension forecast and 60,000 successful pension traces are undertaken a year.

Objective IV Improve rights and opportunities for disabled people in a fair and inclusive society.

PSA 8 – In the three years to March 2008:

- further improve the rights of disabled people and remove barriers to their participation in society, working with other government departments, including through increasing awareness of the rights of disabled people;
- increase the employment rate of disabled people, taking account of the economic cycle; and
- significantly reduce the difference between their employment rate and the overall rate, taking account of the economic cycle.

Objective V Ensure customers receive a high-quality customer service, including high levels of accuracy.

PSA 9 – Improve Housing Benefit administration by:

- reducing the average time taken to process a Housing Benefit claim to no more than 48 days nationally, and across the bottom 15 per cent of local authorities to no more than 55 days, by March 2008;
- increasing the number of cases in the deregulated private rented sector in receipt of Local Housing Allowance to 740,000 by 2008; and
- increasing the number of cases in receipt of the Local Housing Allowance where the rent is paid directly to the claimant to 470,000 by 2008.

PSA 10 – Reduce losses from fraud and error in Income Support, Jobseeker's Allowance and Housing Benefit.**Who is accountable for delivery?**

The Secretary of State for Work and Pensions is responsible for the delivery of this PSA. The Chancellor of the Exchequer is jointly responsible for delivering parts of targets 1 and 4. The Secretary of State for Education and Skills is jointly responsible for targets 2 and 3.

Annex Two

Timeline for the Five Year Strategy

Year	Event
2005	A further nine local authorities to implement the Local Housing Allowance for tenants in private rented housing.
	More frequent Work Focused Interviews for lone parents with children aged at least 14.
	All lone parents to agree an action plan as part of the Work Focused Interview process.
	Start piloting <i>Pathways to Work</i> for Lone Parents.
	Undertake the migration of families with children who are in receipt of Income Support or Jobseeker's Allowance to Child Tax Credit.
	Increase the costs covered by the childcare element of Working Tax Credit to £300 for two or more children (£175 for one child).
	Review the current definition of the employment rate and set out proposals for defining progress towards our aspiration of an 80 per cent employment rate.
	Extend Work Focused Interview support in <i>Pathways to Work</i> pilots to some existing Incapacity Benefit clients. Introduce new Job Preparation Premium to encourage people on Incapacity Benefit to commit to a return to work.
	Mandatory action plans and Work Focused Interviews at the eight-week point for Incapacity Benefit claimants in all Jobcentre Plus integrated offices.
	Begin <i>Pathways to Work</i> roll-out to a third of the country.
	Put in place the following to help people prepare for retirement: <ul style="list-style-type: none"> ● Pension Protection Fund ● the Pensions Regulator ● lump-sum payments for State Pensions deferral ● framework for Financial Assistance scheme ● pension protection on transfer of employment provision.

