



Chapter 1

Introduction

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Our commitment to welfare reform

- 1.1 In the global economy, it is the talent, knowledge and experience of people which are the main raw materials for success. So a strong, healthy and prosperous society needs everyone to have the chance to make the most of their skills and potential. Work brings people together and breaks down stereotypes that often divide disadvantaged groups, such as ethnic minorities and disabled people, from the rest of society.
- 1.2 To make the most of the opportunities available, we need to support everyone to achieve their own aspirations of a return to work, and match this with increased obligations on the individual to take up this help. This means recognising that everyone is different and tailoring support to their own personal needs, but also that nothing can be achieved without individual effort.
- 1.3 Government has not always taken this approach. During the 1980s, millions lost their jobs, but were given little help to return to work or any expectation that they would. The result was that whole communities were written off and trapped on benefits for years.
- 1.4 We have set about putting this right. Far-reaching reforms of the welfare system have helped remove the barriers holding people back, put a new emphasis on helping them into work, and given them responsibility to take up this support. We have taken major steps to ensure work pays and show that work is the best route out of poverty. This refocusing has helped reduce child poverty, deliver historically high employment levels, and return the welfare state to the original principles of rights and responsibilities set out by its founders.
- 1.5 But, despite this progress, there are still large numbers of people who have lost contact with the labour market. It also too often remains the case that those who face the most severe barriers to returning to work have received the least help.
- 1.6 This summer, the Government consulted on plans to build on and accelerate the progress we have already seen. The Green Paper, *No one written off: reforming welfare to reward responsibility*, set out proposals to improve and personalise back-to-work support and increase local and individual responsibility. In particular, we proposed increased help for people with the most complex barriers to work matched by a requirement on them to take up this support. Building on pilots which showed what worked, we proposed changes for all new claimants that would help to release individuals from benefit dependency.

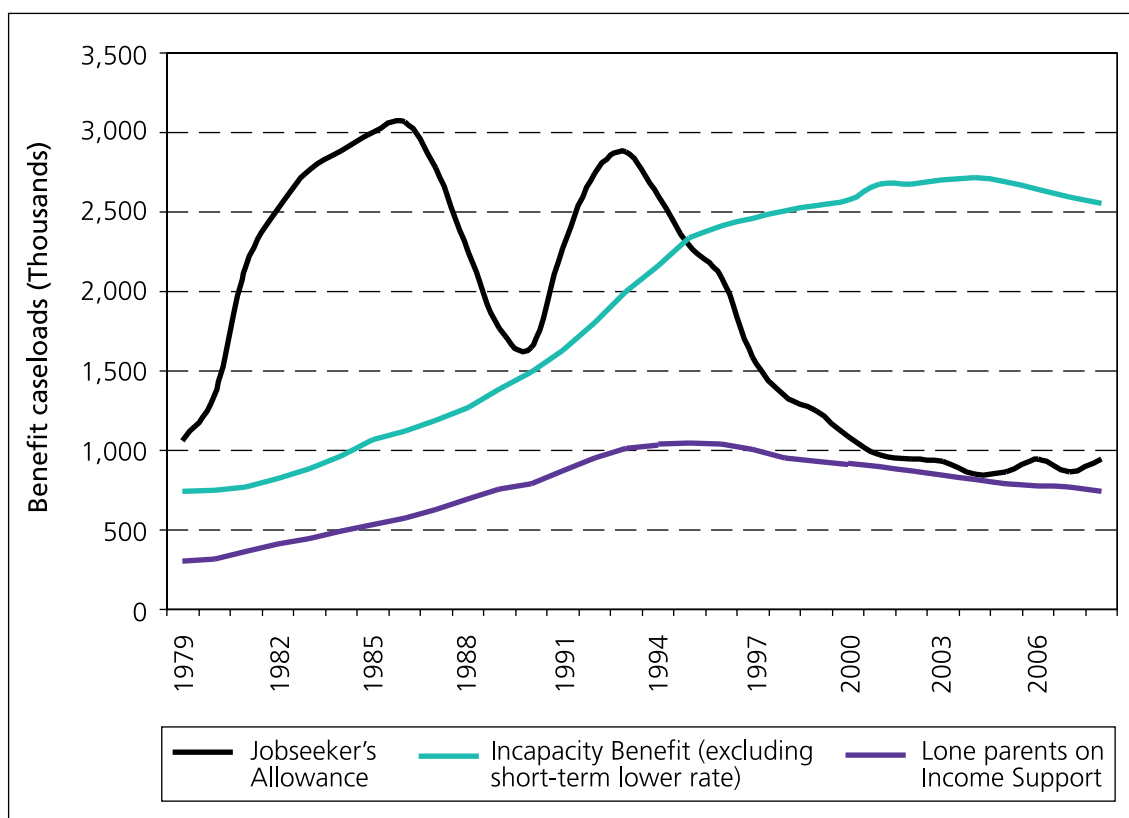
- 1.7 The proposals in the Green Paper underlined our determination not to stifle personal motivation or individual responsibility. But they also recognised that in a rapidly changing world, there is more need than ever for support, particularly for those who face barriers which others do not. Disabled people can sometimes face discrimination and challenges which are difficult to overcome on their own. People from ethnic minorities can also face discrimination and they and their children are more likely to live in poverty.
- 1.8 People who are out of work often need extra help and support to update their skills and gain confidence to enter the workforce. People leaving care and former offenders may need support in making the transition not only into employment, but also into society as a whole. Most people find work quickly when they lose their job, but, without active support, the opportunities of those who do not shrink quickly.
- 1.9 This means that society needs to intervene to support people and help them back into the labour market. This is particularly important when economic times are difficult. Since the Green Paper was published, the global economic climate has become much more challenging. This is already having an impact here in Britain.
- 1.10 We must not repeat the mistakes of the past which encouraged dependency and led to people being written off. Instead, we need to increase the personalised back-to-work support that we offer. People on benefits want to get back to work, so we need more of them to work with us to realise this goal. This will help them build a better life for themselves and their families as well as cutting the burden on the taxpayer and the country. But there also need to be clear consequences for those who play the system or who do not take work if it is available.
- 1.11 This White Paper retains the twin goals of our welfare reform in providing more support to help people overcome the disadvantages they face in the labour market, while at the same time increasing personal responsibility. Our plans to deliver on these goals takes into account the results of the public consultation. We will work in partnership with our providers and local communities and build on the understanding of individuals, recognising them as experts in their own lives. We will also actively engage with employers to develop new opportunities for people at a disadvantage in the labour market.

