

In work, better off: next steps to full employment

large print version





Department for Work and Pensions

In work, better off:
next steps to full employment

Presented to Parliament by the Secretary of State for Work and Pensions by Command of Her Majesty
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Ministerial foreword



Ten years of reform and economic stability under this Government have transformed work and opportunity in Britain. Today, the achievement of full employment and the eradication of child poverty are no longer simply seen as rallying calls for change, but as real ambitions that people expect to be delivered.

If we are to reach these goals – at a point when the global forces of economic and demographic change present new and ever greater challenges for our economy and flexible labour market – then we must push forwards with further reform, revitalising the partnership between Government, employers and individuals, focusing on the 4.5 million people of working age on out-of-work benefits.

This Green Paper delivers a step change in the employment and skills support we offer to those who are most disadvantaged in the labour market. It builds on the measures in this year's Welfare Reform Act to ensure that those with health conditions and disabilities are never again written off. And it reinforces our strong commitment to the values of equality and opportunity, and to the principle of rights matched by responsibilities, with work for those who can and security for those who can't.

Together with 'World Class Skills: Implementing the Leitch Review of Skills in England' also published today, this Green Paper sets out proposals for a newly integrated employment and skills system, with a more personalised, flexible and responsive New Deal offering new support to job seekers

in return for new responsibilities to do all they can to help themselves. We will support the family, not just the individual; and a new social contract for lone parents will put tackling child poverty at the heart of our welfare system.

Our proposals are underpinned by a more extensive partnership at the heart of welfare delivery which makes greater use of expertise across the public, private and voluntary sectors at both national and local level. And a renewed partnership with employers, including a groundbreaking new Jobs Pledge, will aim to find job opportunities for over 250,000 people currently on benefit who are ready and prepared to work.

A successful welfare system can only be built on consensus. I hope that everyone who shares our commitment to delivering full employment in Britain will contribute to the consultation on these proposals.

If we act now, we can, together, lay the foundation for the eradication of child poverty and ensure that every child in Britain can have the best possible opportunity in life. There is no greater social imperative in our time – and no better opportunity to get this right.



Peter Hain

Secretary of State for Work and Pensions

Executive summary

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, Carrilion 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 work¹, Lisa Harker on child poverty², and Lord Leitch³ 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

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

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

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

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.

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.⁴
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.

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

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.

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.

Chapter one – Progress on welfare to work

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.

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.

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.

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

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.

Chapter three – Local Employment Partnerships

Introduction

1. We believe that we need to tackle the challenges in achieving full employment through principled reform based on our values.
2. The principles that will guide us 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.
3. At the heart of our reforms must be the assurance that people who are willing and able to work will get a job. In this chapter, we set out our plans for a new 'Jobs Pledge', which will offer a quarter of a million job opportunities across the public and private sectors to people who have been on benefit for a long period.
 4. In Chapter four we set out how we plan to reform our employment programmes to ensure that people facing the biggest challenges in getting work are in the best possible position to benefit from the 'Jobs Pledge'.
 5. Chapter five considers how we will deliver these changes through partnership across the public, private and third sectors and through devolution to local areas.

Jobs Pledge

6. Working in partnership with employers is crucial in meeting the challenge of welfare reform and essential to fulfilling the demand side of our strategy. Employers can offer jobs to the hundreds of thousands of people who face disadvantages in the labour market. Jobcentre Plus, working in England with the Learning and Skills Council and other providers, can ensure disadvantaged people are able to access these jobs by preparing people for specific roles and delivering to employers the trained candidates they need. Jobcentre Plus will also work with the Scottish Executive and Welsh Assembly Government to develop an equivalent approach for Scotland and Wales.

7. This forms the core of rights and responsibilities in the welfare to work system. We expect individuals to take advantage of all the opportunities open to them to prepare themselves for work. This may mean undertaking short, work-focused skills training to improve their employability. It may mean engaging with the menu of support on offer, and in job search. It may mean taking part in work trials and considering suitable jobs.
8. In return individuals can expect to be helped to prepare for and find appropriate jobs. Help and support will particularly be targeted at those people with the greatest disadvantage in the labour market. This will include lone parents, disabled people and those with long-term health conditions, and the lowest qualified.
9. We would like employers to consider disadvantaged customers for their vacancies and in return they will get help in identifying and preparing the right people for those vacancies. This might mean committing to work trials; providing suitable induction and technical training for individuals without the appropriate work experience; and considering employee mentoring. Those who successfully complete a pre-employment programme would be guaranteed job opportunities. We may also ask employers to review their job application processes and flexibility of employment, to support fairer and more inclusive recruitment practices. Employers can then ensure that their processes do not inadvertently exclude people by asking for unnecessary qualifications or involve unnecessary complications or restrictions.
10. Jobcentre Plus already works with 400,000 employers every year and takes over 10,000 new vacancies every working day. We want to build on this engagement with employers to enhance the service that we offer both to them and to our individual customers to make quicker and more effective progress with our welfare to work agenda.

11. In the 2007 Budget statement, the Chancellor of the Exchequer announced the introduction of new Local Employment Partnerships, initially with a focus on the retail sector. These partnerships provide a fresh approach to the work that Jobcentre Plus does with employers, building on the work done with employers under the New Deal. They are designed to help ensure that the support for long-term unemployed people and other priority groups prepares them for the world of work, providing them with the skills and motivation they need to meet employers' expectations.
12. We have already made significant progress with the first five retail companies to sign up following the Budget announcement and in other examples of working with employers (see box below). These five companies have been quickly followed by further retail companies and companies across other sectors including security, hospitality and facilities management.

Examples of working in partnerships with employers

Tesco has embraced Local Employment Partnerships with clear targets for work trials and expected job outcomes. They have implemented measures for a new Tesco Extra in Failsworth, near Oldham, where they have just finished recruiting for around 400 jobs. A fifth of new jobs have been filled by long-term benefit customers. Tesco has set itself a challenge of extending the work they have done in Failsworth to provide job guarantees for a proportion of all newly created jobs.

Marks and Spencer have already implemented Local Employment Partnerships via their Marks and Start programme which is aimed at lone parents, homeless people, people with disabilities and young unemployed people. Over 250 people who successfully completed the programme were recruited either by Marks and Spencer themselves, or by other retail companies. Jobcentre Plus is now discussing extending the programme to support the company's further recruitment plans.

B&Q: Jobcentre Plus and B&Q have just reached agreement to work together to fill up to 300 vacancies at a new warehouse store in Edinburgh. Opportunities will be open to people looking to develop a career in retail, regardless of their age or experience. Jobcentre Plus will hold a series of recruitment events throughout the city in the coming weeks to establish the scale of interest and how best to support recruitment.

HBOS: Jobcentre Plus have been working closely with the finance sector to break down some of the barriers that job seekers face in finding employment. HBOS (Halifax Bank of Scotland) are keen to work proactively to recruit from our priority customers. A pre-recruitment course entitled 'Job Fit' run by Action for Employment has been introduced. It is a voluntary programme offering 13 weeks of support tailored to ensure customers are confident and able to communicate their skills at interview. First Direct as well as HBOS will use the course and also offer flexibilities and adjustments in their recruitment process.

Salford Royal Hospital NHS Trust has developed ways for our priority customers to apply for vacancies within the Trust. These have included monthly 'jobshops' supported by the local Jobcentre. Applications are taken and assessed on the day and anyone who it is felt would benefit from training is referred to a pre-recruitment training course which includes work tasters. The courses are run three times a year for ten people and have a 70 per cent success rate. As a result of these initiatives, priority customers are now working at the Trust and the Trust is saving £300,000 on its advertising budget.

BUPA: Partnership between Jobcentre Plus, BUPA and Fair Cities in Birmingham resulted in a pre-recruitment course aimed at filling care assistants' vacancies in a care home in Birmingham. It was a one week course aimed at ethnic minorities. Help was on hand from both BUPA and outreach workers to prepare the applicants for the recruitment process as well as provide valuable information on what the duties entailed. As a result, 28 people were placed on the course with 50 per cent receiving job offers. Plans are underway to continue with this activity in Birmingham on a monthly basis and to roll it out to Brent and Bradford.