Year	Event
2005	<p data-bbox="453 770 1362 837">Pension Commission second report on the future of private pension provision to be published in the autumn.</p> <hr/> <p data-bbox="453 869 1433 936">Implement Finance Act 2004, radically simplifying occupational pension taxation rules for employers by replacing eight rules with one.</p> <hr/> <p data-bbox="453 967 1445 1003">Issue 2 million automatic State Pension forecasts in 2004/05, rising to 8 million in 2005/06.</p> <hr/> <p data-bbox="453 1034 1394 1102">Implement the first set of measures in the Disability Discrimination Bill, including more extensive coverage for people with HIV, cancer and multiple sclerosis.</p> <hr/> <p data-bbox="453 1133 1414 1200">Implement the new departmental Customer Management System, helping to provide a more individualised service to our customers.</p> <hr/> <p data-bbox="453 1232 1372 1299">Pay 85 per cent of customers by direct payment, making an efficiency saving of over £1 billion in the next five years.</p>
2006	<p data-bbox="453 1332 935 1359">Complete Jobcentre Plus roll-out, including:</p> <ul data-bbox="453 1395 1098 1494" style="list-style-type: none"> <li data-bbox="453 1395 1098 1422">● Work Focused Interviews for all new clients and partners <li data-bbox="453 1429 975 1456">● claims taken over the telephone and internet <li data-bbox="453 1462 842 1489">● reduced levels of fraud and error. <hr/> <p data-bbox="453 1529 1445 1597">In the childcare element of the Working Tax Credit, increase from 70 per cent to 80 per cent the maximum proportion of costs that can be claimed.</p> <hr/> <p data-bbox="453 1628 1299 1664">Implement changes to permitted work rules for people on Incapacity Benefit.</p> <hr/> <p data-bbox="453 1695 1353 1731">Introduce new arrangements to replace the current New Deal for Disabled People.</p> <hr/> <p data-bbox="453 1762 1362 1830">Implement age legislation, making it unlawful to discriminate on the basis of age in employment and vocational training.</p> <hr/> <p data-bbox="453 1861 1372 1897">By the end of 2005/06, 6.3 million combined pension forecasts to have been issued.</p> <hr/> <p data-bbox="453 1928 1394 2022">Launch Workplace Health Direct, a support and advice service on occupational health, safety and return to work issues targeted at small and medium-sized enterprises and workers.</p>

Year	Event
2006	Launch web-based retirement planner.
	Complete roll-out of Link-Age Joint Teams, helping to join up services for older people across and beyond government.
	Three million households to receive Pension Credit.
	Make first payments to people deferring their State Pension and opting for a lump sum.
	Proposed increase in normal pension age to 65 for new civil servants.
	New rights for early leavers, increasing flexibility for people leaving a job before working for two years to ensure that they benefit from pension contributions.
	Requirement for employers to consult on major changes to pension schemes.
	Publish the first annual report on improving opportunities and life chances for disabled people.
	Complete the business case for the initial investment in projects to provide better and more effective services for disabled people.
	Implement a commencement order to set an end date by which time all rail vehicles must be accessible, including to wheelchair users. The Government will be consulting on setting a preferred end date for rail vehicle accessibility of 2020.
2007	Fully implement all measures contained in the Disability Discrimination Bill, including the duty on public bodies to promote equality for disabled people.
	New Customer Information System to go live, helping to make better use of departmental information to cut down on fraud and overpayment, and to streamline business processes.
	Extend paid maternity leave to 39 weeks.
2008	Launch the new Commission for Equality and Human Rights.
	Complete national roll-out of Local Housing Allowance to tenants in the deregulated private rented sector.
	Establish 2,500 Children's Centres, with all young children and their families in the most disadvantaged areas having access to one.
	Half of families to have access to school-based care for 5–11-year-olds. Out-of-school-hours childcare to be available in one-third of secondary schools.
	15.4 million individuals to be regularly issued a pension forecast and 60,000 successful pension traces to be undertaken each year.
Our goal is for the main elements of the new incapacity benefits system to be in place for new claimants by 2008.	

Year	Event
2008	<p>Meet our efficiency challenge of reducing by 30,000 net posts and making annual savings of £960 million.</p> <hr/> <p>Achieve the relocation of 4,000 posts from London and the South East in response to Sir Michael Lyons' review.</p>
2010	<p>Halve the number of children in relative low-income households since 1998/99.</p> <hr/> <p>All parents of children aged 5–11 to have access to childcare between 8am and 6pm on weekdays all year round. All secondary schools to be open from 8am to 6pm on weekdays to provide extended services.</p> <hr/> <p>3,500 children's centres, so every family has easy access to high-quality integrated early years services in their community.</p> <hr/> <p>Female State Pension age starts to increase.</p> <hr/> <p>Goal of 12 months' paid maternity leave, with the right to transfer entitlement of both leave and pay to the father.</p> <hr/> <p>70 per cent of lone parents to be in work.</p> <hr/> <p>Deliver the Revitalising Health and Safety targets through the Health and Safety Commission's strategy for workplace health and safety in Great Britain for 2010 and beyond.</p>

Annex Three

Guide to the DWP business

DWP mission statement

The Department for Work and Pensions exists to promote **opportunity and independence for all**. We provide help to individuals and support the country's economic growth and social cohesion.

