



## Executive summary



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## Introduction

1. Since 1997, the Government has transformed work and opportunity in Britain, with 2.6 million more people in jobs and more women, lone parents and disabled people working than ever before. Economic stability and labour market flexibility, with employee rights and active welfare to work programmes, have combined to produce the highest employment in our country's history. The mass unemployment that blighted the country in the 1970s and 1980s is now a fading memory.
2. Yet there remain stubborn barriers to our goal of full employment in our generation. There are over three million people of working age who have been on benefit for over a year, many on incapacity benefits. There are concentrations of worklessness in our cities, often close to thriving labour markets. There are nearly three million households in which no-one is working, and 1.7 million children are growing up in such families.
3. 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. It 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 the cost of welfare diverts funds that could be used elsewhere.
4. Despite the fact that the biggest improvements have been amongst the groups that started off in the worst position, the legacy we inherited has meant that there are still gaps that are far too wide between the employment rates of different groups. People from ethnic minorities, disabled people, lone parents and people with low or no skills are much less likely to be in work than the working age population as a whole.
5. Our goal is to raise the employment rate to 80 per cent, to reduce the numbers of working age people who are dependent on benefit and to continue to close the employment gaps between different groups. To achieve this we need a step change in the support we offer to those who are most disadvantaged in the labour market.

6. This Green Paper sets out a series of measures which we will take to achieve full employment. A goal that is central to our drive to eradicate child poverty. As the Prime Minister said in June 2007, "In the fourth richest country in the world it is simply wrong – wrong that any child should grow up in poverty." But poverty still blights the lives of too many British children.
7. A key measure builds on the groundbreaking example of the Local Employment Partnerships announced by the Chancellor of the Exchequer in the 2007 Budget statement.
8. At the heart of these new partnerships will be a 'Jobs Pledge' under which we are aiming for major employers, in both the private and public sectors, to offer a quarter of a million job opportunities. These opportunities will be for people who are at a disadvantage in the labour market – such as lone parents and those on incapacity benefits – so long as they engage with the support available and are ready, willing and able to work.
9. Already around 30 employers, including Asda, B&Q, Tesco, Sainsbury's, Marks and Spencer, Carrillion and McDonalds have committed to this pledge. We believe that this new national commitment will give these individuals more chance of competing for the 600,000 vacancies that come up in the labour market each and every month. Because we are giving individuals much greater support, we should, in return, expect them to take up the opportunities provided by the employers.
10. This Green Paper builds on the work of the Work and Pensions Select Committee and recent independent reports by David Freud on welfare to work<sup>1</sup>, Lisa Harker on child poverty<sup>2</sup>, and Lord Leitch<sup>3</sup> on skills. It sets out how the Government, working with both employers and partners in the public, private and voluntary sectors, proposes to address these issues.

## Chapter one – Progress on welfare to work

11. Since 1997 we have embarked on a series of radical reforms to the welfare state designed to improve the opportunities and the incentives for people to work and increase the support for people in doing so. We have:
  - **transformed the delivery** of employment support by creating Jobcentre Plus from a merger of the Employment Service and the Benefits Agency. Jobcentre Plus ensures that everyone who applies for benefit has a discussion about returning to work, and professional support and advice is available;

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<sup>1</sup> *Reducing dependency, increasing opportunity: options for the future of welfare to work*, March 2007.

<sup>2</sup> *Delivering on child poverty: what would it take?*, November 2006.

<sup>3</sup> *Prosperity for all in the global economy – world class skills*, December 2006.

