



A new deal for welfare: Empowering people to work



A new deal for welfare: Empowering people to work

Presented to Parliament by
the Secretary of State for Work and Pensions
by Command of Her Majesty
January 2006

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Ministerial foreword

Ministerial foreword



Since coming into office in 1997, we have embarked on a radical series of reforms to our welfare state. We began the New Deal, which has helped hundreds of thousands of people to get off benefits and back into work. We have invested heavily and created Jobcentre Plus, an integrated service for people who need help in finding employment. Through the National Minimum Wage and tax credits, we have acted to ensure that people will be better off in work than on benefits. This Government is the only one to ensure disabled people have the comprehensive civil rights they need. And only this Government has committed itself to reversing the inexcusable disadvantage faced by disabled people by delivering substantive equality within a generation.

Our approach has been based on the principle that the best welfare policy of all is work and throughout this process of reform we have sought to match rights with responsibilities. These reforms have made a huge difference. Britain now has the highest employment rate of any G8 country. Youth unemployment has virtually been eradicated. The number of people claiming incapacity benefits is falling after decades of rapid increases. There are now a million fewer people of working age on benefits. The progress we have been able to make has depended on a strong economy and a dynamic labour market. Both have been achieved and sustained since 1997, but there is more to do.

Our economy and society are changing fast. Our welfare state must help us respond to these changes. It must focus its energy on tackling poverty and social exclusion. Society has a responsibility to support those unable to support themselves. It should help support people in acquiring the new skills they need for the jobs of the future. It must help UK companies succeed in the new global economy. We set out here our proposals for how this could be done. It will require investment to provide more help and support for those who need it. It will involve a range of new providers, helping to mobilise local expertise in a new national effort to extend opportunity and prosperity to those who have been, in effect, excluded. We stand ready to make this investment in our people and our country.

The publication of *A new deal for welfare: Empowering people to work* marks the beginning of what must be a national debate on the future direction of our welfare reforms. I hope you will join that debate and help shape the future.

A handwritten signature in black ink, which appears to read "John Hutton". The signature is written in a cursive, flowing style.

Rt Hon John Hutton
Secretary of State for Work and Pensions
January 2006

Executive summary



Executive summary

The case for reform

- 1 Ensuring citizens have the right to enter the world of work is a fundamental responsibility of any modern government. That has been the guiding principle of the Government's drive to create a modern, active welfare state since 1997.
- 2 We have made real progress. Some 2.3 million more people are now in work than in 1997. The UK's employment rate has risen to become the highest of the G8 countries. Jobcentre Plus and the New Deal in particular have helped move the welfare state away from a passive one-size-fits-all model, laying the foundations for an active, enabling system, where tailored support to help people back into work is matched by personal responsibility for people to help themselves. As a result, youth unemployment has fallen dramatically, down 90 per cent since 1997.
- 3 The Government has also significantly improved support and protection offered to all groups, for example through the National Childcare Strategy, the New Deal for Skills and the extension of disability rights.
- 4 But there is still more that needs to be done to break down the barriers that prevent many from fulfilling their potential, barriers that impede social mobility and, through worklessness and economic inactivity, consign people to poverty and disadvantage. We need to accelerate the move away from a welfare state fixed to the old model of dispensing benefits and move further in the direction of enabling people to achieve a better life. Ultimately, it is the social injustice inflicted by the poverty trap of benefit dependency that makes keeping the status quo indefensible.
- 5 The Government and external stakeholders must act to provide additional help and support so that people can fulfil their potential. But making this difference also requires a clear response from individual citizens themselves: they need to meet their responsibility to take the necessary steps to re-enter the labour market when they have a level of capacity and capability that makes this possible.
- 6 For individuals and families, the benefits of work are clear. Work is the best route out of poverty. It strengthens independence and dignity. It builds family aspirations, fosters greater social inclusion and can improve an individual's health and well-being. Furthermore, there is a clear link between benefits dependency and hardship. As many as half of the most severe pockets of deprivation in Britain are contained within the 100 parliamentary constituencies that

have the largest numbers of people claiming incapacity benefits.

