



## Chapter 1

# Sustainable employment



The UK is a world leader in promoting employment, but we need to do more.

Economic success must be joined with social justice.

We have set out our long-term aspiration for an employment rate of 80 per cent with employment opportunity open to all.

Work is good for people of all ages, their families and society, and vital in the fight against child poverty.

The world of work is changing, more skills are needed to get a job and progress in work: individuals, organisations and government will need to face this challenge head on.

# Chapter 1 – Sustainable employment

## Introduction

In the 10 years since 1997 the UK has had an employment record to be proud of. Over 2.8 million more people are now in work, there are more than one million lone parents in work, over 1.8 million more over 50s in work and the number of people on incapacity benefits is now consistently falling and at its lowest level for eight years.

The employment level in the UK is the highest it has ever been and mass unemployment has become a memory of the late 1970s, 80s and early 90s. The UK employment rate is one of the highest in the world, beating that of the United States, Japan and Germany, causing other countries to look to the UK for inspiration when considering how to tackle unemployment in their own countries.

This success is down to a well-run economy and labour market flexibility, coupled with employee rights and active programmes – the New Deals – to support people to take up work.

This Government's policies have combined economic efficiency with social justice, supporting people into work and reducing child poverty. We want to halve child poverty by 2010 and eradicate it by 2020, breaking the inter-generational cycle of worklessness and disadvantage.

*The Department for Work and Pensions has played a key role in reducing child poverty to date, primarily through supporting individuals into employment.*  
Lisa Harker, November 2006 *Delivering on Child Poverty: what would it take?*

To ensure that no one is left behind, we have identified groups that face particular challenges in moving into work. Since 1997 employment rates for these groups<sup>13</sup> have improved, with the exception of the lowest qualified people. We are aligning our employment and skills agendas to provide more support for those people with no or low qualifications and to ensure that everyone can move into, and progress in, work.

Increased global mobility has meant that more people are entering and leaving the UK. The UK's flexible labour market and growing economy has attracted migrants from abroad at the same time as it has created jobs for British workers. Since 1997 there has been an increase in both UK and foreign nationals in work.

<sup>13</sup> Groups identified in the 2004 Spending Review: [http://www.hm-treasury.gov.uk/media/A/6/sr04\\_psa\\_ch15.pdf](http://www.hm-treasury.gov.uk/media/A/6/sr04_psa_ch15.pdf). These were updated slightly in the 2007 Spending Review – see footnote 14.



To maximise the knowledge and skills in local areas, in July 2007 the Government published the *Review of Sub-National Economic Development and Regeneration*<sup>14</sup> which set out a stronger role for local authorities in delivering sustainable economic growth and tackling deprivation, supported by increased collaboration across economic areas. This includes the establishment of Multi Area Agreements, a streamlined regional tier, single strategic regional plans, clarification of central government roles and regional Ministers. The review set out the framework that the Government will put in place to ensure that all parts of the country can respond to economic changes and increase prosperity for all.

As we said in the Green Paper, we can go further to ensure that there are job opportunities for all and that people who can work have the best support and incentives to help them move into work.

## Why work matters

Work is the main route out of poverty for all groups within society. **Work is good for you:** people who work are better off financially, better off in terms of their health and well-being, their self-esteem<sup>15</sup> and the future prospects for themselves and their families. Work promotes choice and independence for people, supports our society and increases community cohesion.

Helping more lone parents into work is vital if we are to eradicate child poverty by 2020. A child of a lone parent who works part time is only a third as likely to be living in poverty as a child of a lone parent who doesn't work<sup>16</sup>. A child is less than a fifth as likely to live in poverty if the lone parent works full time. Since 1997 over 600,000 children have been taken out of poverty. We need to make sure that no child grows up in poverty, and supporting parents to help them into work and to acquire the skills they need to enter and progress in work is the best way of achieving this.

Work also matters for society as a whole. Both economic prosperity and fairness dictate that everyone who can work should be expected to do so, especially where people would otherwise be seeking to be supported through taxpayers' money. That is why our new approach will see increasing numbers of those on out of work benefits moving from being passive recipients to active jobseekers. In addition, people who may not presently be able to work, but may be able to do so in the future should be expected to take the steps necessary to make themselves job ready.