London Underground *Fair Cities* has been commissioned to recruit 200 Customer Service Assistants for London Underground Limited from people living in disadvantaged wards in Brent. A pre-employment programme was designed to build confidence and improve basic skills for workless people from disadvantaged areas. It included basic skills assessments, an individual training plan to improve literacy and numeracy skills, motivation training and competency-based interview training.

Around two-thirds (68.6 per cent) of candidates were from the most disadvantaged wards in Brent and 85 per cent were from ethnic minorities. The London Employer Coalition is currently working with *Fair Cities* to roll out the programme across London through Jobcentre Plus.

13. Now we need to build momentum. We will create 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. 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. 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 to gain the necessary skills required to take up these jobs, we should, in return, expect them to take on greater responsibility themselves for finding work.
14. This pledge will involve close working between Jobcentre Plus, the Learning and Skills Council and other providers to support employers as essential partners in meeting the welfare to work challenge. This will be a key example of a more integrated system for skills and employment as recommended in the Leitch review. The 'Jobs Pledge' will complement the Government's existing Skills Pledge in England, through which employers commit to support their employees and new recruits to improve their skills and become better qualified (as a minimum this means supporting literacy and numeracy qualifications, and work towards achieving first full level 2 qualifications).

15. Jobcentre Plus can offer employers a service which matches the right potential candidates to their vacancies and can, in conjunction with the Learning and Skills Council and local providers, organise tailored pre-recruitment assessment and training. Then employers can be confident that the people they are recruiting have the skills they need to do the jobs. Jobcentre Plus advisers will work actively with disadvantaged groups to assess their needs and encourage them to look at these vacancies. This approach, together with the integrated employment and skills system proposed in Chapter four, provides Jobcentre Plus advisers with a comprehensive tool to help the lowest skilled access sustainable employment.
16. Depending on the needs of the employer and the individual, Jobcentre Plus, with the Learning and Skills Council and other providers, could provide a variety of support including:
 - working with individuals to diagnose their needs to enable a return to employment and help them address any barriers to employment, including skills and motivation;
 - pre-employment training to prepare people for particular sorts of jobs and an explanation of the ongoing skills advice available through the Adult Careers Service;
 - the design and delivery of training so that individuals have the employability skills needed for available jobs;
 - arranging and supporting work trials, so that the individual and the employer can confirm a proper match for the job before committing themselves on a permanent basis;
 - supporting individuals in the transition from benefit to work;
 - matching individuals with employers to ensure a good fit;

- working with employers to understand their employment and skill needs and helping them adapt their recruitment policies and processes to make available more vacancies for local disadvantaged people in target groups such as lone parents;
 - putting in place new Local Employment Partnership managers to ensure the jobs committed by employers are filled quickly and effectively with suitable candidates through liaison with personal advisers; and
 - working with employers to deliver in-work training through Train to Gain⁷ so that new recruits continue to develop their skills and careers in work.
17. In addition, Jobcentre Plus' employer account managers will work through recruitment plans with employers locally to establish how best to support them. Centrally, Jobcentre Plus will also work with the Adult Careers Service, the Learning and Skills Council and Sector Skills Councils to design pre-employment training packages. These will be coupled with work trials, guaranteed interviews and job opportunities for benefit customers.
18. Since the original Budget announcement we have already signed up over 20 more companies and extended the sectors to finance, hospitality, facilities management, security and the public sector. Some examples of companies in these sectors are:

⁷ Train to Gain is a service to help businesses get the training they need to succeed. It offers a free skills brokerage service for employers, fully subsidised training for low skilled employees up to a first full level 2 qualification and free information, advice and guidance.

| | |
|-----------------------|--|
| Finance | Royal Bank of Scotland |
| Hospitality | Intercontinental Hotel Group and JD Wetherspoons |
| Facilities management | Carillion and City Facilities Management |
| Security | OCS |
| Public sector | Somerset County Council |

Additional companies from the retail sector include Debenhams and Wilkinsons.

19. Jobcentre Plus account managers are working every day to sign up more employers and to pin down the specific locations and volumes of jobs with the employers who have signed up already. With the size of the task the Government faces in terms of building new houses and constructing the site of the 2012 Olympic Games, we will also want to talk to employers in the construction sector.
20. The publication of this Green Paper will signal the increased momentum behind this employer engagement activity. We intend to continue to engage employers at a senior level to secure their support and will also be working with government departments and local authorities to ensure that the pledge is met in the public as well as the private sector. In City Strategy areas we will be asking Consortia to support this initiative. And Jobcentre Plus will continue to work with the National Employment Panel and its successor, the UK Commission for Employment and Skills, in order to engage local employer bodies in the regional recruitment of employers.

Chapter four – The next steps towards full employment

Introduction

1. The new 'Jobs Pledge', set out in Chapter three, will help to ensure that jobs are available to people who are currently shut out of the labour market. It means that stronger expectations can be set on individuals to look for work, but that more support also needs to be on offer so they can compete effectively for these jobs.
2. Central to our approach will be:
 - continuing our reforms to incapacity benefits: national introduction of Pathways to Work from April 2008, a new 'Employment and Support Allowance' replacing incapacity benefits from 2008;
 - helping more lone parents into work, by raising the expectations that lone parents with older children should look for work backed by extra support in the form of childcare, financial and employment support and help identifying jobs with suitable flexible working arrangements;
 - raising the expectations of what a job seeker should do to find work and matching this with more flexible and personalised support; and
 - joining-up the support we give people to find work and to improve their skills.

3. This will deliver a more flexible welfare system with strengthened rights and responsibilities and more integrated and individualised employment and skills support. The reforms set out below will move each of the current benefit groups closer to this overall vision.
4. This approach will be backed up with more investment in employment support. The Government has increased significantly its investment over the last ten years and is committed to building on this to provide more support for those without work. Since 1997, the Government has increased the level of investment in employment support for job seekers, lone parents and sick and disabled people from £280 million to over one billion pounds per year. Over the next four years the Government plans to increase this investment still further.

Plans for reform

Incapacity benefits: the next steps

5. The 2006 Green Paper 'A New Deal for Welfare: Empowering People to Work' set out our intentions for providing extra support to people with health conditions and disabilities. The delivery challenge is now to ensure the successful national introduction of Pathways to Work by April 2008. This will be taken forward by the private and third sectors. This will lay the platform of employment support for the new Employment and Support Allowance (ESA), to replace incapacity benefits for new customers from 2008.

6. The new benefit will be simpler and more modern. It will help people with health conditions and disabilities focus on their aspirations to return to employment where this is possible, and will provide financial and other support where this is not. Customers on ESA will be required to go through the Pathways to Work programme. As resources allow, we will strengthen the scheme, requiring existing ESA customers to undertake some form of activity that will improve their chances of getting a job in order to qualify for the full rate of benefit.

Helping parents into work, helping children out of poverty

Support for lone parents

7. Ending child poverty means we need to help many more lone parents off benefits and into work. To do that we need to develop our support to help lone parents plan a return to work, help them during the transition into work and equip them with the skills and confidence to succeed once they are in work. In our refreshed child poverty strategy 'Working for Children', published in March this year, we announced measures to help lone parents, including extending the In-Work Credit pilots and offering financial support for up-front childcare costs in London.
8. The flexible labour market in the UK delivers more employment opportunities for parents than in most other countries. The wider range of types and patterns of work enables more parents the chance to combine work with their family responsibilities.

9. However, childcare remains a key issue. The substantial extra government investment in childcare has made work a realistic option for many more parents. The number of childcare places in England almost doubled between 1997 and 2006. And the Government published a ten year childcare strategy for England, '*Choice for Parents, the Best Start for Children*', alongside the Pre-Budget Report on 2 December 2004 to build on these achievements and further strengthen childcare provision in every community.
10. More recently, the Childcare Act 2006 has placed important new duties on local authorities in England and Wales to secure sufficient childcare for parents in their areas who wish to work or train.
11. By 2010 there will be a Sure Start Children's Centre in every community – 3,500 across England – offering integrated services, including childcare, for young children. We are also pushing ahead with the development of extended schools which offer a wide range of services: childcare, study support and a range of family learning and parental support. Extended schools will provide integrated education and care from 8am to 6pm on weekdays all year round, not just during term time, for all parents who need it. By 2008 we expect to have at least half of all primary schools and a third of all secondary schools in England offering extended services. The Government wants all schools in England to be extended schools by 2010.
12. Childcare is a devolved issue, but the administrations in both Scotland and Wales have developed their own strategic approach to the provision of childcare and have invested significantly in this area. Both countries have made specific commitments to provide childcare support to help parents engage in work, education or training. The implications of the proposals in this Green Paper will be discussed further with Scotland and Wales.

