



## Chapter 1

# Promoting opportunity and realising potential

## Chapter one – Promoting opportunity and realising potential

- 1.1 In the last ten years, the labour market has faced many new challenges, including globalisation and demographic change. To meet them, the Government has modernised the welfare state, delivering high and stable levels of employment. This chapter sets out:
- the challenges we faced in 1997;
  - the considerable progress we have made to raise employment opportunities for all; and
  - the strategic context for our approach to reform.

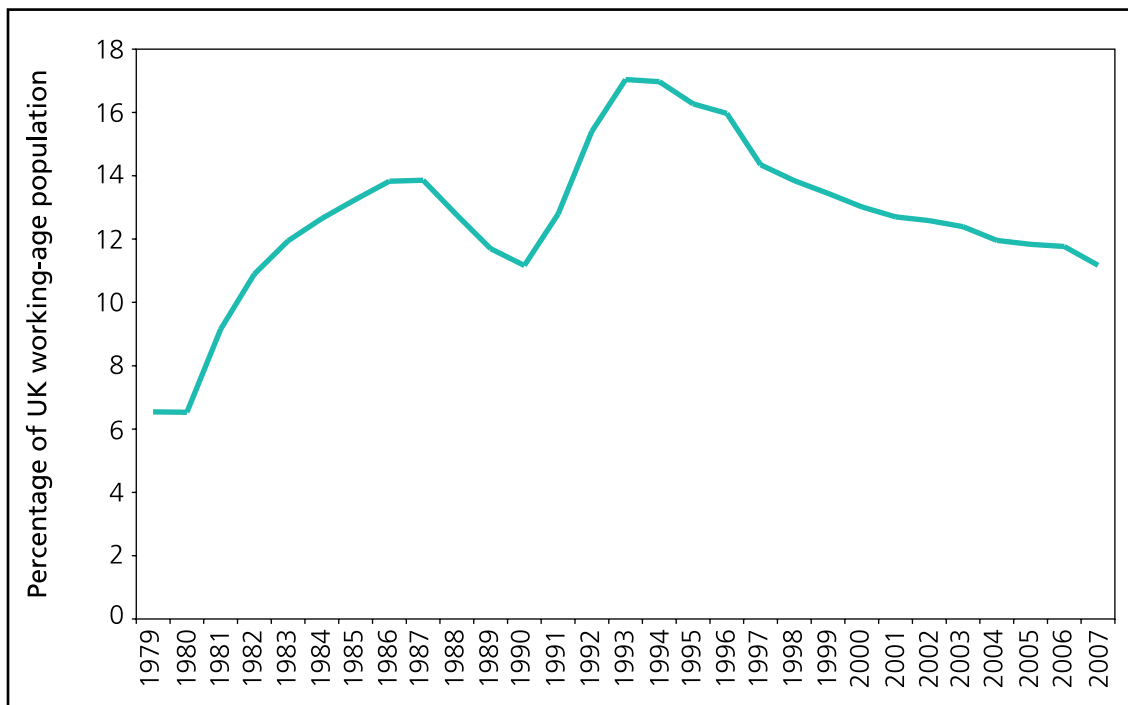
### Rewarding responsibility

- 1.2 The social and economic case for encouraging and supporting people to use and develop their talents is clear. So too is the price of failure. It is essential that, as a society, we ensure that the right support is available to enable people to become independent and lead fulfilling lives. People must have a safety net for times of need, such as during a spell of sickness or unemployment. However, with the right to support comes a responsibility to pursue independence. This principle remains just as relevant today as it ever did – if not more so.
- 1.3 The founders of the modern welfare state never saw it replacing people's own efforts or initiative. Welfare provision was built around the idea of shared rights and responsibilities. That must remain the foundation of the welfare state today – with the Government enabling people to achieve success for themselves and their families by helping remove unfair barriers.
- 1.4 This, of course, fits in with the ambitions of people in the 21st century. We want, and exercise, more choice than ever before; we expect personalised services which are flexible and responsive to our needs; but alongside this increased choice comes the responsibility to exercise it wisely.
- 1.5 The State should and will continue to support people during times of change or need. There remains, however, the need for a contract between the individual and society, where the individual's right to support comes in exchange for taking clear steps to improve their own circumstances.

