



Chapter 1

Progress on welfare to work

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Introduction

1. Since 1997, the Government has transformed work and opportunity in Britain. There are 2.6 million more people in jobs; more women, lone parents, older people and disabled people are working than ever before.
2. Economic stability and labour market flexibility, with employee rights and active programmes to help people take up work, have combined to produce higher employment than ever before in our country's history. The UK's flexible, efficient labour market has helped individuals and firms to adapt to the changing demand for labour in a global economy.
3. We now have one of the highest employment rates in the world – higher than the United States, Japan, Germany, France and Italy. Despite a global slowdown, employment in the UK reached 29 million in 2006 for the first time. The mass unemployment that blighted the country in the 1970s and 1980s is now a fading memory, and progress has been most rapid in the areas that had the highest levels of unemployment back in 1997.
4. This performance has not come about through chance. The Government's policies, which combine economic efficiency and social justice, have helped to deliver the best set of labour outcomes for at least a generation. 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;
 - 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.

Job seekers

5. At the heart of our radical reforms have been the New Deals launched from 1998 onwards. The New Deals for job seekers (New Deal for Young People and New Deal 25 Plus) provide mandatory support for the small minority of Jobseeker's Allowance customers who fail to find work quickly. Together with Jobseeker's Allowance, the New Deals have provided a strong framework of rights and responsibilities for unemployed people. The principle is that, in return for state financial support and labour market help, the unemployed claimant should take advantage of that help and be actively seeking work.
6. The greatest progress since 1997 has been achieved among job seekers: the New Deals have helped to cut almost by half the number of people claiming unemployment benefit since 1997, and have virtually abolished long-term claimant unemployment among young people. There are now fewer than 10,000 young people who have been on the claimant count for over one year (three per cent of the total) compared to over 80,000 in 1997 and more than 300,000 at its peak in 1986.

People out of work who are not seeking work

7. There are 3.6 million people claiming inactive benefits – mainly lone parents and sick and disabled people – who are not required to be available for work. We are engaging and helping these people more than ever before.

Long-term sick and disabled people

8. There are 2.67 million sick and disabled people claiming incapacity benefits in Great Britain, around 7.5 per cent of the working age population. Having risen steadily for several decades, the number of claimants has fallen by 100,000 since its peak in November 2003, and the proportion of the population on these benefits is now below the level in 1997.
9. The New Deal for Disabled People, which went national in July 2001, was the first employment programme specifically designed to support people on disability and health-related benefits into employment. It has helped over 130,000 people take up work.

10. The introduction of the Pathways to Work programme in those areas of the country with the highest concentration of people on incapacity benefits marked a further step towards actively engaging this group. Pathways provides a combination of financial, employment and health support. It has been very successful: the proportion of new claimants in work is over seven percentage points higher after 18 months in Pathways areas.

Lone parents

11. Around 775,000 people are claiming lone parent benefits, a fall of over 200,000 since 1997. The lone parent employment rate has risen almost 12 percentage points since 1997 to 56.5 per cent. There are now over one million lone parents working, 300,000 more than ten years ago. This has helped to take 600,000 children out of poverty since 1998-99, reversing the long-standing increase in the period up to the mid-1990s.
12. A large part of these achievements is down to the reforms that we have introduced. Independent analysis suggests that government policies account for about half of the rise in the lone parent employment rate between 1992 and 2002, and that reforms since 1997 account for most of that increase.
13. A centrepiece of our programme has been New Deal for Lone Parents which has helped nearly half a million lone parents into work since 1998. Alongside the New Deal, there is a range of additional support to help lone parents move into work, including the national childcare strategy, the national minimum wage and tax credits. Together these are making work possible for lone parents who choose to look for work, and making sure that work pays.

Progress for disadvantaged groups and disadvantaged areas

Older people

14. Since 1997, the employment rate for people aged between 50 and state pension age (60 for women, 65 for men) has increased by six percentage points, to just under 71 per cent. Most of this rise is down to people staying in work for longer. A number of factors lie behind this improvement. In addition to a stable economy and reduced use of early retirement packages, there has been a big push to tackle employer discrimination, including age discrimination legislation in 2006 and campaigns to encourage employers to recognise the benefits of employing older workers as part of a mixed age workforce. The Government has also introduced changes to tax rules to make it possible to continue working for the same employer whilst receiving an occupational pension and has increased state pension deferral rates making it more attractive to continue working for longer.

Ethnic minorities

15. Many people from different ethnic minority backgrounds are achieving labour market success and contributing to the social and economic growth of the nation. The gap between the employment rate for ethnic minorities and the overall rate is closing. It stood at 18 percentage points a decade ago but has now narrowed to 14 percentage points. And some groups, people of Indian origin for example, are employed at a rate much nearer the national average – the Indian employment rate is 69.1 per cent⁵ just five percentage points below the overall rate of 74.3 per cent.

Cities

16. Every region and country in the UK has seen employment growth since 1997. In general this is also true of the employment rate of cities. The biggest improvements have generally been in the areas that started off in the worst position. This has included a number of our cities. Manchester has seen employment rates rise from 53 per cent to 64.1 per cent, Liverpool from 56.1 per cent to 62.7 per cent and Glasgow from 57.7 per cent to 64.3 per cent.

Conclusion

17. The UK is now one of the most successful performers in the world in terms of employment and unemployment. The biggest improvements have been amongst the groups and in the areas which started in the worst position. But there is still more to do.
18. As the labour market evolves, with globalisation and the increasing use of technology shifting labour market demand towards the higher skilled, labour market policy will need to respond to the changing needs of those out of work.

⁵ All ethnic minority employment figures: Labour Force Survey first quarter 2007 unless otherwise stated.