- 7 Making a reality of employment opportunity for all is the only way Britain can meet the challenge of an ageing society. Growing numbers of retired people and a low birth rate mean that only by ensuring that everyone who can work is in work can we secure dignity and independence in retirement.
- 8 That is why we have set ourselves the aspiration of achieving an employment rate equivalent to 80 per cent of the working-age population. There are groups of people locked into long-term dependency on benefits who have been denied the opportunities that work can bring. In a modern, dynamic economy, we cannot afford to be denied the skills and contributions of those who have the potential to work.
- 9 To achieve our aim, we will:
 - reduce by 1 million the number on incapacity benefits;
 - help 300,000 lone parents into work; and
 - increase by 1 million the number of older workers.
- 10 We cannot achieve this without further reform. The success of the New Deal has been based on a clear framework of rights and responsibilities. We have been extending this to all claimants, building a system that recognises the responsibilities people have to get themselves off benefits, while ensuring that society fulfils its obligations to those unable to help themselves. Only

through an active, supportive welfare state can we achieve the progressive goal of employment opportunity for all.

Incapacity benefits

- 11 The number of incapacity benefits claimants more than trebled between the late 1970s and the mid-1990s as employment in many traditional industries collapsed during two recessions. Many claimants saw this as the end of their working lives.
- 12 Over the last decade the characteristics of claimants have changed. No longer is it just those from the industrial heartlands. The South East has more claimants than the North East and there are at least 150,000 claimants in every region, making this a national problem. A third of new claimants cite mental health conditions as the primary cause of their incapacity – compared with one-fifth in the mid-1990s. Over a third of new claimants come not from work but from other benefits such as Jobseeker's Allowance and Income Support.
- 13 Although since the mid-1990s the number of people coming onto incapacity benefits has fallen by a third, the total number of claimants remains broadly the same because people stay on benefits longer. Although most people coming onto these benefits expect to get back to work, a very large number never do. After two years on incapacity benefits, a person is more likely to die or retire than to find a new job. It is not acceptable to write off millions of people in this way.

- 14 Since 1997 we have introduced significant innovations, such as the New Deal for Disabled People and Pathways to Work. The success of Pathways to Work has demonstrated that, with the right help and support, many people on incapacity benefits can move back into work, reinforcing our view that labelling people on benefit as 'incapable of work', is normally entirely inappropriate. However, fundamental problems remain:
 - Little is done to prevent people moving onto incapacity benefits.
 - The gateway to benefits is poorly managed – with claimants receiving incapacity benefits before satisfying the main medical test.
 - Benefits trap people into a lifetime of dependency – the longer a person remains on benefits, the less chance they have of leaving.
 - There are perverse benefits incentives – paying more the longer people claim.
 - Almost nothing is expected of claimants – and little support is offered. Those who try to plan their return to work through volunteering and training perceive that they run the risk of proving themselves capable of work and therefore losing their entitlement.
 - The very name of incapacity benefits sends a signal that a person is incapable and that there is nothing that can be done to help get them back into the labour market.
- 15 The measures we propose – improvements to workplace health, reform of the gateway, increased support for claimants and removing the perverse incentives in the system, should, over time, significantly reduce the number of people claiming incapacity benefits. It is difficult to model the precise impact of these measures. If, however, the Government, employers, local authorities and health professionals come together to tackle this challenge, we should aspire to reduce the number of incapacity benefits claimants by 1 million over the course of a decade.
- 16 Our proposals will be underpinned by the new **Employment and Support Allowance** that will simplify the current system. From 2008, this new integrated contributory and income-related allowance will replace Incapacity Benefit and Income Support paid on the grounds of incapacity for new claimants. It will be paid to most people in return for undertaking work-related interviews, agreeing an action plan and, as resources allow, participating in some form of work-related activity. If benefit claimants do not fulfil these agreed responsibilities, the new benefit will be reduced in a series of slices, ultimately to the level of Jobseeker's Allowance. But for those claimants with the most severe health conditions or disabilities, the benefit will be paid without conditionality and they should get more money than they do now.

We will:

- reduce the number of people who leave the workplace due to illness;
- increase the number leaving benefits; and
- better address the needs of all those on the benefit, with additional payments to the most severely disabled people.