## From a welfare state that encouraged dependency...

- 1.6 In the past, the welfare state did not give enough emphasis to the contract between the State and the individual. Nor did it keep up with changes in society. Welfare provision remained rooted in a time, for example, when disabled people were written off to a life of State support and when the prospect of people recovering from many illnesses was highly unlikely.

Chart 1.1: Claimants of Jobseeker’s Allowance, Incapacity Benefit and Income Support for lone parents<sup>4</sup>



- 1.7 By the mid-1990s, the welfare system was also failing to tackle many of the barriers to employment faced by individuals. At its best it provided a one-size-fits-all solution that did not address an individual’s particular needs. At worst, it encouraged benefit dependency, wasted talent and obstructed opportunity. Too often, welfare provision gave people little incentive to help themselves. The requirements placed on people on Income Support (IS) or incapacity benefits were far fewer than they are today. There was little expectation for people to look for work and little support if they did.

<sup>4</sup> Chart 1.1 shows Jobseeker’s Allowance, Incapacity Benefit, and Income Support for lone parents (IS(LP)) claimants as a proportion of the United Kingdom (UK) working-age population. The UK working-age population figure is taken from the Labour Force Survey. The JSA figures are from the Office for National Statistics (ONS), are UK-based and are consistent over time. Both the IS(LP) and IB data are GB-based; the source for both from 2000 onwards is Work and Pensions Longitudinal Study (WPLS) 100 per cent; data between 1997 and 1999 is WPLS five per cent sample data. This means that there is a discontinuity in the series for both IS(LP) and IB between 1999 and 2000 and the data is not directly comparable. In addition, IB data before 1997 is five per cent sample data which excludes short-term IB, though the impact of this appears not to be significant

- 1.8 By 1997, the missed opportunities were clear. There were over two million more people on inactive benefits than in 1979, some 15 per cent of the working-age population (**Chart 1.1**), and:
- the Government was spending £2 billion<sup>5</sup> a year on employment support even though there were over 1.6 million people claiming unemployment benefits, after the numbers peaked at around three million in both the mid-1980s and early 1990s;
  - nearly 0.25 million young people were trapped in long-term unemployment;
  - around 2.6 million people were claiming incapacity benefits with the numbers more than trebling between the late 1970s and mid-1990s;
  - some 3.4 million children were living in relative low-income poverty – the proportion having doubled over a period of 20 years;
  - attitudes towards, and opportunities for, lone parents and disabled people, were negative and discouraging; and
  - there was considerable discrimination against disabled people, both in and out of the workplace, with little legislative redress available to them.

### ...to one that is active and enabling

- 1.9 Since 1997, the Government has worked to modernise the welfare system. Our reforms have tackled many of the barriers that people face. They have shifted the focus back towards an active and enabling welfare state.
- 1.10 At the heart of our approach is the belief that paid work is the route to independence, health and well-being for most people. Work promotes choice, supports an inclusive society and increases community cohesion. By increasing employment – with an emphasis on sustaining and progressing in work – we can increase economic growth. We can also ensure that we are well placed to respond to economic change and reap the benefits.

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<sup>5</sup> Based on annual Department for Work and Pensions returns to the Organisation for Economic Co-operation and Development. £2 billion is the amount spent in 1997–98 in today's prices in order to make comparisons in real terms over time

1.11 Our goals are to:

- achieve an employment rate of 80 per cent of the working-age population – the highest of any major industrialised country;
- reduce the number of incapacity benefits claimants by one million, help 300,000 more lone parents into work and see one million more older workers;
- halve the number of children living in poverty by 2010 on the way to eradication by 2020; and
- provide equality for disabled people by 2025.