Where are we now?

- 1.12 Since we published the Green Paper the world economic climate has become significantly more difficult. Although unemployment in the United Kingdom remains low by the standards of recent decades, it is rising. Both the International Labour Organisation (ILO) measure of unemployment and the number of people claiming Jobseeker's Allowance – known as the claimant count – are increasing. Many experts believe that unemployment will continue to increase, as it is also expected to do in many other countries.

- 1.13 It is also important to remember that, thanks in part to welfare reforms, we are much better placed than in the past to weather global economic storms. Interest rates are low and inflation is expected to fall sharply. The number of people in work reached its highest ever level – 29.5 million – this summer and there are still over half a million job vacancies at any one time. While there were nearly three million people claiming unemployment benefits in 1992, the number last month, although rising, was below one million, and was still more than half a million below 1997 figures.

Chart 1.1: People on key out-of-work benefits¹



¹ Jobseeker's Allowance figures are from the Office for National Statistics, are UK-based, and are consistent over time. Both the Income Support for lone parents (IS(LP)) and Incapacity Benefit (IB) data are Great Britain based; the source for both from 2000 onwards is the Work and Pensions Longitudinal Study (WPLS) 100 per cent data; data between 1997 and 1999 is WPLS five per cent sample data. This means that there is a discontinuity in the series for both IS(LP) and IB between 1999 and 2000. In addition, the IB short-term lower rate has been excluded from the IB time series as the changing rules of Statutory Sick Pay mean that this element is not comparable over time.