17 We will reduce the number of people moving onto this new benefit by:

- improving workplace health – by working in partnership with employers, employees, health professionals and insurers – and building on *Health, work and well-being – Caring for our future* published in October 2005, to develop a comprehensive package of measures that help to:
 - create healthy workplaces and improve access to good-quality occupational health support, thus minimising the likelihood of people developing health problems in the first place; and
 - facilitate better absence management and early intervention to help employees who do become ill to stay in work or, where this is not possible, support recovery and return to work at the earliest opportunity;
- improving the 'Gateway' by:
 - transforming the Personal Capability Assessment process so that it focuses on assessing people's capability for work rather than just their entitlement to benefits;
 - ensuring that no one is eligible for more than they would be on Jobseeker's Allowance until they have completed the Personal Capability Assessment process and have been found to be eligible for the new benefit;
 - reviewing the mental health component of the Personal Capability Assessment to ensure that it reflects the type of mental health conditions prevalent today; and
 - modernising the processes so that the system is more efficient and the number of appeals is minimised;
- supporting GPs and primary care teams in the key role they play in helping people back to work, including:
 - identifying specific interventions that improve outcomes and seeking to incorporate performance against these within primary care contracts, in order to reward primary care staff who take active steps to support individuals to remain in or return to work;
 - piloting employment advisers in GP surgeries;

- working jointly with the health departments, taking steps to support GPs and their teams in recording sickness certification as part of good medical practice; and
 - revising the format of the medical certificate to encourage the provision of more comprehensive and robust fitness for work advice (this will then provide tools for evaluation and audit of movement onto Statutory Sick Pay and incapacity benefits); and
 - reforming Statutory Sick Pay to simplify it and ensure that it helps people to stay in work.
- 18 To increase the number of people who leave benefits quickly to return to work, and to better address their needs, we will:
- increase support for claimants to return to work, replacing the old one-size-fits-all model, which writes people off as completely incapable of work, with a tailored, active system that addresses each individual's capacity;
 - build on the progress we have already made with the Pathways to Work pilots by extending provision across the country by 2008. Future Pathways to Work provision will be delivered primarily by the private and voluntary sector with payment by results; and
 - introduce, from 2008, the new Employment and Support Allowance, which is built on a clear framework of rights and responsibilities. New claimants, except those with the most severe disabilities and health conditions, will need to participate in work-focused interviews, produce action plans and engage in work-related activity, or see their benefit level reduced; and
- increase the level of support over time, in light of evidence, capacity and affordability. As support is increased, so will the level of conditionality for claimants.
- 19 Claimants will, as now, have a right of appeal at appropriate points in the decision-making process.
- 20 Getting people back into work has to be the start and not the end of the process. We must ensure support is not withdrawn once a claimant is back in work. Therefore we must provide ongoing support and training to help people reach their full potential.
- 21 It will never be reasonable to expect some people to plan for a return to work or to impose the responsibilities and conditionality associated with this on them. These people – who have the most severe health conditions and disabilities – will receive the new benefit without any conditionality, and at a higher rate, but will be eligible for help and support as and when they want it.
- 22 This group will differ from the current Personal Capability Assessment 'exempt' group in being based not on the specific condition an individual has but rather on the severity of the impact of that illness on their ability to function. For example, blind people are currently consigned to the exempt group, although most blind people are capable of, and indeed wish to,

undertake appropriate work, with appropriate support where necessary. Our proposals will correct this anomaly.

- 23 Existing claimants will remain on their existing benefits. However, many have potentially manageable conditions which may have changed or improved while they have been on benefits. We propose to work more proactively with this group of people, balancing their responsibilities to prepare for a return to work with the need to treat them fairly.
- 24 We will:
- protect the level of benefits of existing claimants but will encourage them, as in the Pathways to Work pilots now, to volunteer for the help available to return to work;
 - ensure that existing claimants are having regular Personal Capability Assessment re-assessments;
 - ensure that claimants each have a work-focused interview and develop a personal action plan over the next few years, so that they are clear about what help is available;
 - establish a unit to undertake periodic checks of those claiming benefits to confirm ongoing eligibility, seeking renewed medical evidence as appropriate;
 - pilot a new initiative that will provide a leadership role for cities in tackling worklessness; and
 - protect the level of benefits payment should people enter work and find that they need to return to benefits.

Lone parents

- 25 The lone parent employment rate is at a record level of 56.6 per cent, and the number of lone parents on Income Support has fallen by 230,000 since 1997. However, the number of lone parents out of work and claiming Income Support remains high, both historically and compared with other countries. Lone parents are much less likely to participate in the labour market than partnered parents with children of the same age. This has a significant impact on the Government's child poverty targets, as most non-working lone parent families live in low-income households.
- 26 Parliament is now considering legislation to introduce a new duty on local authorities to secure a sufficient supply of childcare to meet working families' needs. Also, maternity support has increased so that, by 2007, the maximum Statutory Maternity Pay and child benefits for mothers at home with their first baby will have risen in real terms by £5,000 since 1997. The introduction of flexible working rights has helped lone parents balance their caring responsibilities with paid work.
- 27 Furthermore, there is substantial evidence that the New Deal for Lone Parents has greatly increased the employment prospects of lone parents who participate.
- 28 We therefore believe that the welfare system should do more to enable lone parents to work, but we believe that in return lone parents have a responsibility to make serious efforts to return to

work, especially once their youngest child goes to secondary school.

