



Chapter 2

A chance to work for all

Chapter two – A chance to work for all

Introduction

1. We want to build on the success outlined in Chapter one. Our goal is full employment and we aim to achieve this by raising the employment rate to 80 per cent. The goal of full employment matters for people because the chance to work opens up the chance to progress, to develop and to participate fully in society. We know that people in work are often healthier and more fulfilled than people who are not.
2. Full employment also matters for society because the poverty linked to worklessness divides our communities and deprives too many children of a fair chance in life. It matters for the economy because sustained economic growth depends on an active, growing workforce: as the population ages, the natural growth of the labour force is slowing and we need to draw new people in. And full employment matters for the taxpayer because of the cost of welfare and reduced contributions in terms of income tax, for those on benefits.
3. Despite substantial progress since 1997, big challenges remain: 3.6 million people are out of work and are not required to look for work. Many of these people face multiple hurdles in returning to work.
4. Realising our ambition of an employment rate equivalent to 80 per cent of the working population requires:
 - a reduction of one million in the number of incapacity benefits claimants;
 - 300,000 more lone parents in employment; and
 - one million older people in work.
5. We also need to address the specific issues facing ethnic minorities, people living in our cities, young people leaving full-time education and people with low skills. In addition we need to do more to address multiple disadvantage.
6. We are taking reform forward against a backdrop in which migration to the UK has increased – not just because of globalisation and the expansion of the EU, but also because of the attractiveness of our flexible labour market. Instead of higher unemployment, the outcome has been more jobs for migrants and locals alike. Over the year to March 2007, even as around 240,000 workers from the new EU member states registered to work in the UK, claimant unemployment actually fell by 33,000.

7. Nevertheless, the availability of skilled and flexible workers from abroad does not in any way reduce the need to ensure that our own population can compete more effectively in the labour market and improve their skills. Then they can have a better chance of taking up one of the 600,000 vacancies that come up each and every month.

The challenges

Long-term sick and disabled people

8. While the New Deal and Pathways to Work have successfully begun the process of engaging with this group, significant challenges remain, with 2.67 million people still claiming incapacity benefits. Part of the problem is the benefit itself. It is complex and difficult to understand. The benefit rate also increases the longer a person stays on benefit, deterring people from returning to work.
9. It is particularly tough for people who have been on benefit for a long time to break into employment. Once someone has been on incapacity benefits for more than two years they are more likely to die or retire than move off benefit to return to work.

Lone parents

10. Although the employment rate for lone parents has improved significantly, at 56.5 per cent it remains well below the overall employment rate. A key problem is that too few people are taking up the support available.
11. Children living with a workless single parent are over three times more likely to be in poverty than those living with a single parent who is in part-time work. They are also eight times as likely to be in poverty when compared to those whose parent works full time. We therefore need to go further in supporting lone parents into work.

Older people

12. Despite the major improvements over the last decade, the employment rate of older people still falls short of the overall rate (70.7 per cent compared to 74.3 per cent in February-April 2007) and the rate for people aged 35-49 (82.1 per cent). They can often face multiple barriers to employment – lack of skills, caring responsibilities (often for a sick relative), personal health issues, and age discrimination.

Ethnic minorities

13. Although it is improving, the situation for many ethnic minorities remains challenging. Overall they are more than twice as likely to be unemployed as white people and one and a half times more likely than the overall working age population to be economically inactive. The employment rates for some groups are exceptionally low: the employment rates for Pakistani and Bangladeshi women are only 27.6 per cent and 26.4 per cent respectively.
14. Many people from ethnic minority backgrounds who are out of work don't claim benefit even though they are on very low incomes. The result is very high rates of child poverty. Overall a child who is in an ethnic minority family is twice as likely to grow up poor. Three-quarters of Bangladeshi and two-thirds of Pakistani children grow up in poverty.

Cities

15. The biggest remaining concentrations of worklessness and poverty are in our big cities. Manchester, Birmingham, Liverpool and London, amongst others, have employment rates that are ten percentage points or more below the national average.

16-17 year olds

16. While staying-on rates in education have increased, the employment rate for 16-17 year olds not in education has deteriorated by over ten per cent in the last ten years. There are 105,500 young people outside the employment, education and training systems, compared with 86,000 in 1997⁶. Having a basic platform of skills is increasingly important for young people as they enter the labour market. Our priority must be to ensure that 16 and 17 year olds are in education or training, either full time or while working. We have, therefore, proposed that the minimum age young people can leave education or training is raised to 18.

⁶ Statistical First Release – 'Participation in Education, Training and Employment by 16-18 Year Olds in England 2005 and 2006'.

Low skills

17. People with outdated skills or no qualifications have a very challenging time in the labour market. Although the number of people of working age with no qualifications has halved since 1992, the employment rate has deteriorated from a low position of 57.6 per cent in spring 1992 to an even lower 47.1 per cent in spring 2006. The key problem is a lack of basic skills, which may include literacy, numeracy, proficiency in English and employability skills, such as team working or customer service. Compared with other people of working age who are not in work, those with low skills are much less likely even to be looking for a job. They are also more likely to suffer from other disadvantages, such as ill health or living in an area with a low employment rate.

Conclusion

18. These are the challenges that face us as we move into the next phase of welfare reform. The following chapters set out in more detail the Government's proposals for addressing them. Chapter three looks at how the Government can work with employers to open up more job opportunities to those claiming benefits. Chapter four considers the further steps that are needed to improve and extend support to jobless individuals, Chapter five sets out our proposals to use the best people – whether public, private or third sector – to deliver our welfare system.
19. A number of specific proposals in this Green Paper do, of course, have resource implications; for example the proposals in respect of lone parents and Local Employment Partnerships. Accordingly the nature and timings of the changes proposed are subject to the availability of resources.