- 1.14 Levels of economic inactivity are also down from those in the mid-90s. The number of people on incapacity benefits more than trebled between the late 1970s and the mid-1990s. The number of new claims for incapacity benefits has now fallen by over a third, and, for the first time in decades, we have begun to reverse the relentless rise in the number of people receiving the benefit – down nearly 200,000 from its peak. Targeted support also means there are now 320,000 more lone parents in employment than in 1997.
- 1.15 These figures underlines the dynamism and resilience of the labour market that lies behind the headline figures. The UK still has an employment rate which is the second highest in the G7 Group of leading industrialised nations. However, we have to accept that there will always be jobs lost, as well as jobs gained, even when the economy is growing strongly. This does not mean leaving people to sink or swim. We cannot protect every job, but we can protect people by giving them the support to update their skills and find new jobs. Above all, we must learn the lessons from previous slowdowns here and abroad.
- 1.16 Experience has shown that without an effective intervention and support regime, cyclical increases in unemployment can too easily become permanent. The breaking of the link between benefit entitlement and active job-seeking in the 1980s, together with attempts to push people on to incapacity benefits, led to millions of people being written off, with no expectation that they should work again. For ethnic minority and disabled people the effect of the last downturn was particularly severe.
- 1.17 This is bad for the individuals who lose their skills and motivation to return to employment, and for their families who find themselves trapped in dependence and poverty. It is also bad for the country, which loses both their talents and their potential and has to foot the benefits bill. So, as we enter a period of economic difficulty, we are learning from the past, recognising that it is more important than ever to step up efforts to reduce inactivity, to increase support rather than relaxing conditionality, and to invest in skills and retraining for the future.
- 1.18 We need to build on the UK's success in developing active labour market policies, on the world-class capabilities of Jobcentre Plus, and on the proven success of initiatives such as the New Deal and Pathways to Work. We are investing an extra £1.3 billion in Jobcentre Plus and our other services over the next two years so that we not only maintain but increase the support we offer.
- 1.19 These programmes can only work, however, if people actively engage with them. This White Paper sets out how we intend to make our programmes still more effective and to increase the responsibility on people claiming out-of-work benefits to engage with those programmes – a proven route into work and out of dependency and poverty.

- 1.20 We will increase personalised support for those out of work and embed the idea that clients themselves should help define and jointly own their individual return-to-work plan. These obligations will be underpinned by loss of benefit or a requirement to do full-time activity for those who fail to engage or meet reasonable requirements.
- 1.21 Under our plans, no one will be written off. There will be no attempt to massage benefit figures. Indeed, the new responsibilities for lone parents with older children and tighter tests on ability to work may lead to tens of thousands of people being transferred onto the claimant count. In the short-term, this might increase the unemployment figures. In the long-term, it will ensure individuals get the personalised help they need to find sustainable and rewarding work, shifting the focus from what they cannot do to what they can do. To do this we will devolve more power and responsibility to communities and individuals, including disabled people. This will result in a reduction in poverty and disadvantage, and put our economy and country in a stronger position.

Consultation on the Green Paper

- 1.22 The formal consultation period on the Green Paper, *No one written off: reforming welfare to reward responsibility*, ran from 21 July to 22 October 2008. Appendix A gives detailed information on the outcomes of the consultation. Overall, we had a substantial response to the consultation, with more than 1,100 responses.

Key messages

- 1.23 The key message from the consultation is that the increased focus on personalised support, in return for specific work-related action, reflects public expectations. Most people agree that work is the best form of welfare. They expect working-age people who are claiming out-of-work benefits to be actively looking for work if they are able to do so. It is clear that taxpayers expect an increased focus on work for those who are claiming incapacity benefits – and the expectation of greater activity from job seekers.
- 1.24 However, we also heard from an important minority who expressed concerns about any increase in the conditions attached to the payment of benefits. These can be summarised under three points:
- questions about whether requiring additional activity from people on out-of-work benefits was justified, coupled with scepticism about existing and proposed work-related programmes to support a return to work;

- concerns about whether there were sustainable jobs available for disadvantaged groups – views that employers were unwilling to offer jobs, for example to disabled people and problem drug users, and that there was inadequate support to allow people to get on in work; and
- concerns about the impact of financial sanctions on vulnerable people – arguing that financial penalties reduced income below an acceptable level, while having little impact on behaviour.

Conditionality

- 1.25 We understand the need to make sure that requiring additional work-related activity is right for each individual. Many people will be ready to start looking for work straightaway. And many people who are unable to actively look for work now are still capable of taking steps towards an eventual return with support to develop employability skills and to improve their job readiness. Both groups must be encouraged and supported because leaving people with no support until they are ready to look for work makes getting back to work much less likely. So conditionality and support need to be tailored appropriately to enable people to do what is reasonable for them, and what will help them on a potentially long journey back to work.
- 1.26 We know that some people who responded to our consultation had reservations about the proposals for expecting more of people on benefits. So we asked Professor Paul Gregg to review the effectiveness of conditionality regimes and make proposals for the future. He found that conditionality works well in our system, and ensures more people take up the support that helps them overcome barriers to work. But he also argued that we could learn from systems like the Dutch and Scandinavian welfare states which give claimants more control over their journey back to work, and personalise support to individuals' needs. We believe his proposals address the issues that were raised, and give us a clear way forward, based on three different groups: those looking for work; those preparing for work; and those who would be exempt from conditionality, such as carers and severely disabled people.