13. We need to ensure that our support for lone parents is attuned to the particular needs of those with disabled children. We would welcome views on how this could be achieved. We are also aware that outcomes for some groups – parents with health conditions, those from certain ethnic minority backgrounds and in large cities – are worse than overall outcomes. We would welcome views on how this disparity could be addressed.

Expectations of lone parents

14. The Harker report maintained that if a strong package of support was in place for lone parents, including guaranteed access to affordable and suitable childcare and work that fitted with family commitments, there would be grounds for 'strengthening lone parents' responsibility to look for work as the logical next step'. The Freud report also considered that the time was right for a move in this direction. Similarly, the Organisation for Economic Co-operation and Development (OECD) has recommended that, with the right support in place, the UK should consider further extending work tests for lone parents. Indeed, the UK is rare amongst the OECD countries in having a specific benefit for lone parents with no worksearch conditionality attached. Most countries have moved, or are moving, towards tougher work obligations on lone parents.
15. We believe that we have indeed made sufficient progress not only on childcare but also in providing other support. We have:
 - made substantial strides in increasing the availability of childcare and this will be supplemented from April 2008 through the introduction of a duty on local authorities to secure sufficient childcare for working parents;

- provided financial support to parents through the childcare elements of the Working Tax Credit;
 - introduced the right to request flexible working; and
 - increased investment in the New Deal and other employment support.
16. Given this substantial increase in support we believe it is right to expect more of lone parents with older children to help lift themselves and their children out of poverty.
 17. Therefore, we propose that from October 2008, lone parents with a youngest child aged 12 or over will no longer be entitled to claim Income Support solely on the grounds of being a lone parent. They may be eligible to transfer to Jobseeker's Allowance where they will receive support in looking for suitable work or to move on to another appropriate benefit. We believe the case for this change is very clear.
 18. However, on its own, this will only affect around one in seven lone parents on benefit. Correspondingly, the impact on child poverty, while important, will be small. We therefore also propose that this age should be brought down to a youngest child of seven years old from October 2010. Over time, this will affect nearly 40 per cent of lone parents currently on Income Support. By October 2010 the aspiration is that all schools in England will be extended schools providing a range of activities between 8am and 6pm on weekdays for 48 weeks of the year.
 19. We are not proposing this because we seek to reduce benefit expenditure – the rates of benefit for Income Support and Jobseeker's Allowance are the same – nor to 'punish' lone parents. Nor will we force lone parents into jobs.

20. Our objective is to help more lone parents into suitable work, which they can combine with their responsibilities as a parent. This will boost family income and therefore lift their children out of poverty. In order to achieve this objective it is essential that lone parents get the appropriate support and advice both before and after they cease to be eligible for Income Support. We, therefore, propose that in the months before these changes takes place, affected lone parents will take part in more frequent Work Focused Interviews in which they will be offered support, advice and practical help. In particular, we propose that such lone parents will be offered a direct financial incentive – a Work Related Activity Premium – in return for undertaking activity directly related to preparation for entry to the labour market.
21. For lone parents who do move onto Jobseeker's Allowance, Jobcentre Plus advisers can tailor work-search activity to the customer's individual family circumstances, for example by allowing them to restrict their availability for work to school hours, or agreeing that part-time work of 16 hours or more might be more appropriate. In addition, advisers are able to take into consideration specific circumstances such as domestic emergencies or bereavement when assessing an individual's availability for work. We will also consider what other elements of the existing New Deal for Lone Parents package should be available for lone parents who are claiming Jobseeker's Allowance.
22. Other lone parents would be able to claim the appropriate benefit for their circumstances. For example, lone parents receiving Carer's Allowance for disabled children (or for caring for others) will be able to continue to claim Income Support should they wish.

23. We are also considering how to make the best use of flexible working:
- on the national level, following the success of the introduction of the right to request flexible working for those with younger children and the recent extension to carers of adults, we will continue to examine the case for extending the right to request flexible working to parents of older children in the future;
 - locally, Jobcentre Plus will need to work closely with employers to identify flexible working opportunities for lone parents moving into work and with local authorities to identify suitable childcare.
24. For parents already in work, a relationship breakdown can too often be a trigger to leave employment and claim benefit. Helping more of these new lone parents to meet the changed demands of balancing work and family and enabling them to stay in work would be positive for them and their children.
25. And we want to make work pay. We do not wish to repeat the US experience, where welfare reform resulted in many lone parents moving into work, but remaining mired in poverty. We want to support lone parents into employment that reduces poverty for them and for their children as much as possible. In Australia, for example, reforms introduced in 2006 mean that parents with a youngest child over six are only obliged to accept an offer of employment which makes them financially better off than on benefit. We are attracted to this idea. We would like to be able to make clear to lone parents that the job vacancies that they are offered through Jobcentre Plus will indeed make them, and their children, better off. Also, in addition to the tax credit system which is there to try to ensure that work pays, we will consider the experience of the In-Work Credit pilots to determine what role such direct financial incentives can play.

Consultation questions

26. The Government's successful lone parent policies have been developed in partnership with stakeholder representatives and we wish to continue the debate on how we can meet our challenging lone parent employment and child poverty targets. We would be interested in hearing your views on our proposals, including the following questions:

Question 1: At the moment, lone parents are entitled to Income Support until their youngest child is 16. Is it right that this age should be reduced?

Question 2: What would the minimum age be?

Question 3: Should we do more to ensure that our support for lone parents is accessible and useful for all groups, in particular those with disabled children and those from certain disadvantaged groups and areas?

Question 4: More frequent Work Focused Interviews are currently offered to lone parents in the two years before their eligibility to Income Support is lost. As the age of the youngest child is reduced, should other forms of support be provided, and over what period prior to loss of eligibility?

Question 5: For lone parents who move onto Jobseeker's Allowance when they lose Income Support eligibility, what forms of support (in addition to those provided to Jobseeker's Allowance claimants who are not lone parents) should be available, and over what timescale?

Question 6: Jobseeker's Allowance recipients can, in certain circumstances, restrict their search for work to a minimum of 16 hours per week. Should additional flexibilities be available if the proposed changes are made?

Question 7: What form might a 'better off in work' assurance for lone parents take?

Question 8: Are any special provisions required for lone parents who move onto benefits other than Jobseeker's Allowance (for example, Employment and Support Allowance or Carer's Allowance)?

Question 9: In addition to the improvements in childcare provision and the right to request flexible working, is there further support that should be provided to help lone parents into work and support them whilst there?

Couple families

27. To tackle poverty and ensure full employment we also need to take more account of the parenting responsibilities and the circumstances of all families on benefit, ensuring we find effective ways to support them. Local authorities have been given a new role as champions of parents. They expect to provide fair access to high quality services, have a single commissioner to lead on developing a continuum of local services for parents and are under a duty to provide access to information about what is available.

28. We accepted the recommendations in the Harker report on this issue and are changing Jobcentre Plus' practices to make our employment programmes more family focused. In particular:
- 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; and
 - we have increased the value of In-Work Credit, available to all parent benefit recipients in London, to £60 per week.
29. 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.
30. The proposals above deal with those currently receiving benefit. But most of the partners of those in work are not on benefit and do not at present automatically receive any advice or support if they wish to work. Of course, for many families on higher earnings, this is a deliberate and understandable choice. But for many other families on low pay, the lack of help to get into work can mean that their children remain in poverty. This is particularly true of families from a Pakistani and Bangladeshi background, where low pay and labour market marginalisation mean that well over half of all children are poor, even in working families.
31. Many partners in this position face significant barriers to employment. Yet the evidence shows that many could work and want to work. We must not stereotype certain disadvantaged groups or communities as 'choosing' not to work, and by doing so allow them and their children to

remain stuck in poverty. Instead we must seek to break down the particular barriers that they face to full participation in the labour market and society. The Partners Outreach pilot for second earners started in February 2007 in six cities and will allow us to build our evidence base on how we can best engage with and support this group.

Question 10: What more could we do to help working families – especially those from the most disadvantaged backgrounds – improve their earnings and lift themselves out of poverty?