The Department **helps individuals** to achieve their potential through employment, to provide for themselves, their children and their retirement. We work with others to combat **poverty**, both of aspiration and outcome.

Introduction

1. The Department for Work and Pensions was created in June 2001. Its core functions are to:

- get people into work and improve the functioning of the labour market. Two million more people are employed than in 1997;
- alleviate poverty and support people who cannot work by paying benefits, and by raising the living standards and improving the quality of life of children and families, of pensioners and of severely disabled people;
- organise and manage the payment of benefits and pensions to those eligible to receive them while reducing fraud and error within the system. The Department had stewardship of more than £112 billion of public expenditure in 2003/04;
- provide a high-quality service to 20 million customers, working with other organisations, and based on a strong understanding of customers' needs; and

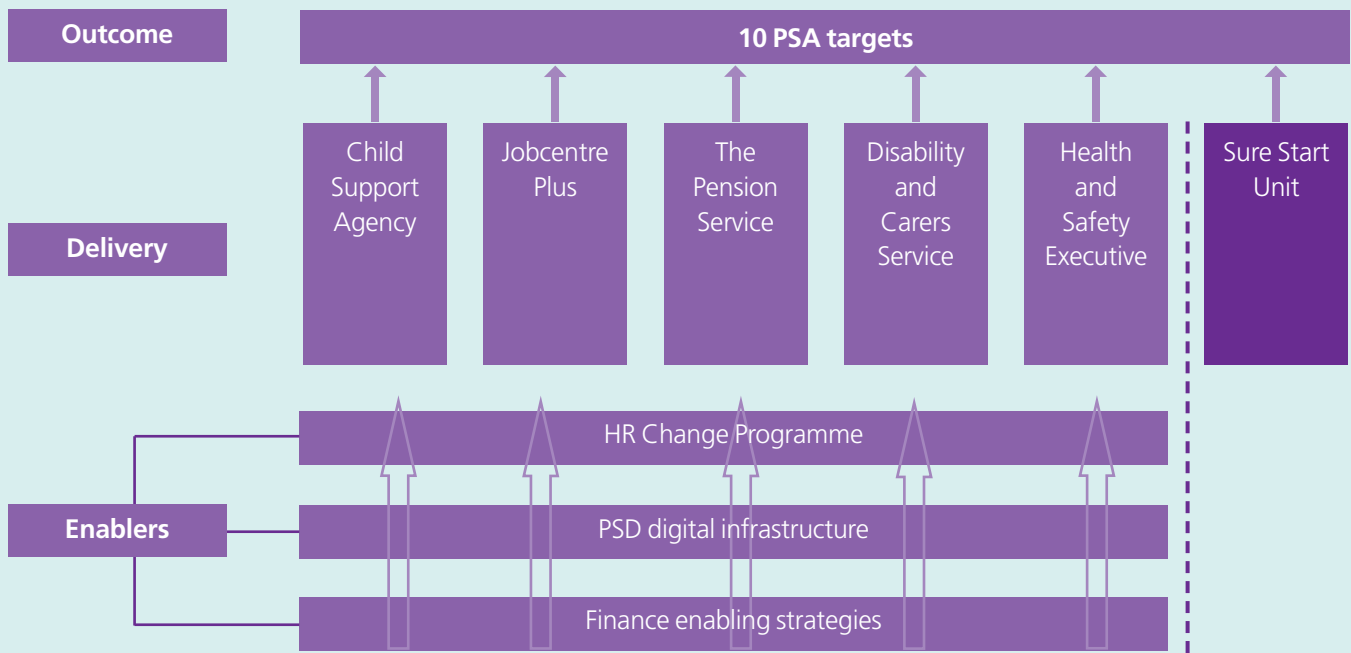
- influence behaviours and attitudes to promote individual empowerment, both in future employment and in saving for retirement.