1.12 We recognise, however, that not everyone can work. So we have made sure that the right support is available to people who are out of work to allow them as much control as possible over their lives, whatever their circumstances.

1.13 We have introduced a stronger framework of rights and responsibilities. Benefit claimants are now no longer treated as passive recipients but expected to take active steps to return to work. This includes training where lack of skills is a barrier to obtaining and retaining work.

1.14 We have moved away from a one-size-fits-all approach to benefits for different groups, such as lone parents or disabled people, towards a personalised approach to employment support that is tailored to individual need.

1.15 Building on a platform of macroeconomic stability, which has seen a record period of sustained economic growth, we have:

- **Introduced innovative employment programmes to help people into a job:** for instance, our New Deal for Young People (NDYP) has supported 800,000 people up to the age of 24, into work. The rights and responsibilities agenda at the heart of NDYP has been gradually extended to other groups.
- **Transformed the delivery of employment support:** we created Jobcentre Plus out of the merger of the Benefits Agency and the Employment Service to deliver a personalised system where all new claims start with a Work Focused Interview to assist customers back to work and provides support for those who cannot work.
- **Improved financial support through the tax and benefits system:** in combination, Child Tax Credit and Child Benefit are providing support for every family with children, with greater help for those families most in need. This support works alongside Working Tax Credit and In-Work Credit pilots which, underpinned by the National Minimum Wage, are helping to ensure that work pays.

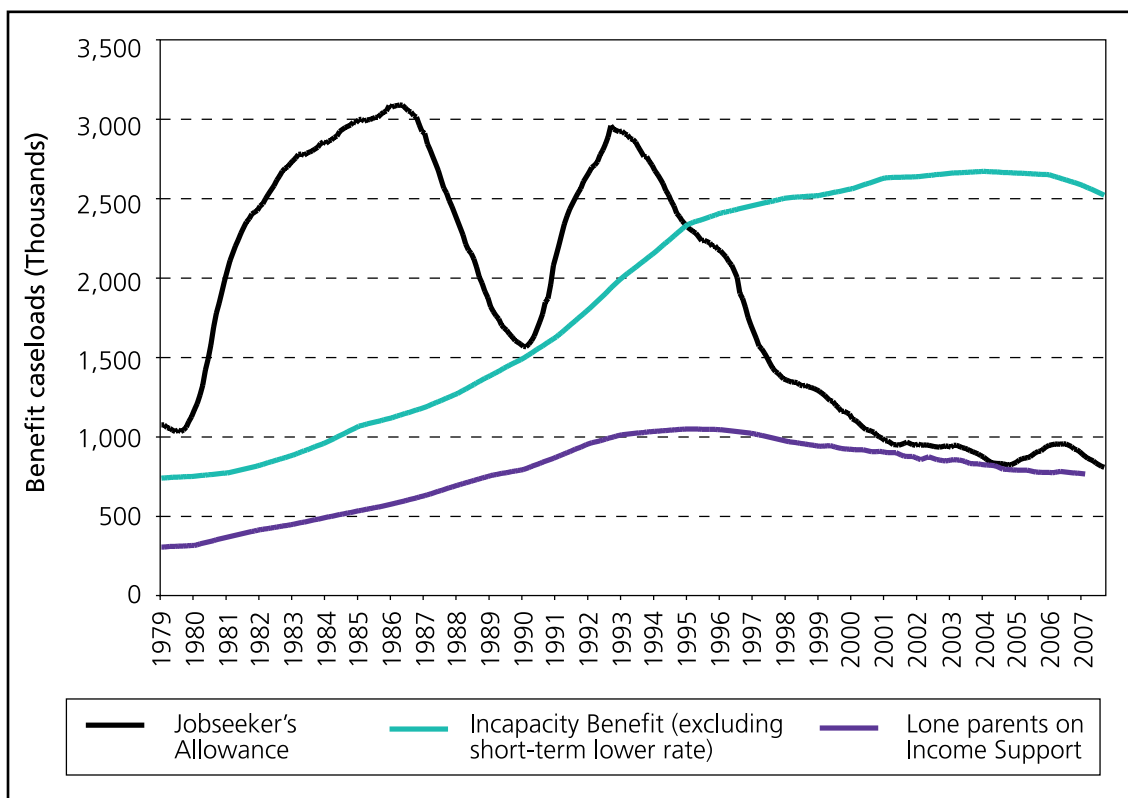
- **Improved the help and advice** available on training and careers and the training available to help those on out-of-work benefits gain the skills necessary for obtaining and retaining work.
- **Delivered greater choice and control for disabled people:** today Disability Living Allowance plays a crucial role in the lives of more than 2.9 million disabled people, helping them to maintain their independence – and we have piloted giving disabled people a broader right to control the money spent in providing their support.
- **Modernised and simplified equality legislation:** we have transformed the legislative landscape to support an inclusive society, including new rights for disabled people, women and people from ethnic minorities.