- launched **innovative employment programmes** to help people into a job or self-employment. The New Deals for the long-term unemployed combine greater responsibility on the individual to find work, with more support through personal advice, training and other routes. The Pathways to Work programme, together with the New Deal for Disabled People, for the first time gives people suffering from a disability or long-term illness tailored help to get back to work. And the New Deal for Lone Parents supports lone parents wanting to look for work; and
  - **improved incentives to work** by providing greater support through the tax credit system, by substantially increasing childcare provision, and by introducing the minimum wage.
12. Together, these reforms have led to a significant improvement in the performance of the UK labour market. We have more people in work than ever before, with 2.6 million more people in work compared with 1997. The UK now has one of the highest employment rates in the world – higher than the United States, Japan, Germany, France and Italy.
  13. Importantly, the biggest improvements have been amongst the groups and in the areas that started off in the worst position. Since 1997, the employment rate of lone parents has increased by almost 12 percentage points, with more than one million lone parents now in employment. Over the same period, the employment rate of people with a health condition or disability has increased by nine percentage points; and for ethnic minority groups by 4.5 percentage points.
  14. The number of people on incapacity benefits, having risen steadily for three decades, has now started to fall and is down by over 100,000 since its peak in 2003. For the first time in a generation, the number of unemployed people, lone parents, and sick and disabled people on benefit are all falling at the same time.
  15. Since 1997, the number of children living in a workless household has fallen by 440,000. This has made a big contribution to tackling child poverty, and reversed the long-standing increase that was apparent up to the mid-1990s. Since 1998-99 the number of children living in poverty has fallen from 3.4 million to 2.8 million.

## Chapter two – A chance to work for all

16. Despite these improvements, much more remains to be done. Reducing the number of workless people is critical to breaking the cycle of deprivation and key to reducing child poverty in this and future generations.

17. To achieve our ambition of an 80 per cent employment rate we need to:
- **move more people on inactive benefits into work**, particularly those who have been on benefits for a long time. Realising our ambition requires a reduction of one million in the number of incapacity benefits claimants; and an increase of 300,000 lone parents and one million older people in work;
  - **increase employment among ethnic minority groups**. Although the gap has narrowed since 1997, ethnic minorities still have an employment rate 14 percentage points lower than the national average and high levels of child poverty. We need to do more to encourage participation and tackle discrimination, particularly for women of Pakistani and Bangladeshi origin;
  - **increase the employment rate in cities and in particular London**. There are now very few areas with an employment rate below the European Union (EU) average, but the lowest employment rates are concentrated in cities;
  - **equip individuals with the skills which they and employers need** to compete in a global economy. In particular we must reduce the number of 16-17 year olds not in education, employment or training; ensure that young people leaving full-time education have the skills and training they need to make an effective transition into work; and provide effective support to those adults whose lack of skills is a barrier to finding and staying in work; and
  - **work in partnership with employers** to open up job opportunities to the most disadvantaged groups.
18. Migration to the UK has increased, not just because of globalisation and the expansion of the EU, but because of the attractiveness of our flexible labour market. Instead of higher unemployment, the outcome has been more jobs for migrants and locals alike. Nevertheless, the availability of skilled and flexible workers from abroad does not in any way reduce the need for us to improve the skills of our own population; to ensure they can compete in the labour market and have the opportunity to take up one of the 600,000 vacancies that come up each and every month. Migrants have shown that the jobs opportunities are there.

## Chapter three – Local Employment Partnerships

19. This Green Paper therefore sets out the next steps the Government is taking on the road to full employment. This means a step change in our approach.

20. The guiding principles of our labour market policies are:
- **a balance of rights and responsibilities:** many people who can work need help in looking for work and overcoming barriers. They also need financial support while they are out of work. In return we should expect people receiving benefit to do all they can to help themselves get into work;
  - **a personalised and responsive approach:** the system should tailor support to meet individual needs, including help with skills, health, childcare, financial support and accessing appropriate training;
  - **retention and progression, not just job entry:** the system must do more to help people stay in work and move up the ladder through better in-work support – through advice, financial incentives and training;
  - **working in partnership:** it is important to make the best use of expertise across the public, private and third sectors. The resources of each should be focused on where they can add the greatest value, in the context of a clear strategy and set of required outcomes; and
  - **devolution and local empowerment:** all regions and countries of the United Kingdom, cities and localities can play an important role in identifying strategic priorities and delivering solutions, and this should be recognised.
21. Guided by these principles we plan a major transformation of our welfare to work policy and its delivery, focusing on those groups who need most help to get back into work. To achieve this step change, Government, employers and individuals all need to play their part.
22. Employers will be at the heart of our reforms. It is, after all, employers who create jobs and hire people. So no strategy for moving people from welfare to work is going to be effective unless employers choose to take people on.
23. Local Employment Partnerships were announced in the 2007 Budget. Through these partnerships major retail employers including Asda, B&Q, Marks and Spencer, Sainsbury's and Tesco demonstrated their commitment to help long-term benefit claimants into employment. They recognise the wider economic advantages of employing a diverse workforce and the gains from reducing worklessness in local communities.
24. Building on these partnerships, we are introducing a new 'Jobs Pledge', under which we are aiming for major employers, in both the private and public sectors, to offer a quarter of a million job opportunities to people who are at a disadvantage in the labour market.
25. But employers are entitled to expect something in return. We will guarantee to employers that job applicants will have the right attitude to work as well as the right aptitude.