2. In delivering these core functions, we are achieving these key objectives:

- ensure the best start for all children and end child poverty by 2020;
- promote work as the best form of welfare for people of working age, while protecting the position of those in greatest need;
- combat poverty and promote security and independence in retirement for today's and tomorrow's pensioners;
- improve rights and opportunities for disabled people in a fair and inclusive society; and
- ensure customers receive a high-quality customer service, including high levels of accuracy.



3. Our strategy is delivered through our client-group structures and core businesses.



PSA = Public Service Agreement
 HR = Human Resources
 PSD = Programme and Systems Delivery

4. This document sets out the role of our businesses in delivering outcomes on the ground:

- Working with a range of partners, **Jobcentre Plus** promotes work as the best form of welfare, helping unemployed and economically inactive people of working age move closer to the labour market and compete effectively for work, while providing appropriate help and support for those without work.
- The aim of **The Pension Service** is to combat poverty and promote security and independence in retirement for today's and future pensioners.
- The aim of the **Child Support Agency** is to deliver a professional, efficient and sensitive child support service that plays its part in ensuring that children whose parents do not live together are financially supported.
- The **Disability and Carers Service** is committed to providing financial support to disabled people and their carers.
- The **Health and Safety Commission and Executive's** vision is to gain recognition for health and safety as a cornerstone of civilised society and, with that, achieve a record of workplace health and safety that leads the world.
- **The Rent Service** aims to be England's leading provider of impartial, professional rental valuation services that are fair to our customers and other stakeholders.
- **The Appeals Service** aims to provide all users of its service with a modern, professional and prompt service which gives customers an impartial re-examination of decisions under appeal.

Part 1

Jobcentre Plus

5. Jobcentre Plus is an executive agency of DWP, and was launched in April 2002.

Size and location

6. Jobcentre Plus is a national organisation covering Great Britain and, in April 2004, employed approximately 80,000 people (whole-time equivalent [WTE]), in around 1,400 locations, including Jobcentres, social security offices and over 500 newly integrated Jobcentre Plus offices. It also delivers services through new channels, including telephone contact centres for individual customers looking for work or claiming benefit and for employers looking to fill vacancies. Jobcentre Plus also offers the largest internet job bank in Europe, matching employers needing candidates with jobseekers without work.

7. In each working day, Jobcentre Plus:

- receives up to 13,000 vacancies;
- conducts up to 36,000 work-focused interviews;
- helps 4,800 people into jobs (including over 400 lone parents and over 120 incapacity benefit customers);
- pays more than £100 million in working-age benefits; and
- Invests £3.35 million with contractors in the private, public and voluntary sectors for the delivery of services to its customers.

Aims and objectives

8. Jobcentre Plus aims to provide work for those who can, and support for those who can't, by:

- helping disadvantaged people into work, as a route out of poverty;
- providing financial support as a safety net for people of working age while they are out of work;
- addressing inequalities of opportunity;
- protecting the integrity of the benefit system; and
- working with employers and partners to address market failure in the labour market.

9. All these activities underpin the Department for Work and Pensions' purpose of promoting 'opportunity and independence for all'.

Part 2

The Pension Service

10. The Pension Service is an executive agency, and was established in April 2002.

11. The Pension Service provides a unified, modern service to pensioners. This includes a national service delivered through a network of pension centres, delivering services such as the administration of State Pension and Pension Credit. There are also specialist centres delivering services such as Winter Fuel Payments, overseas pensions and pension forecast information to future pensioners. The pension centres primarily deal with customers over the telephone. In addition, there is a network of local services that works with other organisations, such as local authorities, to provide a more joined-up, face-to-face service in the community to pensioners who are unable to use the telephone.

Size and location

12. The Pension Service currently employs approximately 17,000 whole time equivalent staff in a range of locations across Great Britain.

Aims and objectives

13. The aim of The Pension Service is to combat poverty and promote security and independence in retirement for today's and future pensioners.