## Improved outcomes since 1997

- 1.16 The positive economic and social results from the active welfare state we have developed and put in place are clear to see.
- Overall, there are around 1 million fewer people on IS, JSA and IB than in 1997, as shown in **Chart 1.2**.
  - Claimant unemployment is near its lowest level for 30 years. More people are in work than ever before – an increase of 3.1 million compared to 1997.
  - We are spending £500 million a year more in real terms on back-to-work support but over £5 billion less on unemployment-related benefits.
  - Fewer than 36,000 young people are long-term claimant unemployed – down by three-quarters since 1997.
  - We have ended the year-on-year increase in the number of people on incapacity benefits, with the number of claimants some 140,000 fewer than at the peak in 2003.
  - The lone parent employment rate has increased by 12.5 percentage points. Overall, there are now around one million lone parents in employment, 335,000 more than in 1997.
  - The ethnic minority employment rate, while lower than the general population, has risen by 3.7 percentage points since 1997, to be consistently above 60 per cent over the last year – the first time on record that this has happened.

- The employment rate of people aged 50 to pension age has increased by over seven percentage points since 1997 with 500,000 more people who are over State Pension age remaining in work.<sup>6</sup>
- Between 1998–99 and 2006–07, 600,000 children were lifted out of relative poverty and the number of children living in absolute poverty was halved.
- Over 400,000 fewer children are living in workless households in Great Britain than in 1997.