26. Jobcentre Plus, working with the Learning and Skills Council in England, will focus on ensuring that people are job ready. They will provide both general pre-employment training and will support people when they are in work. Employers will also be encouraged to continue this investment in line with the Skills Pledge launched last month and the Learning and Skills Council's Train to Gain programme. To help raise individuals and employers awareness of the importance of skills, the Learning and Skills Council launched a national skills campaign on 9 July 2007, 'Our future: It's in our hands'. From 2008 the new UK Commission for Employment and Skills will provide added support and scrutiny of the employment and skills systems.
27. This is a major step forward in strengthening the 'something for something' culture in our welfare to work system. It will help ensure that everyone of working age who can work is able to do so, with all the financial and wider economic and social benefits that this brings.

## Chapter four – The next steps towards full employment

28. The new 'Jobs Pledge' will help to ensure that work is available to people who are currently shut out of the labour market. Alongside this, the Government will reform its main employment programmes to make them fit for the 21st century. We will draw on the lessons from our experience of public, private and third sector provision, so that we can harness the strengths of each. We also need to learn from international experience, particularly from welfare to work systems in the USA, Australia, New Zealand and in European countries such as the Netherlands.
29. Our proposals include:
  - rolling out Pathways to Work as a nationwide programme, leading to further significant increases in the number of people leaving incapacity benefits for work;
  - a new social contract with lone parents, which expects an eventual move into the labour market in return for the necessary personalised support;
  - a more personalised, flexible and responsive New Deal, delivering support which is right for the individual;
  - an integrated employment and skills agenda; and
  - greater use of expertise across the private, public and third sectors at a national and local level, allowing Jobcentre Plus to focus on where it adds the greatest value.

## Disabled people

30. Most people who claim incapacity benefits expect and hope to return to work. The key to supporting these aspirations is to provide tailored, flexible support and information early in a claim. Pathways to Work does just this – by offering a package of support specifically designed to meet the needs of people with a health condition or disability. Pathways has been developed in consultation with customers and service providers and takes a fresh approach, including back-to-work support, financial advice and the innovative Condition Management Programmes to help people manage their health condition or disability. We know that Pathways works, helping people into sustainable jobs: new customers in Pathways areas are over seven percentage points more likely to have a job after 18 months. We are extending Pathways to Work to cover the whole country by April 2008.
31. The introduction from 2008 of the Employment and Support Allowance, a new modernised and simpler benefit, will provide new opportunities for people with a health condition or disability, enabling them to meet their aspirations to return to employment, while still providing financial and other support where this is not possible.

## Parents

### Lone parents

32. Further significant numbers of lone parents moving into work is critical to reducing child poverty. The Government's investment in improving the quality, supply and affordability of childcare, and more measures to ensure that work pays, gives us an opportunity to move into a new era.
33. A number of independent reports have suggested that, with the right support package, it would be appropriate to increase the responsibility for lone parents with older children to look for work and this could help tackle both worklessness and child poverty. This was acknowledged in our refreshed child poverty strategy 'Working for Children' in March this year, and we have announced several measures to help lone parents, including extending the In-Work Credit pilots and offering financial support for up-front childcare costs in London.
34. Given the substantial increase in childcare availability since 1997, we propose that from October 2008, lone parents with a youngest child aged 12 or over will no longer be entitled to Income Support solely on the grounds of being a lone parent. They may, however, be eligible to transfer to Jobseeker's Allowance or another benefit. Subsequently, from October 2010, this age would be reduced to seven years old.