14. To achieve this, in line with departmental goals, The Pension Service's objectives are:

- for today's pensioners, to reduce pensioner poverty and ensure they benefit from having saved;
- for future pensioners, to deliver products and services that encourage people to save for retirement, through the private sector where possible;
- to deliver a more effective and customer-driven service; and

- for our people, to achieve high levels of satisfaction and build an organisation that enables them to continuously learn and grow and deliver the required business results.

Part 3

Child Support Agency

15. The Child Support Agency is an executive agency established in April 1993. It contributes to the Government's aims of eradicating child poverty and modernising welfare delivery.

Size and location

16. In April 2004, the Child Support Agency employed over 12,000 WTE staff in a network of offices across Great Britain and in Northern Ireland.

Aims and objectives

17. The aim of the Child Support Agency is to deliver a professional, efficient and sensitive child support service which plays its part in ensuring that children whose parents do not live together are financially supported.

18. To achieve this, the Child Support Agency's objectives are to:

- deliver child support reform, primarily through the operation of a new child support scheme⁴⁷ introduced for new cases in March 2003, and the transfer of existing cases to the new scheme when ministers are satisfied that the new arrangements are working well;
- provide prompt and accurate maintenance calculations and secure regular, reliable payment of maintenance; and
- increase the proportion of parents with care on Income Support and income-based Jobseeker's Allowance who receive maintenance for their children to 65 per cent by March 2008.

Part 4

Disability and Carers Service

19. The Disability and Carers Service has responsibility for the delivery to customers of Disability Living Allowance, Attendance Allowance, Carer's Allowance and the Vaccine Damage Payments Scheme. The Disability and Carers Service has recently been granted executive agency status and has launched a substantial modernisation programme that will lead to improvements in customer service and efficiency. As an executive agency, the Disability and Carers Service will continue to be responsible for the delivery of these benefits to disabled people and their carers, and for links with other executive agencies.

Size and location

20. In April 2004, the Service employed around 7,500 WTE staff nationally in the following locations:

- 11 Disability Benefit Centres, located in Birmingham, Bootle, Bristol, Cardiff, Edinburgh, Glasgow, Leeds, Manchester, Newcastle, Sutton and Wembley;
- the Disability Benefit Unit in Blackpool; and
- the Carer's Allowance Unit and the Vaccine Damage Payment Unit in Preston.

21. In 2003/04, the Disability and Carers Service decided 858,000 claims for Disability Living Allowance and Attendance Allowance and 226,000 claims for Carer's Allowance, and handled 109,000 appeals. 4.1 million disabled people received over £11 billion in Disability Living Allowance and Attendance Allowance, and 620,000 carers received over £1 billion in Carer's Allowance.

⁴⁷ The new, radically simpler child support scheme will enable the Child Support Agency to make prompt, accurate maintenance calculations, preventing the build-up of arrears from the outset of an application and getting maintenance flowing within weeks of an application rather than months.

Aims and objectives

22. The Disability and Carers Service is committed to providing financial support to disabled people and their carers through a service that is:

- personal and responsive – a service that is tailored to the needs of the individual, responsive, and understanding of their situation;
- consistent and reliable – those with the same needs get the same help; decisions are less likely to change when disputed;
- controlled and professional – transparency of process for the customer, consistency of service and administered by staff who are perceived as professional, fair and unbiased by customers; and
- a customer-focused and efficient system delivering disability and carers' benefits.

23. To deliver these aims, the Disability and Carers Service's objectives are to:

- deliver a positive customer experience, providing an accessible and quality service that meets diverse needs and special circumstances;
- deliver improved quality and greater consistency in performance, protecting programme spend whilst contributing to the Department's lower staffing levels;
- transform service delivery, increasing efficiency, making more effective use of technology and achieving improved relationships with partners; and
- improve the experience of our people, creating a more professional service and introducing externally-validated accreditation standards.