Question 11: What more could we do to help ethnic minority women, particularly of Pakistani and Bangladeshi origin, overcome specific barriers they face?

Carers

32. Carers play a very valuable role in society and being a carer will often be a full-time role. We have considered increasing the work-related responsibilities for carers and do not believe that this would be appropriate. However, we do need to do more to help those carers who wish to prepare for or return to work to do so. Periods of caring vary significantly, so raising the issue of work related activity when caring starts may not be appropriate in many circumstances. Carers and advisers view mandatory Work Focused Interviews at the start of a carer's benefit claim as ill-timed and ineffective. However, carers can volunteer for a Work Focused Interview at any time and we are raising adviser awareness of carers' issues to ensure they are supported appropriately.

33. We are reviewing the Prime Minister's 1999 Carer's Strategy to shape support for carers, including employment support. The Department of Health is leading this work which includes a nationwide consultation with carers and voluntary organisations. A UK-wide Interdepartmental Carers' Strategy Steering Group has been set up to ensure that the consultation and future strategy is jointly owned across government. An External Reference Group (including representation from local authorities, providers and the voluntary sector) is also being set up.

Personalised, responsive support for job seekers: the next steps

34. Under current arrangements job seekers are required to actively seek work in order to qualify for benefit and we support this through regular short meetings with personal advisers in Jobcentre Plus. Later on in the claim the mandatory New Deals have provided a successful programme of structured support and options for younger job seekers after six months on benefit and for older job seekers after 18 months.
35. We are proposing to build on the success of these arrangements 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 benefit. Evidence from the Employment Zones has demonstrated the effectiveness of a more tailored approach to support, and the success of the New Deal has demonstrated the effectiveness of a strong focus on rights and responsibilities. The proposal here contains both elements.

36. 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 longer-term, more disadvantaged customers. We also want to tap into the experience and expertise, not only of Jobcentre Plus, but also private and third sector organisations as well as other public bodies. A light touch assessment will be carried out early in the claim. Those customers facing particularly severe barriers to work would get fast-tracked help. Others who have a history of long-term reliance on benefits 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 and offer specialist providers more discretion over providing more flexible support according to individual needs, while maintaining the current approach of reserving intensive support for those who need it most or who have been on benefits for a long time.
37. Our new structure would have clear stages which would be understandable for customers and providers alike as a claim for benefit progresses. It would contain 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 six months on Jobseeker's Allowance, 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 an 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.

38. The system would be built around the needs of the individual within a clear framework of mutual obligations. The individual's benefit history would shape their entry point to the regime. Most people, including those with a recent work history, would start at stage one and proceed through each stage until they are successful in finding work. Those whose benefit history suggests they may need access to more intensive help earlier could be fast tracked.
39. The new system would:
- strengthen rights and responsibilities by increasing the intensity of support and the customer's responsibilities as the claim proceeds – in up to four stages;
 - provide a flexible, personalised approach for longer-term and more disadvantaged customers;
 - focus on successful outcomes, rather than delivering particular types of support; and
 - build on the strengths of providers in both the public sector, including Jobcentre Plus, and in the private and third sectors.
40. The Annex says more about how the stages would work in practice and should help address the questions we are asking about them.

Consultation questions

41. Clearly, we need to get the balance right between the level of support available and what we expect of job seekers in return for their benefit. We therefore invite representations on the following questions:

Question 12: In exchange for more specialist support, are we right to ask more of those who have been unemployed and receiving benefit the longest?

Question 13: Should there be any exceptions to this approach of increased conditionality and increased support?

Question 14: Is a structured, progressive regime of support and conditionality at fixed intervals the right approach?

Question 15: Should some people be enabled or required to enter the Gateway stage more quickly than others, taking account of their employment history or needs? Which groups should be 'fast-tracked'?

Question 16: Should we require a period of work experience from those who do not succeed in getting work after benefiting from a more intensive level of help from specialist providers? How can we best ensure that this work experience is beneficial?

Ethnic minorities

42. We have made progress in raising employment amongst ethnic minority groups, although it still remains very low for some groups. First and foremost, through Jobcentre Plus and other providers, we need to ensure that all programmes continue to deliver higher employment outcomes irrespective of ethnicity.
43. We also need to tailor new approaches in the localities where ethnic minorities live, including through the Deprived Areas Fund and the City Strategy. We have learnt a lot about outreach and support from both talking to ethnic minority people themselves through our research, and through a range of innovative programmes including Jobcentre Plus outreach programmes, the 'Fair Cities' pilots which link training to job opportunities in Bradford, Birmingham and Brent, and other local pilots run through the private and voluntary sectors. We also want to absorb the lessons from these programmes in our plans to integrate employment and skills provision.
44. Employer discrimination is a major factor in explaining employment disadvantage for ethnic minorities. In the 2005 Pre-Budget Report, the Chancellor commissioned the Business Commission on Race Equality in the Workplace, including major private and public sector employers, to look at how best business and Government can tackle these issues. The Business Commission are due to report later this year. We will consider carefully the views of business leaders on how best to support employers to tackle discrimination and promote equality in the workplace. As one of the lead Departments progressing the Government's Single Equalities agenda, DWP will seek to apply lessons learnt here to other groups facing labour market disadvantage due to discrimination, such as disabled people. We will also work closely with the new Commission for Equalities and Human Rights to take a common approach wherever appropriate.

45. We will continue to listen to ethnic minorities and employers themselves about the barriers they face, and the solutions they suggest. We will work through the Ethnic Minority Employment Task Force to connect directly with employers and ethnic minority women in a major consultation event in the autumn.

16-17 year olds

46. The Government has responded to the challenge of the youth labour market with a range of policies and initiatives. Reforms for 14-19 year olds are giving every young person a new entitlement to mastery of the basics; to better and more engaging curriculum choices; to highly-valued qualifications, including fourteen new employer-led diplomas that recognise their talents; and to more stretching routes that enable progression into employment or further learning.
47. More recently, the 2007 Budget announced Activity Agreements for 16 and 17 year olds in England who are not in education, employment or training and are in receipt of Jobseeker's Allowance. The intention is to help them to re-engage, and take up their statutory right to an appropriate place in education or training, or to find a job with training.
48. We need to ensure that a rigorous, universal and continuous engagement strategy is in place, and to deliver an effective and consistent service across the country to ensure that 16 and 17 year olds are in education or training either full-time or while working. A key part of this strategy is the partnership at a local level between Connexions (and equivalents in Scotland and Wales) and Jobcentre Plus, to engage and support young people.

49. For the future, the Green Paper 'Raising Expectations: staying in education and training post-16', published in March 2007, set out proposals to raise to 18 the minimum age at which young people in England can leave education or training. The Government has recently announced its intention to legislate to this effect.

The lowest skilled

50. In his recent review, Lord Leitch highlighted the importance of improving the skills of the UK workforce, particularly for those who are out of work. Delivering this will contribute to reduced unemployment and inactivity, whilst also increasing UK productivity and competitiveness. Leitch saw the welfare to work system, and Jobcentre Plus in particular, as key to making this happen. Responding to the challenges set out in the Leitch review will require a combined effort across Government departments, Devolved Administrations and delivery partners. Lord Leitch's review covered the whole of the skills system and a dedicated, formal response, ('World Class Skills: Implementing the Leitch Review of Skills in England') will be published alongside this document.
51. We recognise the importance of assisting unemployed and inactive people in moving from worklessness to employment. As set out in Chapter two, we know people without the right skills fare badly in the labour market. We need to develop an integrated employment and skills system to enable people to compete effectively and succeed in the labour market, giving them the skills to progress in work and to lift themselves, and their families, out of poverty.

52. The following proposals have been developed for England only. The Scottish Executive, Northern Ireland and the Welsh Assembly Government are actively considering Leitch's recommendations and how such integration might work for their countries.