29 Our roll-out of compulsory work-focused interviews to lone parents who are claiming Income Support has shown that these interviews help them think about work and prepare for it by joining the New Deal for Lone Parents.

30 We propose to go further, as resources allow, and to:

- hold interviews every three months with lone parents whose youngest child is at least 11 years old;
- introduce six-monthly interviews (twice as frequent as now) for all lone parents who have been on benefit for at least a year and whose youngest child is under 11;
- pilot the provision of more intensive support for lone parents during the first year of their claim, because during this time many people are still adapting to their changed circumstances and therefore need more help;
- pilot a new premium so that lone parents are better off if they take serious steps towards preparing for work. Parents would be expected to work actively towards returning to the labour market. We are consulting on the most appropriate age of the youngest child for introducing this new incentive;
- work proactively with employers to develop work-taster programmes for lone parents;

- explore new ways of increasing the support that Jobcentre Plus can give to lone parents who are moving into work, or who are already in work; and
- ensure that lone parents know they can contact Jobcentre Plus for advice on the full range of support that is available to them, including help with housing costs, tax credits and childcare.

Older people

- 31 By 2024, an estimated 50 per cent of the population will be over the age of 50, due to a combination of increased life expectancy and low birth rates. Despite people living longer than ever before, they are spending a smaller proportion of their lives in work than previous generations did. Unemployment for people over 50 is low but inactivity is high, and many people leave work early due to ill health. Those out of work tend to face greater barriers returning to work than people in other age groups do.
- 32 The overall effect is that employment rates for those aged 50 to State Pension age are lower than for the population as a whole. The consequences of this are far reaching, both for the economy in the light of an ageing population, and for the ability of individuals to make provision for later life.
- 33 Many people will continue working into their 60s. Indeed, around 1 million people already work beyond State Pension age, while many choose to withdraw from the labour market

earlier. But for those who want to, there remain structural, personal and cultural barriers to working longer. The culture of early retirement and discrimination against older people persists. Many people feel forced to leave work early, while others take ill-informed decisions about early retirement, with little thought for the financial consequences. We need to increase the average age of retirement by providing support for people to return to work more quickly and to stay in work for longer.

- 34 We have already made good progress and intend to build on this. Employment rates for older people have steadily improved and the gap between this and the overall rate has decreased. We are considering a variety of options in the light of the Pensions Commission report³⁰ and will set out our proposals for reform in the spring. More immediately, we wish to boost support for people returning to work and provide better information to people about the work and retirement options available to them. To do this we will:
- align our additional employment support for older long-term unemployed people with that for younger age groups by requiring people aged 50 to 59 to take up the additional jobseeking support available through New Deal 25 plus;
 - improve back-to-work support for Jobseeker's Allowance claimants and their dependent partners who are over 50;

- pilot face-to-face guidance sessions with people approaching 50 or over 50, to deliver tailored and relevant information on working, training and planning for retirement; and
- work with employers to extend flexible working opportunities to older workers.

Delivering welfare reform

- 35 We need to reform not just the policy framework, but also the delivery of the welfare state. This is why we invested over £2 billion in bringing together the Benefits Agency and the Employment Service to create Jobcentre Plus. This integrated service helps unemployed and inactive people of working age move closer to the labour market and compete for work. The old, depressing offices with glass screens are being replaced by open-plan environments with personal advisers for all claimants. Already there is evidence that the integrated service is increasing the number of job entries.
- 36 At the same time, we have brought in private and voluntary sector providers. In Employment Zones, providers are paid not according to what they do, but according to what they achieve. By giving them greater freedom, they have improved performance – independent evaluation shows that they achieve significantly better job outcomes than Jobcentre Plus does with comparable clients.
- 37 Private and voluntary organisations also play a key role in delivering many programmes – notably New Deal for Disabled People. The Government is

committed to removing the barriers that these organisations face in order to establish a level playing field which enables them to provide a broader range of services than they do currently.