Part 5

The Health and Safety Commission and Executive

24. The Health and Safety Commission and the Health and Safety Executive are non-departmental public bodies sponsored by DWP. The Secretary of State for Work and Pensions appoints the Health and Safety Commission to administer the Health and Safety at Work etc Act 1974. The Health and Safety Commission's primary function is to make arrangements to secure the health, safety and welfare of people at work, and the health and safety of members of the general public who may be affected by work activities. The Commission's work includes proposing new laws and standards, conducting research and providing information and advice.

25. The Health and Safety Executive assists the Commission in its functions. Together with local authorities, it regulates health and safety at work, including enforcing health and safety law, investigating accidents, issuing licences, approving standards in particularly hazardous areas and commissioning research. The Health and Safety Executive performs its functions on behalf of the Crown and its staff are civil servants.

Size and location

26. The Health and Safety Executive has headquarters in both London and Bootle, with over 20 regional offices spread throughout Great Britain. The Executive has around 4,030 WTE staff, including staff of the Health and Safety Laboratory.

Aims and objectives

27. Health and Safety Commission/Executive's vision is to gain recognition for health and safety as a cornerstone of civilised society and, with that, achieve a record of workplace health and safety that leads the world.

28. Health and Safety Commission/Executive's mission is to work with the local authorities to protect people's health and safety by ensuring risks in the changing workplace are properly controlled.

29. Health and Safety Commission/Executive's continuing aims are to:

- protect people by providing information and advice, promoting and assuring a goal-setting system of regulation, undertaking and encouraging research and enforcing the law where necessary;
- influence organisations to embrace high standards of health and safety and to recognise the social and economic benefits;
- work with business to prevent catastrophic failures in major hazard industries; and
- seek to optimise the use of resources to deliver our mission and vision.

30. Health and Safety Commission/Executive's new aims are to:

- develop new ways to establish and maintain an effective health and safety culture in a changing economy, so that all employers take their responsibilities seriously, the workforce is fully involved and risks are properly managed;
- do more to address the new and emerging work-related health issues;
- achieve higher levels of recognition and respect for health and safety as an integral part of a modern, competitive business and public sector, and as a contribution to social justice and inclusion; and
- exemplify public sector best practice in managing our resources.

Part 6

The Rent Service

31. The Rent Service was established as an executive agency of the Department of the Environment, Transport and the Regions in October 1999, bringing together the work of rent officers formerly carried out by local authority-based units. The Rent Service transferred to the Department for Work and Pensions on 1 April 2004, but retains its status as an executive agency. The Rent Service operates only across England, and there are separate organisations for rent officer functions linked to the Scottish Executive and Welsh Assembly for those countries.

32. The main focus of the work is to provide a rental valuation service for Housing Benefit purposes, including:

- establishing a range of rental determinations, including local reference rents and single room rents; and
- setting Local Housing Allowances in support of the Government's reform agenda for Housing Benefit, starting in nine pathfinder areas.

33. In addition, The Rent Service provides fair rent valuations for landlords and tenants and provides advice to a range of customers and stakeholders within the public and private sectors.

Size and location

34. In April 2004, The Rent Service employed approximately 800 WTE staff, based in 33 offices across England. This reflects a significant rationalisation of the office network since the creation of The Rent Service as an independent agency in 1999.

35. The headquarters office is in London. Operational staff are linked to three regional bases – Northern Region, South and Midlands Region, and London and East Region.

Aims and objectives

36. The Rent Service aims to be England's leading provider of impartial, professional rental valuation services that are fair to our customers and other stakeholders. This aim contributes to the main Housing Benefit/Local Housing Allowance objective of the Department for Work and Pensions, which is to ensure customers receive a high-quality service, including high levels of accuracy, and to the Office of the Deputy Prime Minister's strategic housing priority, which is to ensure that people have decent places to live by improving the quality and sustainability of local environments and neighbourhoods, reviving brownfield land and improving the quality of housing.