Integrating employment and skills

53. Early identification of customers for whom a lack of skills is a barrier to gaining work is crucial. As part of the new, flexible New Deal regime, Jobcentre Plus personal advisers will identify those customers needing the greatest support when they make a new claim to benefit. For inactive customers the Work Focused Interview provides the opportunity for a discussion of skills needs.
54. Customers identified with obvious skills needs will be referred for a more specialist, in-depth skills health check, including literacy, numeracy and language need, provided by the new Adult Careers Service. As a result of their assessment, customers will be offered a range of training and development options to address their skills needs. These may include the opportunity to acquire formal qualifications, or to develop employability skills, such as team working and effective communication. 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.
55. Delivering an integrated employment and skills service will require Jobcentre Plus to find the right balance for its customers between looking for work and developing their skills, with an objective of providing them with the skills they need to get a job; and the motivation to continue their learning once in employment.

56. Throughout their claim, customers will be reminded of the importance of continuing to develop their skills, and of their right to an ongoing relationship with the Adult Careers Service, either face-to-face or via the telephone and internet services. Jobcentre Plus and the Learning and Skills Council will also work with employers through the Local Employment Partnerships (see Chapter three) and will promote in-work training for employees, especially through Train to Gain. The new UK Commission for Employment and Skills will play a key role in giving employers a voice at the heart of the employment and skills system, and providing strategic advice to Government. Jobcentre Plus will work closely with the Learning and Skills Council and training providers to ensure that suitable training is offered, and that benefit claimants are only referred to training that will deliver the skills needed by employers.
57. Driving this new service in England will be a shared objective for DWP and the Department for Innovation, Universities and Skills of sustainable employment and progression, as recommended by Leitch. This will ensure that the system, including the key delivery partners, Jobcentre Plus and the Learning and Skills Council, is focused on delivering integrated employment and skills outcomes.

Chapter five – Delivery through partnership

1. 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, but tackling these problems is not something Jobcentre Plus can do alone. Successful delivery will require close partnership with employers, with employment service providers in the private and third sectors, and with other parts of government. They need to work together. It also requires these partners to be responsive, not only to changing circumstances, but also to local needs.

Central role of Jobcentre Plus

2. Jobcentre Plus is the main gateway into welfare to work and provides tailored and personalised benefits and back-to-work support. Jobcentre Plus will help customers navigate their way around the welfare system, providing advice and signposting on benefits, tax credits, childcare, housing and health. We will position Jobcentre Plus advisers to act as an advocate for each individual in getting help across the range of their needs. They will work with other agencies by bundling solutions together to suit the individual and give them the best chance of getting a job.
3. As part of the Government's response to the Leitch review, Jobcentre Plus will also play a larger role in providing a gateway to skills, education and training. Jobcentre Plus will identify customers for whom a lack of skills is a barrier to work, understand the skills needs of the local labour market

and work in tandem with the Adult Careers Service to help low-skilled people on benefits develop the skills needed to find, retain and progress in employment.

4. Further down the road, our aspiration is for Jobcentre Plus to play a key role in meeting Sir David Varney's vision⁸ 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.
5. In sum, Jobcentre Plus will continue to own the customer experience throughout the life of a benefit claim, tracking customers to know where they are in the system at any given time, and helping customers to navigate the system to find the full range of help they need from whatever source. Jobcentre Plus will clearly set out the individual customer's rights and responsibilities and ensure that both are being fulfilled. Jobcentre Plus will, in return, also continue to be responsible for paying benefits accurately and on time, and will tackle fraud and impose sanctions where necessary.
6. In addition, because employers as well as individuals are customers, Jobcentre Plus will continue to take and fill vacancies quickly and efficiently. And, in order to provide a better service, Jobcentre Plus will continue to work in partnership with employers and their representative bodies to understand their labour needs and the skills they require. This will ensure the delivery of a better, more demand-led service for employers. It will also enable more disadvantaged people to find work and build their skills.

⁸ Service Transformation: a Better Service for Citizens and Businesses, a Better Deal for Taxpayers, November 2006

Providing specialised support for the hardest to help

7. We know that Jobcentre Plus works, but we also know that it cannot provide all that is needed by itself. Many of those without work for extended periods face multiple barriers to work, such as low skills, poor physical or mental health, limited access to childcare, or difficulties 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.
8. We therefore believe that, as proposed in David Freud's report, Jobcentre Plus services need to be further supplemented by more specialised support beyond a certain point in an individual's claim for benefit. This support could be delivered by private, public or third sector organisations. It should be focused on securing sustained outcomes for long-term benefit claimants and those individuals with multiple barriers to work, whilst setting the minimum possible level of prescription for the organisation providing the support. This will allow a tailored approach which can respond to individual circumstances, and bring them back into the world of work.
9. The point at which a customer will need this more specialised support will vary depending on the person's circumstances. As outlined in our model for a flexible New Deal (Chapter 4), we anticipate that for the majority of Jobseeker's Allowance customers this will happen at 12 months. However, for other customers, earlier intervention may be appropriate to ensure that we tackle effectively multiple disadvantage and reduce long-term unemployment and inactivity. This will include those Jobseeker's Allowance customers who have experienced longer and repeat durations of unemployment, as well as other customer groups such as those with a health condition or disability and lone parents.

10. We are already making steps towards this: future Employment and Support Allowance customers will, through the roll out of 'Pathways to Work', be supported by specialist provision after 13 weeks rather than 12 months.
11. To ensure that customers who most need help receive it, we will develop and test a system through which Jobcentre Plus will identify those at most disadvantage in the labour market. We envisage a system primarily based on a customer's benefit history, but which also captures groups such as those with the most severe barriers who currently have early voluntary access to the New Deals.
12. In the future our aspiration is to move to a method of analysis based on characteristics associated with long benefit durations that identifies those who would benefit most from earlier entry. This will be challenging, but could be the key to unlocking the best value from resources through targeting efforts and expertise appropriately on disadvantaged customers.

Partnership working with the private and third sectors

13. We believe that private and third sector organisations have a key role to play in delivering this more specialised support. They already play a valuable role in delivering programmes such as Employment Zones and the New Deals for disabled people and job seekers. Around a quarter of DWP expenditure is already directed towards contracted provision.
14. Since the beginning of the Government's welfare reform programme in 1997 we have been systematically testing the impact of opening up the design and delivery of labour market support to competition.

15. There are a number of important reasons for expanding the role of private and third sector organisations in the delivery of welfare to work. They can bring a distinctive approach to service delivery based on their specialist knowledge, experience and skills. They also offer scope to be more innovative, developing new and creative ways of working with customers.
16. Evidence from Employment Zones and New Deal for Disabled People suggests that outcome-based contracts with the private and third sectors can deliver positive results for the hard-to-help. However, in the case of Employment Zones, these results were at greater cost. We are currently extending this approach further by completing the roll out of Pathways to Work nationwide, primarily via the private and voluntary sectors to the remaining 60 per cent of the country.
17. In sum, broadening the role of the private and third sectors in the provision of employment support can open up new opportunities and complement the work of Jobcentre Plus by allowing it to target its own resources on the things it does best.

Contracting principles with the private and voluntary sectors

18. The approach to contracting with the private and voluntary sectors needs to build on the strengths of all sectors. It needs to allow them to make the decisions they need to deliver results; ensure appropriate levels of support for all customers; maintain strong competition to secure ongoing improvements in cost-effectiveness; and maximise value for money for the taxpayer.

19. The key principles behind our contracting approach are:
- **Quality provision:** The support that government puts in place to help those without jobs to prepare for, secure and remain in work needs to add real value. It must deliver for the individual the tailored, personal help they need to find work and transform their lives. Quality, value-added provision must be available for the individual including highly specialised help when needed, to deal with difficult, entrenched or multiple barriers to getting and keeping work.
 - **Competition to drive value:** The increased use of competition to drive better value and service improvement has been an important feature of the development of employment programmes during the past decade. As this is a large and growing market, which will be worth around one billion pounds a year by next year, the Government now has the opportunity to drive significantly better value through the effective exercise of its purchasing power. It will do this by creating a level playing field for providers from all sectors. Government also needs to continue to increase its own professionalism in its engagement with existing and potential providers.
 - **Outcome-based contracts with increased flexibility for providers:** In the past, employment programme contracts have too frequently been characterised by being short-term (typically contracted for only two to three years), small, and geared toward process and inputs. They have not offered appropriate incentives to high performing providers. As our welfare reform programme has developed, we have made significant moves towards substantially output-based contracts with a low level of prescription, as in the case

of Employment Zones and Pathways to Work. This means that, increasingly, providers are given more flexibility in the way that they deliver. However, we acknowledge that there is more that we can do.