<sup>14</sup> [http://www.hm-treasury.gov.uk/spending\\_review/spend\\_csr07/reviews/subnational\\_econ\\_review.cfm](http://www.hm-treasury.gov.uk/spending_review/spend_csr07/reviews/subnational_econ_review.cfm)

<sup>15</sup> Waddell, G. and Burton, A. Kim, 2006. *Is Work Good for Your Health and Well-being?* TSO (The Stationary Office).

<sup>16</sup> Departmental analysis shows that a child living with a lone parent who works at least 16 hours per week is three times less likely to be in poverty than a child living with a workless lone parent.

### **A mum's actual experience**

Rebecca had been looking for work for more than a year, but was struggling to find something suitable that would fit around her parental responsibilities. As a lone parent with a seven-year-old son, Rebecca wanted a job that would either let her drop her son Ryan off at school or let her pick him up.

Jaine Barrow, her New Deal for Lone Parents adviser, suggested 30-year-old Rebecca apply for a job at Fire Defence, a local fire protection company based in South Molton, Devon. Fire Defence had a good reputation when it came to employing lone parents, allowing them to work the short days they needed to accommodate the school run.

Rebecca started work as a part-time filing clerk in August 2005, but within a year she was promoted to office manager and is now working full time.

“Jaine was absolutely brilliant,” said Rebecca. “It’s not so much about the money; but also about getting your identity back. Now, I’m Becky, and not just Ryan’s mum.”

“I can’t understand why people feel that they can’t return to work because of their children. There are good jobs out there, and also good childcare. Today, Ryan is a really confident child who understands that his mum goes out to work. He is being brought up to believe that if you want something, then you have to go out and earn the money for it.”

The Government has a corresponding responsibility to provide the framework to help people into work, for example by ensuring that work pays and that there is appropriate childcare. Since 1997 we have made, and continue to make, substantial progress on this.

## **Supporting people into work**

Since 1997 we have implemented a framework to support this approach which includes:

- the introduction of a National Minimum Wage;
- the introduction of tax credits;
- improved employee rights;
- the right for parents and carers to ask for flexible working – we have recently commissioned an external review to see how this can be extended to parents with older children;
- improved access to childcare; and
- early health interventions.

### **An example of someone better off in work**

A couple with one child were out of work and receiving Income Support. They made the decision that one of them would return to work and were really surprised to find out how much better off they were. Their weekly income rose by nearly £120.

Before the move to work they were concerned about how well off they would be if only one of them returned to work. They were worried that they wouldn't have very high earnings and would lose all of their Income Support. What they didn't realise was how much extra help they would receive through Working Tax Credits once they moved into work.

While the couple were both out of work they received £156.68 per week. This was made up of Income Support (£92.80), Child Benefit (£18.10) and Child Tax Credits (£45.78).

When the mother started working 35 hours per week at the National Minimum Wage their total weekly income rose to £276.40 per week, making them £119.72 better off in work. Their new weekly income was made up of earnings (£193.20), Child Benefit (£18.10) and Child Tax Credits (£45.78). They were now also entitled to Working Tax Credit (£44.82) which they hadn't received when both of them were out of work. They also paid a little tax (£15.25) and National Insurance (£10.25).

They were particularly worried about their housing costs. While on Income Support they also received Housing and Council Tax Benefits and they had always been worried about what might happen to this if one or other of them moved into work. When they moved into work, they found that they were still entitled to Housing and Council Tax Benefits. They had to pay for some of the rent themselves, because of their higher weekly income, but even after paying for this they were still better off by £39.20 per week.

We want to do more to encourage people to take up and retain jobs and to make work pay. On 26 November 2007, the Prime Minister announced that we will be doing more to ensure that the long-term unemployed, lone parents and those on Incapacity Benefit are better off in work, even after reasonable travel costs.<sup>17</sup>

In 2008 we will pilot a new better off in work credit which will allow us to assure customers who have been on Incapacity Benefit (and Employment and Support Allowance on its introduction), Income Support or Jobseeker's Allowance for 26 weeks or more that if they move into full-time<sup>18</sup> work they will have an in work income, including any in work benefits, of at least £25 per week more than they received from out of work benefits.