Chart 1.2: One million fewer people on key out-of-work benefits<sup>7</sup>



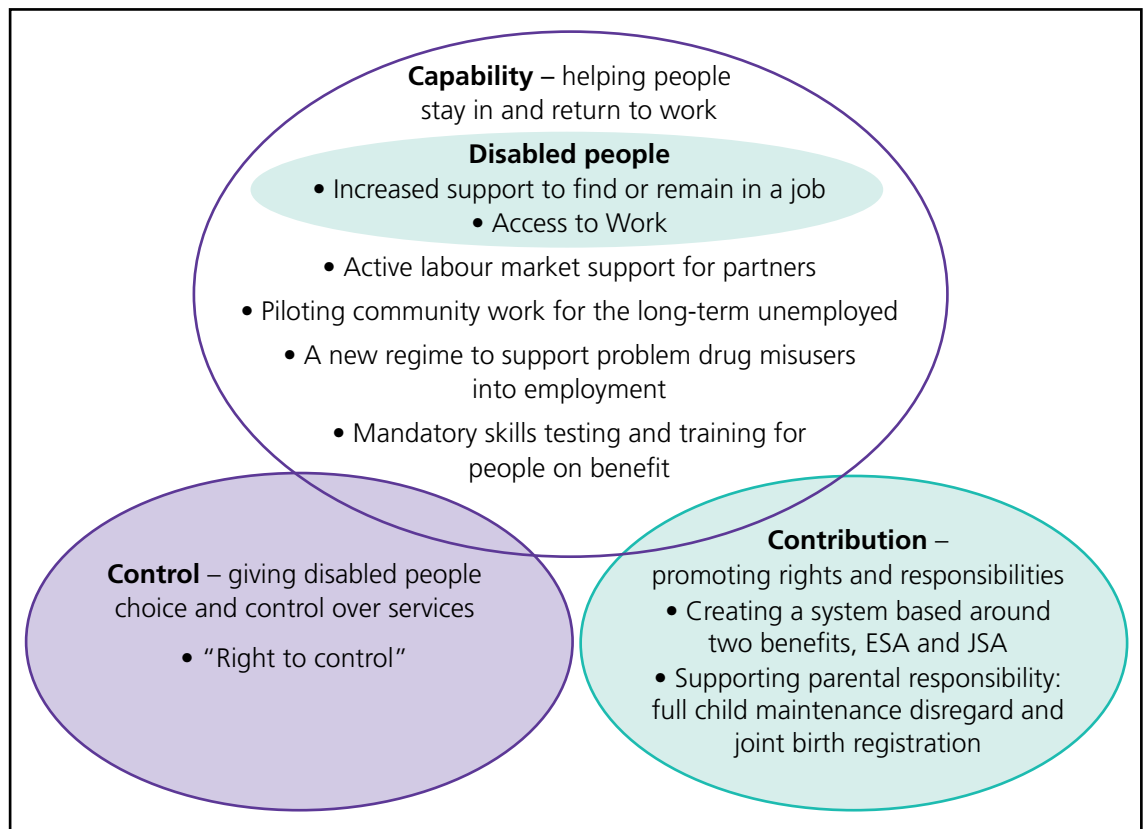
<sup>6</sup> *March to May 2008, Labour Force Survey*, ONS: UK seasonally adjusted. Data used to report on Public Service Agreement targets is not seasonally adjusted and covers Great Britain only

<sup>7</sup> JSA figures are from the Office for National Statistics, are UK-based, and are consistent over time. Both the IS(LP) and IB data are GB-based; the source for both from 2000 onwards is WPLS 100 per cent; data between 1997 and 1999 is WPLS five per cent sample data. This means that there is a discontinuity in the series for both IS(LP) and IB between 1999 and 2000 and the data is not directly comparable. In addition, IB data before 1997 is five per cent sample data which excludes the short-term lower rate of IB, though the impact of this appears to not be significant

## Looking ahead

- 1.17 The progress that we have made means that we are well placed to move towards our long-term aspiration of an 80 per cent employment rate; a rate that would be easily the highest in the major industrialised world and the highest, on record, that this country has ever seen. This Green Paper, therefore, sets out a package of reforms that will move us further towards this long-term ambition, as set out in **Chart 1.3**.

Chart 1.3: The Green Paper proposals – progressing control, capability and contribution



- 1.18 As we move forward, we will do so with three key principles in mind:
- people should be in **control** of their own lives and take personal responsibility for making the most of the opportunities available;
  - people should be supported by an active and enabling welfare state to build their **capability**; and
  - people should be aware of the **contribution** expected from them in return for help and support through the welfare system.

- 1.19 The changes that we are proposing build on a programme of welfare reform that is already well developed, and was furthered by the announcements in *Ready for work*, summarised in **Box 1.1**.<sup>8</sup>

**Box 1.1: Summary of the proposals in *Ready for work***

These changes include:

- reforms to IS and JSA, with lone parents of older children losing eligibility for IS. Those who can work will be eligible for JSA, with increased obligations in return for increased pre-work preparation and in-work support, including skills, with much of this extra support in place from April 2008;
- a modernised and more flexible New Deal supported by an improved JSA regime which offers more support to people the longer they are unemployed, including personalised back-to-work support to people unemployed for 12 months, for up to a year, via specialist providers;
- the integration of employment and skills provision, including: skills screening for all new claimants and full skills health checks for those who need it; and tailored provision for those with skills needs; and
- increased access to training allowances for JSA claimants which will play a crucial role in helping jobseekers get the right balance of job search and training to help them into sustained employment and to progress in their career.