The job market

- 1.27 As we said earlier in this chapter, while we can take action to support people looking for work and in work, we cannot protect every job. Even during times of prosperity, people move in and out of work, with new industries replacing old ones. This is essential for a successful, dynamic economy. But an economic downturn will inevitably mean that more people risk falling out of work. The more than half a million vacancies in the labour market at any one time show that there are job opportunities available for people on benefits. But we do need to make sure they have the skills employers want in order to compete effectively for vacancies.

- 1.28 Of course, it is true that some people face greater barriers to finding a job. For example, groups like young people leaving care and former offenders, as well as individuals with learning disabilities and mental health conditions, need increased levels of support to help them make the transition into employment. But it is also the case that for many those barriers get higher and more complicated the longer they stay on benefit. Understanding this is at the heart of our welfare reforms. They provide more active, personalised support to help people overcome these barriers rather than an impersonal and passive service that condemns people to years of inactivity.
- 1.29 But support for people looking for work is only part of the story. We need to make sure that employers are active partners in this process, willing to unlock the talents of disabled people and others looking for work. This White Paper sets out in greater detail our plans to support people in work so that they can progress, and to prevent people returning to benefits unnecessarily.

Sanctions

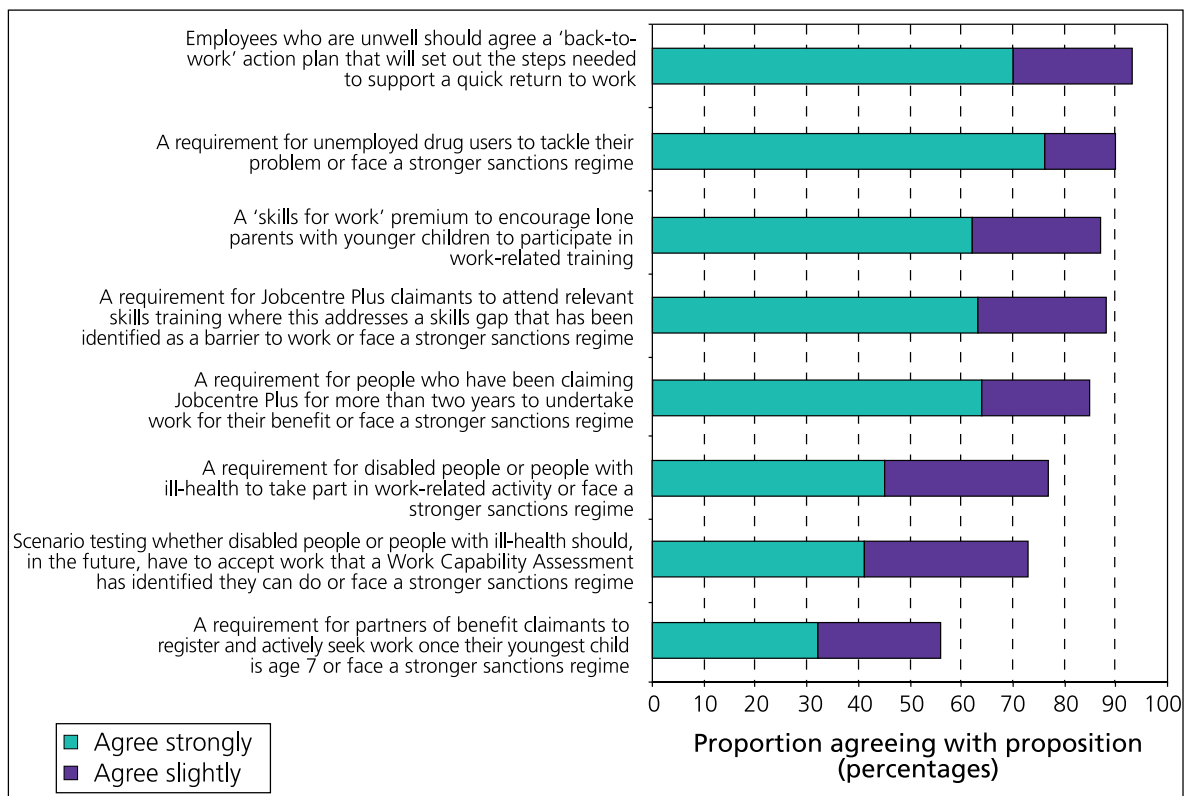
- 1.30 We set out at the beginning of this chapter why we need to provide more support for people to return to work, and why this increased support has to be associated with more personal responsibility. We have a greater expectation of people on benefit to make the most of the support that we – and other providers – will offer. The Gregg Review has also provided a valuable independent view on this matter.
- 1.31 Almost everyone on out-of-work benefits understands and meets their obligations to prepare and look for work. Inevitably, however, there are a few people who do not meet their responsibilities. In these cases, people may need to be reminded of what is expected of them – and of the sanctions which can result from failure to comply. If the process breaks down, a sanction may be imposed. As the Gregg Review recommended, the sanctions should be clear and crisp and should engage people by changing their behaviour.
- 1.32 It is important to put our use of sanctions in perspective. Sanctions are not imposed simply because someone cannot get a job. No one is sanctioned for trying, but failing, to get a job. Jobcentre Plus has around 60 million face-to-face encounters with its customers every year. Only a tiny minority result in a sanction, for example around 12,000 Jobseeker's Allowance claims are terminated each month because the job seeker did not attend an interview. Evidence suggests that vulnerable people are no more likely to receive a benefit sanction than others.²
- 1.33 The proposals in the Green Paper, *No one written off: reforming welfare to reward responsibility*, were intended to make sanctions more predictable and easier to understand. We expected this increased clarity to encourage benefit claimants to comply with the requirements for benefit entitlement and so avoid receiving any sanction. This White Paper builds on the consultation and the recommendations of the Gregg Review.