- **Minimum standards of support for all:** This flexibility for providers in the way that they support people back into work needs to be underpinned with conditionality appropriate to those individuals. We also need to guard against providers concentrating on those people that they know they can move into work easily, or not paying proper attention to any individual that they feel would require too much support.
20. Guided by these principles, we believe that there is real value to be gained by simplifying and rationalising our existing set of contracts over time and by taking a more strategic approach to the commissioning of employment programmes. This will address the key questions raised and debated in, and since, the publication of the Freud report, principally:
- What are the capabilities we need to see in a high performing supply chain of providers? How can we use commissioning to assure and strengthen the quality of these capabilities? What is the role of prime contracting in that?
 - How do we strike the right balance of risk and reward so that we encourage investment and innovation, without making the position of vital, but smaller, players unsustainable?
 - How do we encourage the behaviours that make the difference between a productive and unproductive prime contractor role?

- What is the appropriate geographical level for first tier or prime contractors – and is the answer uniform across the country?
 - How do we ensure that our contracting supports integration with local and area initiatives and with wider public services that play a role in helping people back to work?
 - How do we ensure that we are incentivising and paying for sustainable job outcomes?
 - How do we ensure that the outcome of our commissioning strategy is a narrowing of the gap between individuals, groups and localities and the average?
 - What can we build into our approach to contracting to make the customer a more active participant in the system?
21. During the next few months, DWP will undertake a detailed exercise to address these questions, focusing initially on the contracting model for the flexible New Deal, but also setting a longer-term strategy for employment programme contracting. The outcomes of this exercise will be made public in the autumn.
22. We have already begun to consult with providers and other stakeholders on the right approach to contracting, and will continue to seek their views as we develop the strategy. We will draw on analysis of the range of different models that we have tested in the UK, as well as evidence from overseas. We will also consider further how our national employment programmes will fit with the City Strategy in the Pathfinder areas, and how this relationship might evolve.

23. In addition, we will seek to test other principles and arrangements through other programmes or pilots. For example, 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 across government

24. Partnership working across government is also key to delivering a reformed welfare system. The UK public sector consists of over 1,300 organisations, including Whitehall departments, Devolved Administrations, Non-Departmental Public Bodies, agencies, local authorities, primary care trusts, and the police.
25. To take just one example; Pathways to Work has, over the past four years, helped over 32,000 incapacity benefits' claimants into work. This programme delivers holistic, personalised support, with condition management programmes led by health providers, as well as employment support delivered through the New Deal for Disabled People. The role of health providers can be critical in helping some groups – such as people with drug or alcohol problems – into work, and the Department of Health has been closely involved in the design and delivery of Pathways.
26. Partnership working across government is also important in reducing the numbers moving on to benefit and thereby ensuring short periods out of work do not become long periods of reliance on benefits. DWP has been working jointly with the Department of Health to reduce the numbers of people who fall out of work due to a health condition or disability. This includes piloting programmes to improve

employment outcomes for people with mental health outcomes; and a range of initiatives to change perceptions and behaviour amongst healthcare professionals and employers.

27. New ways of joining up across Government are currently being explored under the auspices of the cross-government 'Shared Services Transformation Programme', with DWP and Her Majesty's Revenue and Customs (HMRC) in particular looking for ways of working together that can deliver a better service to the customer and better value for money for the taxpayer.
28. Horizontal joining-up (across government departments and agencies) needs to be accompanied by vertical engagement, i.e. joining-up between central and regional or local public sector bodies. This both facilitates the effective use of resources and allows policy to be responsive to local needs and circumstances.
29. Local authorities are one of the key players here. The Review of Sub-national Economic Development and Regeneration sets out a stronger role for local authorities in England to improve economic prospects. The Local Government White Paper also emphasised the strategic role of local authorities in England and their leading role in facilitating closer working across partners at a local level.
30. Therefore, local authorities will need to work in partnership with Jobcentre Plus and other key partners from the private, voluntary and community sectors to coordinate Local Strategic Partnerships and agree the new Local Government Performance Framework. This framework will enable partners to determine the most appropriate local indicators and set appropriate targets for local employment outcomes.

31. Communities and Local Government will also put in place a Multiple Area Agreement framework in England, which will enable local authorities and their partners to collaborate across boundaries on shared priorities. These new agreements could offer a strong framework for partnership arrangements at a local level.
32. Partnership working at local level is also helping to join up services for young people. In particular, local 14-19 partnerships have a key role in providing choice and opportunities for young people in their area, by planning the provision of education and skills for 14-19 year olds, to ensure this meets the skills needs of the local economy and labour market.
33. Local authorities also play a key role as social housing providers, which is closely associated with worklessness. Fully 55 per cent of households of working age living in social housing are workless. One of the significant findings of John Hill's report⁹ was that although housing and employment support tend to operate in separate boxes, often problems with one can have its roots in the other. Both housing 'enablers' (for example social landlords) and employment services (for example Jobcentre Plus) could take a more joined-up approach to employment and housing advice. DWP will work closely with the Communities and Local Government to explore how best to achieve this.

⁹ *Ends and Means: the Future Role of Social Housing in England*, John Hills, February 2007.

Partnership working at local level

The City Strategy

34. As set out in the Local Government White Paper, the Government believes there are significant gains to be made from harnessing the commitment, energy, ideas and funding streams of local public sector partners and employers to tackle worklessness in communities. The Government's City Strategy is designed to do this by promoting employment opportunities for the most disadvantaged in society. This includes DWP customers as well as priority groups who may or may not be on benefits but whose problems are much wider, such as refugees, ex-offenders, drug addicts and the homeless. A key element of the approach is to link up local provision, particularly employment and skills provision, to maximise the opportunities available to people in the most disadvantaged areas.
35. Within DWP's City Strategy, local partners – including local authorities, private businesses, third sector organisations, Jobcentre Plus and the Learning and Skills Councils – have formed consortia in 15 cities or city regions¹⁰. These consortia are pooling funding streams, rationalising and joining up services, and commissioning services tailored to meet local needs. They are working with Jobcentre Plus to ensure best use is made of the flexibilities available to personal advisers in providing tailored support to individuals. The City Strategy will test whether locally determined solutions can add significant value to driving up employment outcomes.

¹⁰ Birmingham, Blackburn, Dundee, Edinburgh, Glasgow, Heads of the Valleys, Leicester, Greater Manchester, Nottingham, Rhyl, South Yorkshire, Tyne and Wear, West London, East London and Liverpool.

36. This is an innovative and developing approach for DWP, moving from a wholly universal, nationally designed and contracted service provision towards one where national provision is supplemented by locally designed provision focused on the particular needs of local areas.
37. Over the two years to April 2009, the City Strategy in its delivery phase will test whether:
- local stakeholders, backed by sound knowledge of their local labour market and granted a degree of freedom by central government, can design innovative services that are more effective at tackling long-standing local concentrations of disadvantage;
 - local accountability is effective at driving up performance – particularly where accountability and service delivery are aligned at the same spatial level. An important aspect of this is devolving the deprived areas fund to City Consortia; and
 - a partnership approach, building on local stakeholders' shared interest in delivering high-quality services and making a difference to disadvantaged individuals, is strong enough to have a real impact.
38. Following business plan and target sign off, the City Consortia are moving into the delivery phase and will be expected to deliver an additional three per cent reduction in benefit numbers with an equivalent increase in the employment rate. As a result, the ambition is to move an additional 30,000 off benefit across all pathfinders. DWP will make available a reward fund of at least five million pounds to recognise innovative approaches to increasing employment outcomes for the most disadvantaged.

39. DWP will provide support to the City Consortia as they move into their delivery phase. Over the next two years, 65 million pounds from the DWP Deprived Areas Fund will be devolved to the City Consortia to support the implementation of their local strategies.
40. DWP will provide further support through the establishment of a learning network. This will allow pathfinders to come together and share best practice. It will also help foster the innovative approaches we are seeking. Locally determined innovative approaches will be key to the success of the City Strategy and meeting the stretching targets that the pathfinders are working towards. As we move forward in the development of our contracting strategy we will need to ensure that this innovation and the expertise of the City Consortia is fully and appropriately utilised.