## An obligation to work

- 1.20 Everyone who can work should work. This means that everyone, other than the most severely disabled people, carers or parents with young children, should look for work, train for work or take appropriate work. We will create a system that provides more support but requires people to take up the opportunities on offer. **Chapter 2** of this Green Paper sets out the next steps we will take to prevent people being written off by being trapped into long-term dependency on benefits.
- 1.21 The ‘something for something approach’ applies to everyone. However, we recognise that some vulnerable people with multiple and complex problems need additional support to meet their responsibilities. This is why we are committed to ensuring that conditionality is appropriate and fair for every individual.

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<sup>8</sup> Department for Work and Pensions, 2007, *Ready for work: full employment in our generation*, Cm 7290

## No one written off

- 1.22 Since 1997 we have reshaped the culture and expectations of being on incapacity benefits by focusing on the hopes of many claimants to return to work. In the last decade, attitudes to illness as a barrier to work have changed. We now know that 80 to 90 per cent of people who move onto incapacity benefits want, or expect, to return to work. Research has shown that being in work generally improves people's health.<sup>9</sup> Increasingly, doctors agree that remaining in work is often in their patients' best interests and should be seen as an indicator of a successful clinical outcome.<sup>10</sup>
- 1.23 However, many existing claimants have yet to engage with, and benefit from, the personalised support on offer. The employment rate for disabled people, while increasing by almost seven percentage points since 1999, still remains low compared to other groups. So this Green Paper proposes a package of reforms that will build on the success of our ground-breaking Pathways to Work programme and the forthcoming introduction of ESA.
- 1.24 This package is set out in detail in **Chapter 3**.

## Rewarding parental responsibility

- 1.25 The Government has done much to help parents to provide the best possible support for their children. For parents, as for others, paid work is the most sustainable route out of poverty. As part of the next phase of welfare reform, the Government has already announced that, by 2010, lone parents with a youngest child aged over seven who can work, will be required to seek and take up work. We also propose to pilot a requirement for lone parents to address skills gaps that act as a barrier to work, in return for benefit.
- 1.26 **Chapters 2 and 4** of this Green Paper set out a package of measures that will encourage parents to play a more active role in providing for their children.

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<sup>9</sup> Waddell G and Burton A K, 2006, *Is work good for your health and well-being?*, TSO

<sup>10</sup> In March 2008 leaders of the healthcare profession signed a Healthcare Professionals' Consensus statement on Health and Work. The Statement recognises that work can be good for patients and that supporting patients to remain in, or return to, work should be part of their clinical duties

## A right to control for disabled people

- 1.27 We have made a commitment that by 2025 disabled people will be respected and included as equal members of society with full opportunities to fulfil their potential. We have made progress in many ways. The Disability Discrimination Act, for example, is already making a real difference to disabled people's lives. In addition, by 2013, all new homes will be built to the basic accessibility requirements of the Lifetimes Homes Standards and by 2018, all buses and trains will be accessible.
- 1.28 However, there is a long way still to go to support disabled people in having control over their lives. In **Chapter 5** we set out our next steps.

## Simplifying and streamlining the benefits system

- 1.29 The benefits system is very complex for people to claim and for the Government to administer. This obscures choices and obligations, negates personal responsibility and disempowers people. Simplifying and streamlining the benefits system goes hand in hand with measures to help people unlock their potential. We have previously said we were interested in moving to a single system of benefits for people of working age.
- 1.30 **Chapter 6** sets out how we intend to take a major step towards a simpler system of working-age benefits. When resources allow, we propose to abolish IS, moving current claimants onto income-based JSA, with appropriate conditionality. This moves us to a dual-benefits system, with ESA for disabled people and people with long-term health conditions and an expanded JSA for those actively seeking work or with temporary barriers to work. This would be a significant change in its own right and a step towards the creation, in the longer-term, of a system based on a single working-age benefit.