35. Those lone parents who transfer to Jobseeker's Allowance will be expected to look for suitable work in return for personalised help and support. The popular and successful New Deal for Lone Parents programme includes personal adviser support, help with childcare and training, and financial incentives. Building on this we will ensure that lone parents get the appropriate help, support and advice both before and after they cease to be eligible for Income Support. This will include improved childcare provision and help with identifying jobs with suitable flexible working arrangements.
36. In addition we want lone parents to be better off when they move into work. The tax credit system is there to make work pay, but we need to consider how to make sure that lone parents who are applying for a job know exactly what their take home pay will be if they get the job. We will also examine the experience of the in-Work Credit to see what role such direct financial incentives can play.

### Couple families

37. We also need to take more account of the parenting responsibilities of all families on benefit. We accepted the recommendations in the Harker report and are changing Jobcentre Plus systems and targets to ensure the delivery of our employment programmes is more family focused:
- we are expanding certain elements of the New Deal Plus for Lone Parents to cover all couple parents in the current pilot areas and throughout London;
  - we have increased the value of In-Work Credit, available to all parent benefit recipients in London, to £60 per week; and
  - we are also introducing mandatory work-focused interviews every six months for partners of Jobseeker's Allowance customers with children, to discuss employment and set out the help and support available to this group. We will keep this under review. As with lone parents, work offers a potential route out of poverty for many of these families.

### Job seekers

38. Under current arrangements job seekers are required to actively seek work to qualify for Jobseeker's Allowance and this is supported through regular short meetings in Jobcentre Plus. For longer term claimants in receipt of Jobseeker's Allowance, the New Deals have provided a successful programme of structured support and options for younger job seekers after six months and for older job seekers after 18 months.

39. We are proposing to build on this success both by steadily raising the expectations of what a job seeker should contribute and by matching this with increased support the longer someone is on the benefit. We want to move away from the rigid distinctions of the current New Deals between age groups and introduce a new, flexible, personalised approach for more disadvantaged customers. This will build on the strengths, experience and expertise of Jobcentre Plus, private and third sector organisations and other public bodies. The help that is provided will also focus more on retention and progression in work.
40. Those facing particularly severe barriers to work would get fast-tracked help. Those who have a history of long-term reliance on benefit, could face tougher responsibilities at the start of the claim, where appropriate. This would allow personal advisers in Jobcentre Plus to offer more intensive support at appropriate points in the claim.
41. Our new approach would include the following elements:
- after an initial three-month period on benefit, job search requirements would be widened, based on travel to work, wage and working hours rather than by preferred employment or occupation;
  - after a further three months, customers would enter the Gateway stage with a formal review with a personal adviser to revisit the needs identified in the earlier Jobseeker's Agreement and to draw up a back-to-work action plan. The plan would select from a menu of activity and individuals would be expected to agree to and complete a number of activities. Each of the agreed activities would be mandatory; failure to comply would result in an appropriate sanction;
  - we envisage that this Gateway stage would also offer a further opportunity to refer the customer to a skills health check and, if appropriate, training. The current proposals are for England. The Government aims to extend such provision across the whole of Great Britain, subject to discussions with the Scottish Executive and the Welsh Assembly Government;
  - after 12 months customers would be referred to a specialist return to work provider from the public, private, or voluntary sectors who would provide the most appropriate intensive, outcome-focused service, funded on the basis of results;
  - customers still on benefit after a defined period, having failed to find work through a specialist provider, would be required to undertake a period of full-time work experience – in the community or with a regular employer – to ensure that every customer gets the opportunity to refresh their work skills; and

- throughout the whole of this flexible regime the offer of increased help would be balanced with the responsibility on individuals to make the best use of that support or face a loss of benefit. This is an important part of the current mandatory New Deals and would continue to be a feature of the flexible New Deal. Jobcentre Plus would remain responsible for applying benefit sanctions where necessary.

### Ethnic minorities

42. We have made progress in raising employment amongst ethnic minority groups although it still remains very low for some. Many people who are out of work don't even 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.<sup>4</sup>
43. We need to ensure that all our programmes continue to deliver higher employment outcomes irrespective of ethnicity. We also need to tailor new approaches in the localities where ethnic minorities live, by building on existing programmes such as the Fair Cities pilots, our Deprived Areas Fund and the City Strategy.
44. Employer discrimination is a major factor in explaining employment disadvantage. We will consider carefully the views of business leaders on how best to tackle this discrimination against ethnic minorities and promote equality in the work place.