- 38 In this next stage of reform we will need to engage private and voluntary sector providers. We will invite bids for outcome-based contracts as we roll out Pathways to Work nationally.
- 39 Tackling the problems of cities is central to meeting the Government's aims of increasing prosperity and reducing poverty and social exclusion. Despite progress over the last eight years, there remain pockets of persistent low employment, low skills, poor health and weak overall economic performance. More needs to be done to address these reinforcing cycles of underperformance and deprivation.
- 40 Our long-term aspiration is for an employment rate equivalent to 80 per cent of the working-age population. Nationally, the number of people in work has risen by well over 2 million since 1997, with the biggest improvement in the areas that started in the poorest positions. But we believe the resources flowing into cities would have more impact if we could get local agencies working together more closely.
- 41 There will be an expectation in England that local partners will work together to improve economic regeneration through skills, employment and health. Voluntary and private sector organisations, with their distinctive understanding of the social and economic environment in a local area, will be key contributors to making a success of this initiative.

42 Key aims will be to:

- deliver a significant improvement in employment rates among those of working age, with a particular focus on the most disadvantaged, especially benefits claimants, lone parents, older people and people from minority ethnic groups;
- ensure that individuals within these client groups are better able to both find and remain in work; and
- improve the skills of individuals within these client groups to enable them to progress once they are in work.

43 Each local area will be asked to develop a consortium of local partners, including employers, who have a shared interest in working together to raise local employment rates and improve the local economy. Partners would be expected to identify existing funding streams that they would use to support the work of the consortium, through a process of local alignment or pooling of budgets. Each consortium would also be expected to make use of private and voluntary sector providers to deliver additional employment support.

44 Advantages would flow from:

- rationalising funding arrangements as far as possible;
- simplifying and reducing the targets associated with these funding streams; and
- greater inter-agency co-operation, understanding of, and influence over, each other's objectives and spending decisions.

- 45 Successful bids will receive initial seed-corn investment from central government and a financial reward for meeting their aims. Bids would need to demonstrate robust accountability arrangements for the delivery of agreed targets and a commitment from local employers to engage in, and support, the initiative.
- 46 Within the overall framework set out above, a key aim of this initiative would be to provide a solution that offers the maximum degree of local flexibility, so that local areas can provide local solutions to their particular problems.

Housing Benefit

- 47 No discussion on improving employment opportunities through the benefits system would be complete without consideration of Housing Benefit, which has long been criticised as an extremely complex and passive system of financial support. We intend to simplify the existing Housing Benefit system to help improve work incentives and increase personal responsibility. Delays in processing and the uncertainty that claimants have about the level of support that they can receive can act as barriers to work. In the majority of cases, payment is made direct to the landlord, which does nothing to assist tenants in developing the essential financial and budgeting skills they need when moving into work.
- 48 We have already made good progress in tackling poor administration and fraud, and have simplified the system to align Housing Benefit with other benefits and tax credits. However, more radical reform is needed to simplify

Housing Benefit and ensure that it supports our wider objectives for welfare reform. The central element of Housing Benefit reform is therefore the introduction of Local Housing Allowance. This approach is currently being tested in 18 local authority areas, and we will build on this experience while developing our proposals for a scheme suitable for national roll-out across the deregulated private rented sector.

Conclusion

- 49 Taken together, these reforms will go a long way towards creating a simpler, more flexible system. But in the longer term, we want to go even further. Our vision is for longer-term reform of both the benefits system and how we offer support to help people back to work. Our vision is for a single, transparent system, with a single gateway to financial and back-to-work support for all claimants.
- 50 Ultimately, the Government cannot do all of this on its own. We need the help of all our partners to deliver this challenging and wide-ranging programme – and to ensure that we get the system right. But most of all we need to work with the individuals who are without work. Our proposals set out a clear way forward for our welfare system. We believe it must provide security as well as opportunity. It must promote the right to work and full employment. It must support personal responsibility and not undermine it. And it will be based on fairness and tolerance.

- 51 Our economy will benefit from higher employment rates among lone parents, older people and people with a health condition or disability. Taxpayers will gain too as the bills for benefit dependency come down. But the gains for those individuals helped into work will be the greatest: respect, dignity, security, and achievement.
- 52 Our proposals build on the principles established by the New Deal programmes. They are designed to liberate the talents of millions of our fellow citizens who are not properly supported by the present rules. They will extend opportunity. They will address the deeply entrenched pockets of deprivation and inter-generational poverty that still scar many parts of our society. They will set a new direction of travel – bringing together the public, private and voluntary sectors in a new mission to transform some of Britain's most disadvantaged communities.
- 53 The proposals are published for consultation. We hope that you will be willing to contribute your thoughts and expertise, and we look forward to hearing your views.