<sup>17</sup> <http://www.pm.gov.uk/output/Page13851.asp>

<sup>18</sup> Full-time work means 16 hours per week for the customer and 24 hours per week for the partner as these are the points at which a customer would normally be required to move off out of work benefits.

If, on returning to work, a person can show that their weekly income in employment is not £25 more than they received on benefit, even after the in work benefits to which they are entitled, they will be able to apply to Jobcentre Plus for a top-up payment that would take them up to this level. The top-up payment will last for up to 26 weeks. If the trials prove successful we will extend the scheme nationally in 2009.

## Full employment in a generation

Full employment became a central policy objective in the UK with the creation of the Welfare State after the Second World War. During the two decades up to 1997 this objective was abandoned because it was thought impossible. When the current Government began to talk of re-establishing full employment as a key policy objective it was generally derided as vague and unachievable.

The old definition of full employment was measured in terms of low unemployment, which Beveridge defined as a claimant count rate of three per cent or less. We have achieved that, but it is no longer sufficient.

Starting with the introduction of the New Deal in 1998, the Government has demonstrated a determination to move towards full employment – and to apply the concept in a modern setting. A new definition of ‘Full Employment in the 21st century’ was set out in Gordon Brown’s speech to the 1999 Labour Party Conference – high and stable levels of employment with employment opportunity for all. This aim of maximising employment opportunity for all continues to be one of the key aims of this Government<sup>19</sup>. What this means in practice is our long-term aspiration of **an employment rate of 80 per cent, up from 74 per cent, with employment opportunity open to all.**

Government policy to help more people actively seek work is likely, temporarily, to lead to an increase in the number of people claiming unemployment benefits, although this will not reflect an actual increase in the total number of people out of work or claiming benefits. The number will increase as some people move off **inactive** benefits (such as Income Support and Incapacity Benefit) onto **active** benefits, where the obligation is to look for work. However, in the longer term the number on benefits overall will fall, and the numbers in work will increase.

The aspiration reflects our desire to ensure that no one is left behind or misses out on the benefits of economic progress and the financial, social and health benefits of being in work. Since 1997 we have identified the areas and groups where we would like to extend opportunities and inclusion. We have also learnt more about what works.

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<sup>19</sup> Publication of the Public Service Agreements for 2007-11  
[http://www.hm-treasury.gov.uk/pbr\\_csr/pbr\\_csr07\\_speech.cfm](http://www.hm-treasury.gov.uk/pbr_csr/pbr_csr07_speech.cfm)

We know that some people in society face greater employment challenges and we want to support them to overcome these. This means increasing the opportunities for those identified as our key target groups: disabled people, older people, lone parents, people from ethnic minorities, those living in the poorest areas, people with low or no qualifications and socially excluded groups. People with these characteristics can also have additional challenges to getting into work which need to be taken into account and we are particularly keen to address the high rate of worklessness in social housing.

There are existing policies to help people in these groups find jobs, but we believe we can do more to provide a more flexible and personalised service. That is why, for example, we are working with local employers to form Local Employment Partnerships. These give local businesses the chance to tell us what their needs are and gives people with high barriers to employment a chance to gain appropriate skills, move into work and progress in employment.

## Integrating employment and skills

Against a background of increased global competition, we can achieve more growth and more jobs. Helping people move into work is the key challenge. But it is only the beginning. To enable the British economy to thrive, and for individuals to realise their aspirations in the face of new challenges and opportunities, we must unlock the skills and talents of every individual. Government action alone cannot deliver the world-class skills we need for our workforce. We will only succeed as a nation if employers take greater responsibility for improving the skills of their employees, and if individuals take more responsibility for improving their own skills.

We are working closely with the Department for Innovation, Universities and Skills to build on the work of Lord Leitch and ensure that we have a skilled workforce that reflects the needs of the 21st century. On the 26 November 2007 we published *Opportunity, Employment and Progression: making skills work* which set out how the employment, welfare and skills systems are being aligned to reflect this.