Integrating employment and skills locally

41. The Leitch review of skills, recommended a network of local employment and skills boards to influence delivery of employment and skills at a local level. These employment and skills boards could play a key role in ensuring the local system is responsive to the needs of local employers and supporting disadvantaged and low skilled people to enter work and progress to better jobs. The Government's approach to employment and skills boards is set out in 'World Class Skills', being published alongside this consultation document. Local integration is also a key feature of several other proposals in this consultation document, such as the Local Employment Partnerships which will complement Leitch's proposals.

42. In addition to integrating employment and skills provision locally in England we also need to do the same with the other countries in the United Kingdom. We already work closely with the Devolved Administrations and are currently in discussion with them about how we might ensure that an integrated employment and skills system is in place everywhere.

Conclusion

Building on success to date, the way forward for welfare reform encompasses change in five key areas:

- more partnership working with employers;
- a more personalised, flexible and responsive New Deal, delivering support which is right for the individual;
- an integrated employment and skills agenda;
- greater utilisation of expertise across the private and third sectors, allowing Jobcentre Plus to focus on where it adds the greatest value; and
- in the context of this improved support, a strengthening of the rights and responsibility agenda, particularly for lone parents.

We would welcome your views to help us get this right.

Consultation arrangements

How can people respond to this consultation?

We want to make sure that we get views from as broad a range of people as possible about our proposals. As well as written responses to the questions asked in this document, and any other points you would like to make in writing, we will set up a number of other ways for people to tell us what they think.

Details of the consultation events we have planned, and copies of the consultation documents, will be posted in the consultations section of our website

<http://www.dwp.gov.uk/consultations/2007/>

This paper can be downloaded at

www.dwp.gov.uk/welfarereform/in-work-better-off/

Copies are also available in a range of formats, including easy read, Braille and audio, either from our website or on request from:

| | |
|-------------------|---|
| Name: | Green Paper Consultation Team |
| Address: | Department for Work and Pensions, Level 2, The Adelphi, 1–11 John Adam Street, London WC2N 6HT |
| Phone: | 0207 712 2551 |
| Textphone: | 0207 712 2032 |
| Fax: | 0207 962 8380 |
| Email: | welfare.reform@dwp.gsi.gov.uk |

A Regulatory Impact Assessment for the proposals in this document is available at

www.dwp.gov.uk/welfare-reform/in-work-better-off/

The consultation period begins on 18 July 2007 and runs until 31 October 2007. Please ensure your response reaches us by that date. Please send your consultation responses to the address above, or by email to

welfare.reform@dwp.gsi.gov.uk

When responding, please state whether you are doing so as an individual or representing the views of an organisation. If you are responding on behalf of a larger organisation, please make it clear who the organisation represents and, where applicable, how the views of members were assembled. We will acknowledge your response.

We have sent this consultation document to a large number of people and organisations who have already been involved in this work or who have expressed an interest. Please do share this document with, or tell us about, anyone you think will want to be involved in this consultation.

The information you send us may need to be passed to colleagues within the Department for Work and Pensions (DWP) and published in a summary of responses received. It may also be referred to in the published consultation report.

All information contained in your response, including personal information, may be subject to publication or disclosure if requested under the Freedom of Information Act 2000. By providing personal information for the purpose of the public consultation exercise, it is understood that you consent to its disclosure and publication. If this is not the case, you should limit any personal information that is provided, or remove it completely. If you want the information in your response to the consultation to be kept confidential, you should explain

why as part of your response, although we cannot guarantee to do this. We cannot guarantee confidentiality of electronic responses even if your IT system claims it automatically.

If you want to find out more about the general principles of Freedom of Information and how it is applied within DWP, please contact:

Name: Charles Cushing

Address: Adjudication and Constitutional Issues,
Information Policy Division,
Freedom of Information Unit,
Department for Work and Pensions,
The Adelphi, 1-11 John Adam Street,
London WC2N 6HT

Phone: 0207 962 8581

Email: charles.cushing@dwp.gsi.gov.uk or
carol.smith14@dwp.gsi.gov.uk

More information about the Freedom of Information Act can be found on the website of the Department for Constitutional Affairs.

The consultation criteria

The consultation is being conducted in line with the Code of Practice on Consultation, which can be accessed at the Cabinet Office website. The six consultation criteria are listed below:

- consult widely throughout the process, allowing a minimum of 12 weeks for written consultation at least once during the development of the policy;

Consultation arrangements

- be clear about who may be affected, what questions are being asked, and the timescale for responses;
- ensure that your consultation is clear, concise and widely accessible;
- give feedback regarding the responses received and how the consultation process influenced the policy;
- monitor your department's effectiveness at consultation, including through the use of a designated Consultation Co-ordinator; and
- ensure your consultation follows better regulation best practice, including carrying out a Regulatory Impact Assessment if appropriate.

We value your feedback on how well we consult. If you have any comments on the process of this consultation (as opposed to the issues raised) please contact our Consultation Coordinator:

Name: Roger Pugh

Address: Department for Work and Pensions,
Consultation Coordinator, Room 2A,
Britannia House, 2 Ferensway,
Hull HU2 8NF

Phone: 01482 609571

Email: roger.pugh@dwp.gsi.gov.uk

In particular, please tell us if you feel that the consultation does not satisfy these criteria. Please also make any suggestions as to how the process of consultation could be improved further.

If you have any requirements that we need to meet to enable you to comment, please let us know.

What will we do after the consultation?

We will produce a report that summarises the responses to the consultation and describes the areas identified as being the most important. This report will be available at www.dwp.gov.uk/welfarereform/in-work-better-off/ We will invite people who took part in the consultation to comment on this report when it is published.

Consultation questions

Question 1: At the moment, lone parents are entitled to Income Support until their youngest child is 16. Is it right that this age should be reduced?

Question 2: What would the minimum age be?

Question 3: Should we do more to ensure that our support for lone parents is accessible and useful for all groups, in particular those with disabled children and those from certain disadvantaged groups and areas?

Question 4: More frequent Work Focused Interviews are currently offered to lone parents in the two years before their eligibility to Income Support is lost. As the age of the youngest child is reduced, should other forms of support be provided, and over what period prior to loss of eligibility?

Question 5: For lone parents who move onto Jobseeker's Allowance when they lose Income Support eligibility, what forms of support (in addition to those provided to Jobseeker's Allowance claimants who are not lone parents) should be available, and over what timescale?

Question 6: Jobseeker's Allowance recipients can, in certain circumstances, restrict their search for work to a minimum of 16 hours per week. Should additional flexibilities be available if the proposed changes are made?

Question 7: What form might a 'better off in work' assurance for lone parents take?

Question 8: Are any special provisions required for lone parents who move onto benefits other than Jobseeker's Allowance (for example, Employment and Support Allowance or Carer's Allowance)?

Question 9: In addition to the improvements in childcare provision and the right to request flexible working, is there further support that should be provided to help lone parents into work and support them whilst there?

Question 10: What more could we do to help working families – especially those from the most disadvantaged backgrounds – improve their earnings and lift themselves out of poverty?

Question 11: What more could we do to help ethnic minority women, particularly of Pakistani and Bangladeshi origin, overcome specific barriers they face?

Question 12: In exchange for more specialist support, are we right to ask more of those who have been unemployed and receiving benefit the longest?

Question 13: Should there be any exceptions to this approach of increased conditionality and increased support?