The challenge



Chapter 1

Chapter 1

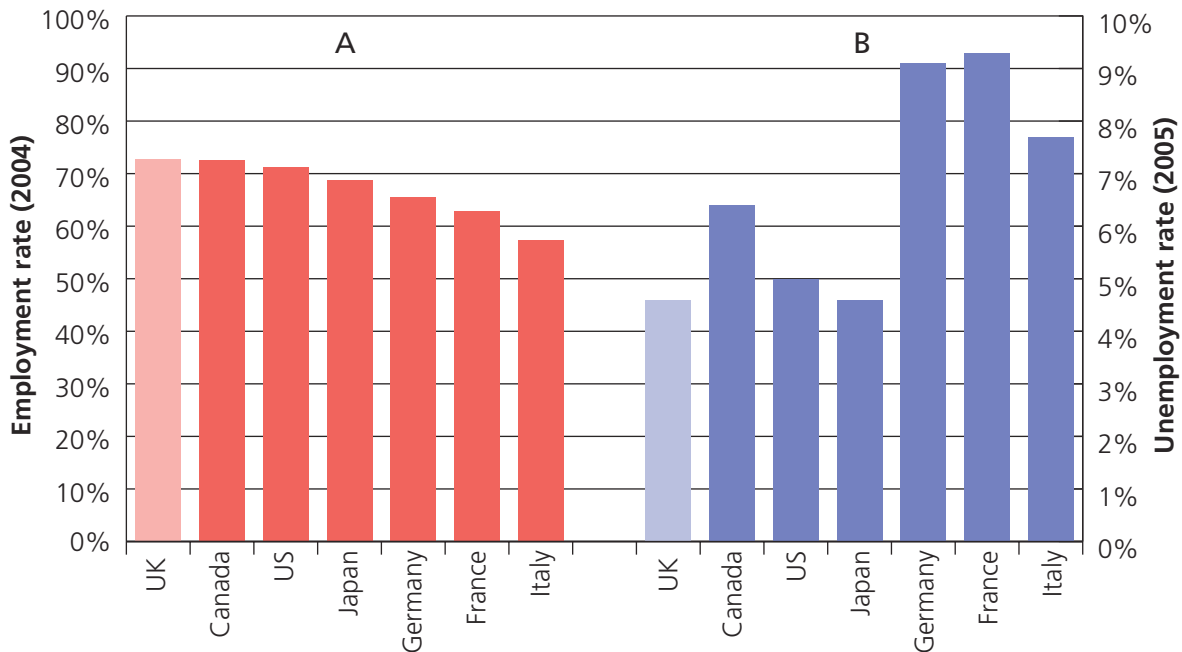
The challenge

- 1 In the 1980s and 1990s the welfare state failed those who most needed its help. Instead of combating mass unemployment, the welfare state alleviated its worst effects and diverted people onto other benefits. Instead of helping people into work, it locked them into long-term dependency. By 1997, there were almost 5.5 million people on benefits, 3 million more than in 1979. The number of people claiming unemployment benefits had risen by 50 per cent, while the number claiming lone parent and incapacity benefits had more than tripled.
- 2 These stark statistics can tell only part of the story. They cannot fully reflect the impact on family and community life. Too many people had been written off and condemned to a life dependent on benefits, extending into poverty in retirement. Too many families had suffered inter-generational poverty, with little expectation of work. Too many communities had become breeding grounds for despair and low aspiration.
- 3 In the 1980s and 1990s the welfare state failed those who most needed its help. Instead of combating mass unemployment, the welfare state alleviated its worst effects and diverted people onto other benefits. Instead of helping people into work, it locked them into long-term dependency. By 1997, there were almost 5.5 million people on benefits, 3 million more than in 1979. The number of people claiming unemployment benefits had risen by 50 per cent, while the number claiming lone parent and incapacity benefits had more than tripled.
- 4 Furthermore, not only has the UK one of the highest employment rates in its history but it also now has the best pattern of employment and unemployment among the major industrialised countries. In particular, for the first time in at least 50 years the UK employment rate is the highest among these countries, and there are very few countries in the world with higher rates.
- 5 The rise in employment, combined with successful labour market policies, has led to an overall fall of around 1 million in the number of jobless people on benefits. The biggest improvement has been among the number of people claiming unemployment benefit, which has fallen by more than 700,000 since 1997 to levels last seen a generation ago. Since the start of 2001 it has remained consistently below 1 million – the first time this has happened since 1975.
- 6 The number of people on lone parent benefits has also fallen substantially, while the sustained growth in the incapacity benefits caseload slowed initially and has now been reversed. The number of people on incapacity benefits has now been falling for more