### The lowest skilled

45. People with a lack of skills or qualifications are amongst the most disadvantaged in the labour market. The Leitch review suggested that the key to improving their job prospects was to bring about more joined-up working between the welfare to work and skills services. In line with Lord Leitch's review, we want to create a much closer integration of employment and skills provision. We plan a new system whereby customers for whom a lack of skills is a barrier to work get faster access to the right training.
46. In England, Jobcentre Plus will identify and refer those who need specialist support and advice onto the new Adult Careers Service for a more in-depth skills assessment. The Jobcentre Plus employment adviser will then discuss with the job seeker and agree what training should be built into their back-to-work plan.
47. We are working with the Devolved Administrations to consider how such integration of the employment and skills agenda might be achieved across the UK.

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<sup>4</sup> *Ethnicity and Child Poverty* (2006), paper for the Ethnic Minority Employment Task Force, Lucinda Platt.

## Chapter five – Delivery through partnership

48. To deliver against the promise of a step change in the support we offer, new delivery mechanisms are required. Jobcentre Plus will remain at the heart of our efforts to achieve full employment, operating at the centre of a network of partners. As the Freud report confirmed, Jobcentre Plus is highly effective as the main gateway into welfare to work and should continue to provide tailored and personalised benefits and back-to-work support.
49. Jobcentre Plus will help customers navigate their way around the welfare system, paying benefits, providing advice and signposting to tax credits, childcare, housing and health in this role as an advocate. For the future, it is also our aspiration for Jobcentre Plus to play a key role in meeting Sir David Varney's vision of a joined-up government service to its citizens, offering access to a wider range of services or acting as a broker in finding the right solutions for individuals' needs.
50. We know that Jobcentre Plus works, but we also know that it cannot provide all that is needed by itself. Many of those out of work for extended periods face multiple barriers to work, such as low skills, poor physical or mental health, limited access to childcare, or difficulty in travelling to suitable employment. Many also face further barriers to work as their benefit claim becomes extended, losing confidence, or falling into debt, leading to a spiral of decline.
51. Successful delivery will therefore require close partnership with employers, with employment service providers in the private and third sectors, and with other parts of government. We believe that Jobcentre Plus has a particularly key role to play in providing job search advice and motivation during the early part of someone's claim. People on benefit for longer periods may be better served through specialist support which could be provided by the public, private or third sector, depending on what works.

### Private and third sector

52. Private and third sector partners already play a valuable role in delivering programmes such as Employment Zones and the New Deals for disabled people and job seekers, and we should build on this. Their specialist knowledge, experience and skills can help increase the innovation and efficiency of back-to-work services to provide more tailored support for the hardest to help. We are exploring how to give providers more responsibility for the intensive support long-term benefit recipients need. This would be at the 12 month stage for most job seekers and could be earlier for more disadvantaged customers, including people on incapacity benefits and lone parents.

53. Although the provision of employment support is a large and growing market, which will be worth around one billion pounds a year in 2008, we have not always achieved best value for money and the most cost-effective provision. Building on the recommendations in David Freud's report we propose to reduce costs and provide better incentives by generating more competition and by moving towards a more outcome-focused service.
54. Supporting people on benefit involves a significant cost for the taxpayer. The Government proposes to pilot an approach where providers who are successful in moving people into sustained employment (an outcome which would also help reduce benefit spending) are rewarded with increased funds to invest in further activity.

#### Partnership working at local level

55. There are significant gains to be had from harnessing the commitment, energy and ideas of local public sector partners and employers to tackle worklessness in communities. The Government's City Strategy is designed to promote employment opportunities for the most disadvantaged in society. Fifteen pathfinders are currently underway in England, Scotland and Wales.
56. In addition, we are also looking at how to meet the challenge of joining up employment and skills locally. This is set out in 'World Class Skills: Implementing the Leitch Review of Skills in England', published alongside this Green Paper.

#### Consultation

57. This Green Paper sets out how the Government aims to move towards full employment, giving everyone the chance to work and contribute to society. The Green Paper asks for views on the proposals set out, by 31 October 2007.
58. 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.