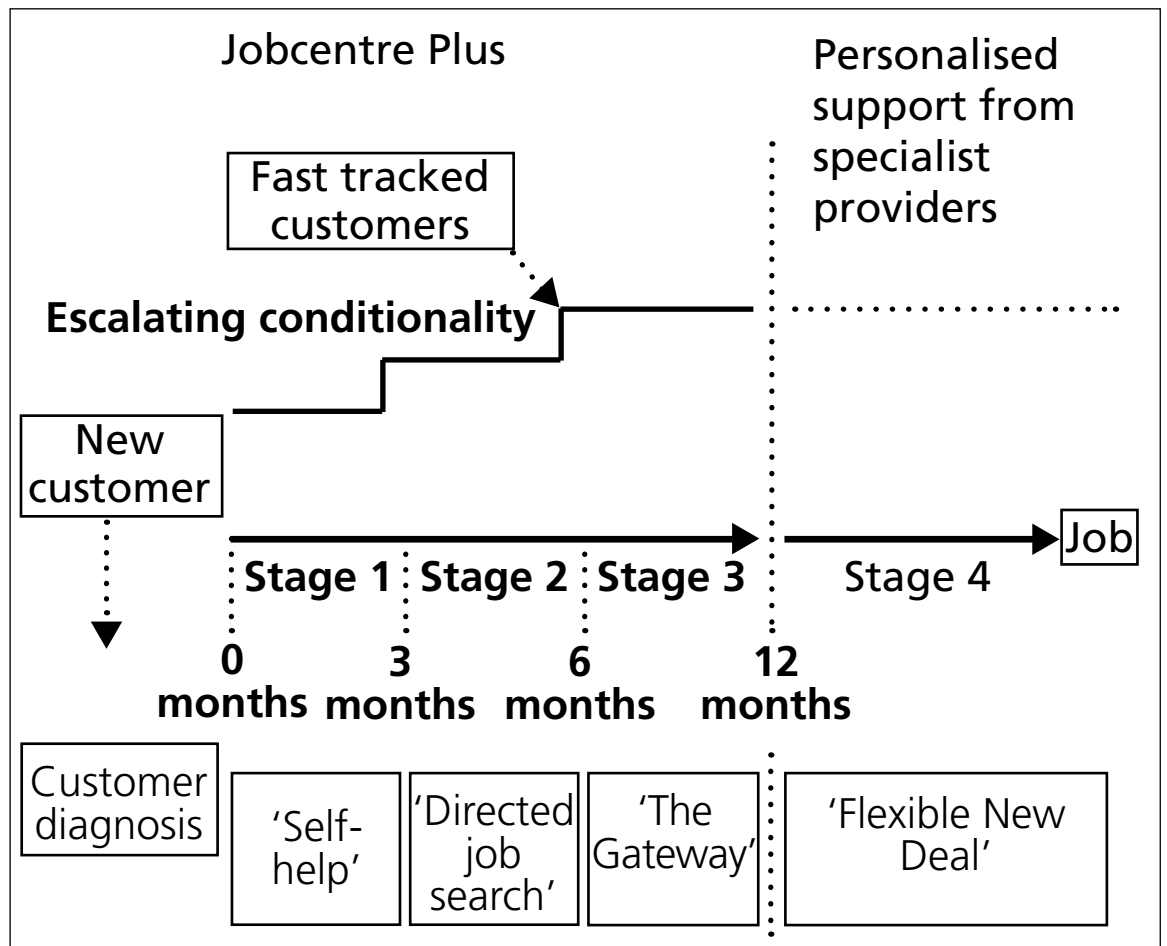
Question 14: Is a structured, progressive regime of support and conditionality at fixed intervals the right approach?

Question 15: Should some people be enabled or required to enter the Gateway stage more quickly than others, taking account of their employment history or needs? Which groups should be 'fast-tracked'?

Question 16: Should we require a period of work experience from those who do not succeed in getting work after benefiting from a more intensive level of help from specialist providers? How can we best ensure that this work experience is beneficial?

Annex – A flexible New Deal

1. We propose a strengthening of the requirements for those claiming Jobseeker's Allowance (JSA) and the introduction of a new, flexible New Deal for all job seekers. This would replace the current, separate New Deals for young people and unemployed adults. The effect of this would be to provide increasing levels of support and require corresponding effort on the customer's part as the duration of the claim for JSA increased. There would be four stages to the increase in support and mandatory activity.



2. When someone looking for work seeks to enter the benefits system, whether for the first time or not, the personal adviser would straight away – at the same time as the interview for the benefit claim – look at the customer’s barriers to finding a job. This assessment would be the very **first stage** of the new regime.
3. This would help the personal adviser to understand whether a customer needs immediate help to support them in getting a job or moving into self-employment and would inform their path through the JSA scheme. We envisage that those identified at the start of the claim with a significant gap in their basic or employability skills would be referred for a ‘skills health check’. This is in line with the Leitch review recommendations that there should be a more integrated employment and skills service for people seeking work (see Chapter four). All job seekers would then be signposted to the help and advice on offer to support them in getting and progressing in a job.
4. Although the Leitch review of skills only looked at England, we would want to see similar provision throughout Great Britain, subject to discussions with the Scottish Executive and the Welsh Assembly Government.
5. From then on the customer would be guided through the regime step-by-step, in a way that offered more support to those who need it and asked each person to respond individually to the mutual rights and responsibilities that benefit receipt must entail.
6. The first three months of a claim would be based on the current JSA scheme. Most customers leave JSA quickly – around 60 per cent leave within 13 weeks. These customers need little more than signposting and ready access to job vacancies, reinforced by fortnightly meetings to review and

test their job search as under the current system, in order to find work themselves. We will also consider using group sessions at around week six of a claim to reinforce the 'work first' principle. These would set out the customer's rights and responsibilities and what is expected of them.

Stage 2

7. After three months, if the claim continued, the customer would, as now, have a formal review of their Jobseeker's Agreement to see what more should be expected from them to help them return to work quickly and all customers would be submitted to vacancies. This will be followed by a series of more frequent interviews. Job seekers would also be expected to extend their jobsearch based on travel to work, wage and working hours rather than by preferred employment or occupation.

Stage 3

8. After six months on JSA, customers would enter the Gateway stage, building on the current New Deal Gateways. This would involve a formal review with a personal adviser who would draw up a back-to-work action plan selecting from a menu of activities aimed at improving employability and job chances. Each customer would be expected to agree to and complete a number of such activities. Each of the agreed activities would be mandatory, thus balancing the increased employment support with the increased responsibility to make best use of that support.

9. We envisage that in England there would be a further opportunity to refer the customer to a skills health check and, if appropriate, to training funded by the Learning and Skills Council. In Scotland and Wales, the question of ongoing referral to the all-age Careers Services and appropriate provision will be subject to discussion and agreement with the Scottish Executive and the Welsh Assembly Government.
10. Customers with, for instance, a history of reliance on benefits or those facing particular barriers or disadvantage could be referred earlier to the more intensive support available during the Gateway stage. We believe that this would have advantages for the customer and for those providing the back-to-work support. Customers' skills needs could also be taken into account when determining whether they should be fast-tracked to the Gateway. Those with literacy, numeracy or language needs would be actively encouraged to take part in suitable training.

Stage 4

11. After 12 months undertaking solely Jobcentre Plus work related activity, the customer would be required to join specialist return-to-work provision through the public, private or third sectors. This would be made up of intensive and personalised support to meet the needs of the most disadvantaged.
12. The specific package of support would be for the provider to agree with the customer based around a minimum level of prescription as in the current Employment Zones. This would include a minimum of fortnightly contact with the customer; an initial, in-depth assessment of employment-related needs; and the production of a challenging personal action plan. Participation and compliance with the action plan would be mandatory.

13. We have made it clear since the start of our New Deals that we should expect those who can work to take advantage of the help available and in turn we accept that we should provide support for those unable to work. Given the commitment we are now prepared to make to providing greater levels of support through the flexible New Deal, we think it right that we should continue to expect job seekers to take up suitable employment or help to increase their job chances.
14. To ensure that everyone is guaranteed a minimum level of help, we plan to build into the flexible New Deal an underpinning requirement to participate in full-time activity, such as work experience or work in the community. This would refresh and reinforce work habits and disciplines. Providers will therefore be required to ensure that every claimant who fails to find work earlier in Stage 4 will be mandated to participate in a period of full-time activity.
15. We envisage that the few claimants who fail to find work after 12 months with the specialist provider would return to Jobcentre Plus, and be fast-tracked to the Gateway stage.
16. Throughout this new, 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 making decisions about benefit sanctions and applying them. Customers would retain all the rights of reconsideration and of appeal to an independent tribunal that exist now.

Additional copies of this publication in English standard print format are available from TSO (The Stationery Office) bookshops.

The Welsh standard print format version of this publication is available in hard copy, free from the address below, and online at

www.dwp.gov.uk/welsh/welfarereform/in-work-better-off/

Copies of this publication are also available in Braille, Easy Read, and on audio cassette, free of charge from:

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If you have speech or hearing difficulties, you can contact us by textphone on

020 7712 2032

The lines are open Monday to Friday, 9am–4pm.

We will consider any additional requests for other alternative formats that may be required.

This publication can be accessed online at

www.dwp.gov.uk/welfarereform/in-work-better-off/

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