Progress to date

- 3 Since 1997, however, the UK has seen rising employment. What is more, the UK has broken with its past record of boom and bust. It has coped better with the global economic slowdown than its competitors. During this period employment fell in the US, Germany and Japan. In the UK it continued
- 6 The number of people on lone parent benefits has also fallen substantially, while the sustained growth in the incapacity benefits caseload slowed initially and has now been reversed. The number of people on incapacity benefits has now been falling for more

Figure 1.1: A comparison of employment (A) and unemployment (B) rates among the G7 countries



Notes: **Employment figures** refer to 2004 and are for those aged 16–64 in the UK and US and those aged 15–64 in the other countries. Source: OECD data, 2005. The latest national UK employment rate is 74.5% (September–November 2005).

Unemployment figures show OECD standardised unemployment rates for November 2005, except for the UK (August 2005), Italy (June 2005) and Germany (October 2005). Source: OECD data, January 2006.

than a year, after decades of continuous increase.

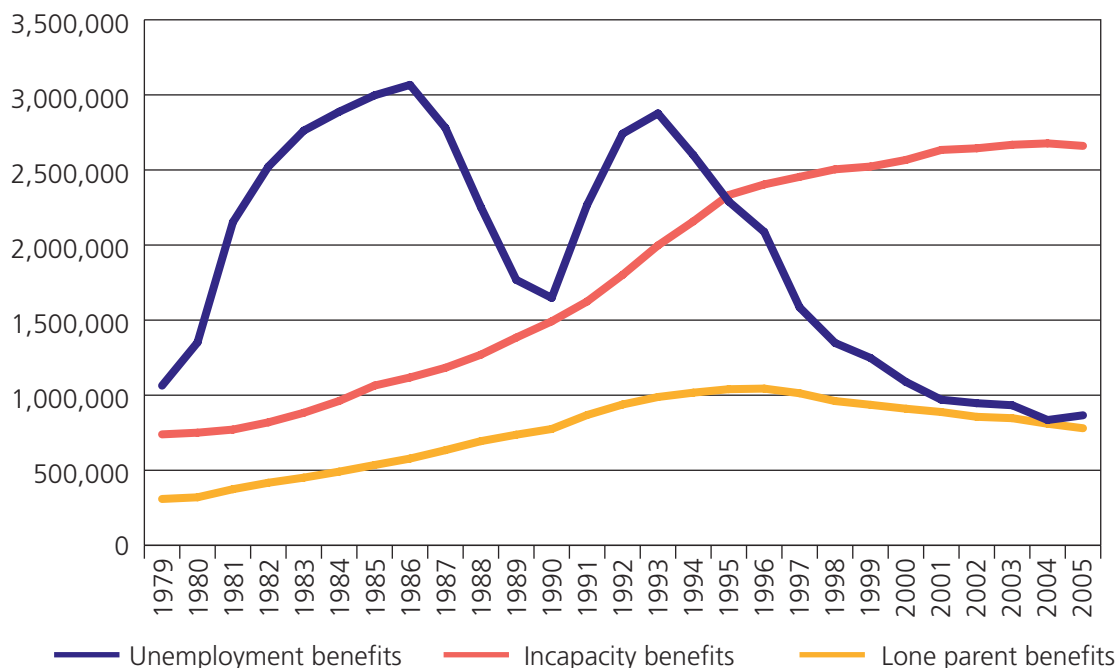
- 7 The strong labour market performance of recent years reflects a conscious effort to build macroeconomic stability, combined with a new approach to welfare.¹ The Government's labour market policies are founded on five pillars:

- macroeconomic stability, to allow individuals and businesses to plan ahead with confidence. **We gave independence to the Bank of England and set a clear fiscal framework for growth and stability;**
- a regulatory framework for the labour market which sets clear minimum standards of employment

but allows flexibility for employers and employees alike. **We introduced the National Minimum Wage and family-friendly employment legislation, and have strengthened protection against all forms of discrimination;**

- tax and benefit policies that ensure that work pays. **As a result of personal tax and benefits changes since 1997, 4.8 million working households with children are better off;**
- education, skills and training policies aimed at creating an adaptable, flexible and productive workforce. **We have introduced provision for all adults with a skills deficit, the Train to Gain programme,**

Figure 1.2: Numbers of people on benefits, 1979–2005



Source: Office for National Statistics, Department for Work and Pensions Information Directorate, *Work and Pensions Longitudinal Study*

enabling employers to upskill their workforce, and the New Deal for Skills; and

- an active labour market policy – the focus of this Green Paper – particularly aimed at preventing people from drifting into long-term unemployment or inactivity and becoming detached from the labour market. **We have introduced the most comprehensive menu of help ever available, tailored to the needs of the individual and focused on work as the best route out of poverty.**

The New Deals

8 Our new approach to active labour market policy has meant a radical transformation of the welfare state, built around a framework where rights are balanced with responsibilities.