37. The key business priorities for the year 2004/05 are to:

- achieve key performance targets;
- support the Housing Benefit reform pathfinders;
- develop the website and web-based applications;
- expand the remote working scheme;
- continue to invest in learning and development;
- reduce sickness absence; and
- expand reward and recognition schemes.

38. In carrying out these tasks, The Rent Service works in line with its core values of being:

Trustworthy: acting with integrity and impartiality; being honest with our customers and other stakeholders.

Open: seeking and taking account of the views of customers and other stakeholders; being transparent about how we conduct our business.

Professional: continuously improving in practice and performance; outward looking and working in partnership.

Accountable: acting with propriety and giving reasons for the decisions we make; providing a high quality cost-effective and value for money service.

Part 7

The Appeals Service

39. The Appeals Service was launched on 3 April 2000. It consists of two distinct bodies within a single organisation. The first performs an independent statutory appeal tribunal function, is headed by a president, and consists of over 2,000 panel members who are appointed by the Lord Chancellor. The second is an executive agency headed by a chief executive that provides support to appeal tribunals and is responsible for, and has control of, financial resources for both the executive agency and appeal tribunals. The Appeals Service:

- processes appeals within seven regions across Great Britain in accordance with the Social Security Act 1998;
- arranges hearings at around 130 locally-based venues where appeal tribunals apply relevant legislation to determine appeals and questions, mainly relating to social security and child support law; and
- provides administrative support to appeal tribunals hearing cases, including those on issues relating to social security, child support, tax and pension credits, compensation recovery, Housing Benefit and Council Tax Benefit.

Size and location

40. The Appeals Service employs 784 WTE staff (as of the end of November 2004) in Leeds, Newcastle, Glasgow, Liverpool, Nottingham, Cardiff, Birmingham, Sutton, Bristol and London.

Aims and objectives

41. The Appeals Service aims to provide all users of its service with a modern, professional and prompt service which gives customers an impartial re-examination of decisions under appeal. The agency's key objectives are to:

- improve the way in which its service is delivered to users, through a modernisation programme;

- provide an excellent standard of support to the president, regional chairmen and tribunal members;
- meet the Secretary of State agreed targets in full and enhance operational performance through the use of improved process, monitoring and reporting;
- use feedback from customers, staff and other stakeholders in the service to promote a culture of quality and continuous improvement;
- prepare for, and manage, the impact of key policy and legislative change; and
- work closely with DWP and Department for Constitutional Affairs colleagues on the establishment of the new Tribunals Service, including essential activity on migration from the DWP to the Department for Constitutional Affairs.

Part 8

Sure Start Unit

42. The Sure Start Unit is the joint responsibility of the Department for Work and Pensions and the Department for Education and Skills. Margaret Hodge is the Minister for Children, Young People and Families and has direct responsibility for the Unit, reporting to the Secretaries of State of both the Department for Work and Pensions and the Department for Education and Skills.

43. The Sure Start vision is to deliver better outcomes for children, families and communities by: increasing the availability of childcare for all children; improving the health, education and emotional development of children; and supporting parents as parents, and in their aspirations towards employment.

44. Sure Start is part of the Government's Change for Children programme and makes a significant contribution to the five key outcomes identified in **Every Child Matters: Next Steps**: Stay Safe; Be Healthy; Enjoy and Achieve; Achieve Economic Well-being; and Make a Positive Contribution.

45. The Sure Start Unit works in partnership with local authorities, primary care trusts, Jobcentre Plus, local communities, voluntary, private and public sector organisations, and families. The policies and work of the Unit apply in England only; responsibility for early education and childcare in Scotland, Wales and Northern Ireland rests with the devolved administrations.

46. The Government has invested £13 billion in children's services since 1997 and recently announced its ten year strategy for childcare. The Sure Start Unit has responsibility for the delivery of the strategy, and the Department for Work and Pensions works closely with the Unit in the development of its policies and strategies and delivery planning. The ten year strategy is a key lever for the Department for Work and Pensions in the achievement of the lone parent employment and child poverty targets.



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