## Empowerment and devolution

- 1.31 Since 1997, the Government has increasingly delivered services to customers through a variety of providers in the public, private and voluntary sectors. By using their skills and expertise, we have improved the quality of services, allowed more local flexibility, given individuals more control over the services they receive and achieved better outcomes.

- 1.32 Jobcentre Plus' role today is not just about advising and providing back-to-work support. It is also about managing partnerships which have transformed the lives of millions of people.
- 1.33 We now want to go further by devolving more power to individual customers, to local partnerships and to providers, to improve the quality and effectiveness of services.
- 1.34 **Chapter 7** sets out how we will carry out this triple devolution by:
- bringing together Government programmes to improve and unify services;
  - giving customers increased power to choose who provides their services;
  - allowing providers greater freedom to innovate and deliver services through a new 'Right to Bid' process; and
  - handing a bigger role to local partnerships in developing, monitoring and even deciding contracts for services.

## Next steps

- 1.35 These measures will continue to reduce welfare dependency and emphasise personal responsibility within a simplified, modernised and more flexible benefits system. Our reforms to date have been based on consultation. From all our previous conversations, we know that there is support for the principles that underpin the direction of travel we are taking. **Box 1.2** summarises public attitudes towards the welfare state.

### Box 1.2: Public attitudes to the welfare state

In taking forward its welfare reforms, the Government wants to understand wider views and attitudes towards the welfare state. Research suggests that the general public increasingly believe that people should take responsibility for themselves wherever possible. There is also a high level of belief that there should always be State support available to help the most vulnerable people.

Against this background, research also suggests that the general public believe that:

- there are positive economic, social and psychological benefits from employment, such as improved self-confidence and new skills;
- suitable work is good for an individual's mental and physical health, even for disabled people or those with a long-term illness or disability;
- for the welfare state to operate effectively, there needs to exist a contract of rights and responsibilities between the State and its citizens;

*continued*

- people should be empowered to work. This could be achieved with the provision of accurate and tailored information or through helping people see the value of work, for instance by engaging long-term unemployed people in community or voluntary activity; and
- alongside empowerment, a series of sanctions could operate to ensure that those people who can work take up the opportunity to do so.

- 1.36 We know, however, that as we move forward we need to continue to build on the experience and expertise of people across the country, in all walks of life. This Green Paper is intended to inform a major national consultation on the future of welfare, so that together we develop a system that rewards responsibility.
- 1.37 We would like to ensure as many people as possible will be able to participate in this consultation. The way that we are consulting on this Green Paper and the opportunities to contribute are explained in **Chapter 8**.

## Working with the devolved administrations

- 1.38 The challenges we are determined to address exist for people and communities throughout the United Kingdom, and it is right that the benefit of the reforms we propose should be felt across the United Kingdom, including those proposals that relate to problem drug users and education. This means building on the excellent working relationship that exists with the devolved administrations in Scotland, Wales and Northern Ireland. For example, while employment policy applies across Great Britain, health services and education are devolved in Scotland and Wales. Criminal justice is also devolved in Scotland. Our proposals for problem drug users need to reflect this. We will explore, in consultation with the Scottish Executive and the Welsh Assembly Government, how those measures that relate to the benefits system and specialist employment support, might be extended to Scotland and Wales, in a way that is consistent with their respective drug strategies.
- 1.39 Some of the proposals which will extend to the whole of Great Britain from the outset include those which simplify the benefits system, engage with employers, tackle long-term benefit dependency and address skills needs for lone parents.
- 1.40 Decisions on both employment and social security matters are devolved in Northern Ireland. We will continue to work closely with the devolved administration in Northern Ireland to seek to maintain a single system of social security across the United Kingdom. The Northern Ireland Executive will consider the most appropriate arrangements for Northern Ireland, for example, in relation to employment and skills.