We have made a commitment to helping individuals in work continue to train and gain new qualifications so that they can progress to better jobs and achieve more for themselves and their families. The new adult advancement and careers service and the expansion of Train to Gain, which provides in work training to meet the needs of employers and individuals, will be crucial to achieving our ambition. We will also:

- help those on benefits identify skills needs and where they can find support; and
- ensure that the training people need to upgrade their skills is available when they need it.

Partnership is crucial to our aim. We will build on the existing collaboration between Jobcentre Plus and the Learning and Skills Council to integrate better services for employment and skills. This will be underpinned by a shared Department for Work and Pensions and Department for Innovation, Universities and Skills objective to move people into sustainable employment and help them progress.

## Elements of our agenda to integrate employment and skills

### **Skills screening and Skills Health Checks**

Every customer on benefits will, in future, be signposted to the full range of services provided by the new adult advancement and careers service. They will receive a skills screen, to identify basic literacy, numeracy or language needs. For those with clear needs, this initial screen will be complemented by an in-depth Skills Health Check to fully assess their learning requirements and advise on the training needed to support a return to work.

### **A new adult advancement and careers service**

The new careers service for adults in England will be an advancement service with the potential to help every member of society get on in learning and work. The new service will be trialled over the next two years and be fully operational from 2010-11. The service will bring together existing Learndirect and Nextstep advisory services within a new organisation. It will work in close partnership with Jobcentre Plus and a range of statutory and voluntary advice services to deliver a seamless customer service.

### **New Skills Accounts**

Along with the adult advancement and careers service, new Skills Accounts will enable individuals to take control of their learning, giving them greater purchasing power to access the training they need to develop and improve their skills to support job entry and progression. Skills Accounts will last a lifetime and will be offered to all adults, in and out of work, whatever their qualification level. We are working up proposals to trial Skills Accounts from 2008 alongside other key elements of an integrated employment and skills service.

### **Employability Skills Programme**

A new programme was rolled out nationally from August 2007 to target the basic skills needs of Jobcentre Plus customers. The programme is flexible in design and offers the opportunity to improve literacy, numeracy and language skills, prepare for work with an employability qualification and supports participants in finding sustainable employment with training.

### **Employers – investing in skills, partners in success**

The employer-led UK Commission for Employment and Skills will be operational from 1 April 2008. It will be primarily advisory in nature and will strengthen employer influence and leadership. It will advise Government on the employment and skills systems, seeking to ensure that they are flexible enough throughout the UK to respond effectively to competitive challenges, changing employment trends and employer demand.

At both the employer and individual level, Train to Gain and Skills Accounts will offer employers and individuals opportunities to take control of their skills development and to exercise choice as part of a truly demand led system.

### **Financial support**

In *Opportunity, Employment and Progression: making skills work* we announced that we will be introducing new allowances for Jobseeker's Allowance customers, enabling them to study full time for up to eight weeks on employability focused training (for example, linked to Local Employment Partnerships).

We also announced that we will be removing the '16 hour rule' in Housing Benefit completely for short-term recipients of Incapacity Benefit, so that they, like long-term Incapacity Benefit claimants, will always be able to take up the training they need to enable them to return to work.

### **Support for vulnerable groups**

We are also looking at ways we can support specific vulnerable groups undertaking full-time training, such as young people living in supported accommodation.

## Milestones

- April 2008** UK Commission for Employment and Skills operational.
- 2008-09** Trial aspects of the Integrated Employment and Skills Service including:
- new adult advancement and careers service in England;
  - aspects of Skills Accounts; and
  - Jobcentre Plus to test a new integrated screening tool for basic literacy, numeracy, language and employability skills.
- 2009-10** Phased implementation of the Integrated Employment and Skills Service including:
- trialling of mandatory Skills Health Checks;
  - joint target to get more people into sustainable employment made operational for the Learning and Skills Council and Jobcentre Plus;
  - trialling of Skills Health Checks for lone parents;
  - expanded trials of Skills Accounts;
  - skills screening for all new Jobseeker's Allowance, Employment and Support Allowance and Income Support claimants (rollout complete 2011);
- 2010-11** Fully integrated Employment and Skills Service, including:
- new adult advancement and careers service fully operational; and
  - further expansion of Skills Accounts to provide access to £500 million funding for skills.