² Peters M. and Joyce L. (2006). *A review of the JSA sanctions regime: Summary research findings*. Department for Work and Pensions Research Report No 313.

Public opinion research

- 1.34 The Green Paper, *No one written off: reforming welfare to reward responsibility*, proposed new thinking on welfare and we were clear that some ideas needed to be tested before they were applied nationally. The views of people who responded to the consultation are important, but we also wanted to understand broader public opinion to build a consensus that would make changes to the welfare state durable. To do this, we wanted to find out whether our proposals commanded the support of the taxpayer and claimants.
- 1.35 So, we commissioned public opinion research³ to examine key proposals from the Green Paper. Most policies covered in the research enjoyed high levels of support, with at least eight out of ten people backing them.
- 1.36 The findings (set out in Chart 1.2) indicate that there is a broad consensus for the overall direction of our reforms. Inevitably, there are also areas where stakeholders have raised questions or concerns about policy proposals. This White Paper summarises how these thoughts have been reflected in our plans. It does not respond to every point raised, but we have read and considered every response to ensure that this White Paper includes a fair representation of the feedback.

Chart 1.2: Public opinion on Green Paper proposals



³ Available at <http://www.dwp.gov.uk/welfare-reform/noonewrittenoff/consultation.asp>

Conclusion: reforming welfare for the future

- 1.37 The plans for reform that we set out in this White Paper will help us to support many more people from inactivity into work and to progress in sustainable jobs. The increased support we are offering is based on a clear approach – services personalised to individual needs and return-to-work plans jointly owned with clients underpinning active engagement in back-to-work activity. This will make for a progressive ‘something for something’ welfare state.
- 1.38 Our reforms reflect an understanding that different people require different support. We know that the current economic uncertainties mean that there will be more people in need of personalised help. We cannot protect every job or stop the flow of people coming onto out-of-work benefits. But we can offer people support to get back into work, and ensure that they do not fall out of touch with the labour market. Only then can we hope to prevent people becoming trapped in inactivity, as happened in previous recessions of the past. These reforms are necessary to make sure we offer a life of independence to everyone – the core aim of our welfare state. The reforms contribute to the Government’s overall vision for improving public services to make them fairer for all and to give people more control over their lives.⁴

⁴ This vision is set out in the following publication. Cabinet Office. (2008). *Excellence and fairness: Achieving world class public services*.