At the heart of this approach are the New Deals:

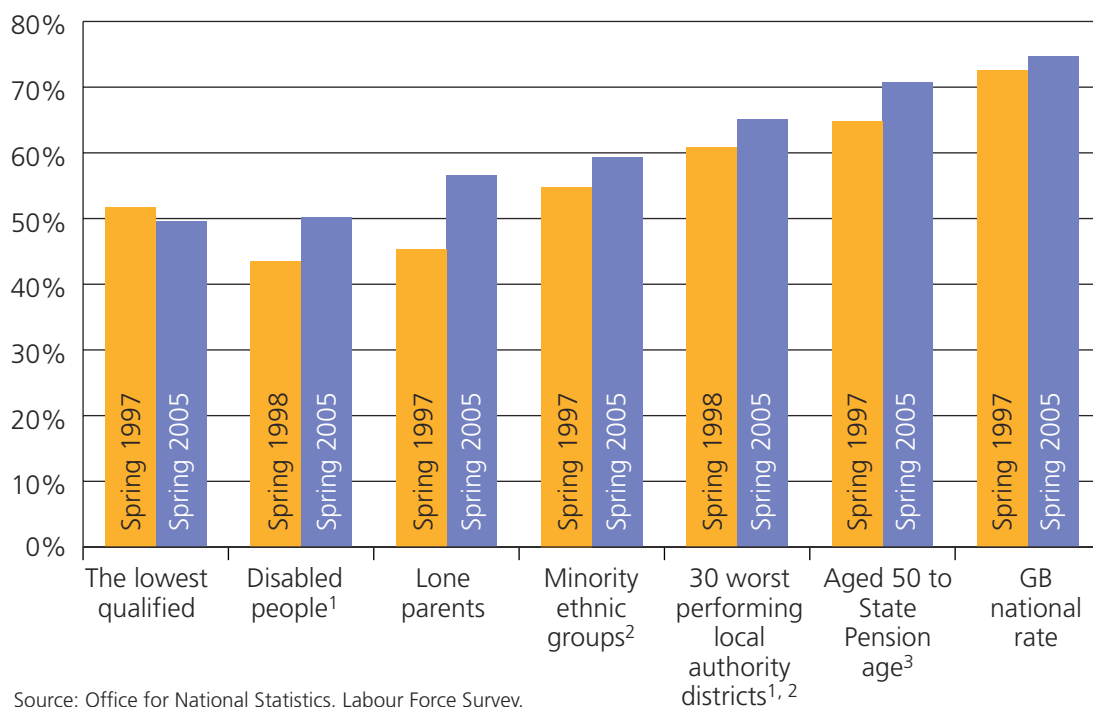
- the New Deal for Young People was introduced in April 1998 to end the prospect of a lifetime on benefits. It provides support for all people aged 18–24 who have been unemployed and on benefits for six months or more;
- the New Deal 25 plus and the New Deal 50 plus offer similar help to older age groups. Together with the New Deal for Young People and other policies described above, they have helped us reduce the number of people on unemployment benefits for a year or more by over three-quarters to less than 130,000. The number on unemployment benefits for a year or more is now less than a tenth of the peak of 1.3 million in 1986;

- the New Deal for Lone Parents has helped more than 410,000 lone parents into work. Independent evaluation shows that this New Deal doubles the chances of a lone parent getting a job, and more than pays for itself; and
 - the New Deal for Disabled People has now helped almost 75,000 people into jobs, significantly improving their chances and, again, more than paying for itself.
- 9 Our approach has been driven by evidence, not ideology. Our New Deal programmes are independently evaluated by recognised experts, and there is strong evidence that the programmes significantly improve the chances of a participant getting a job.

Much done but much still to do

- 10 Compared with both recent history and other countries, the UK labour market is performing very well. However, in spite of our overall success, some groups continue to face barriers to entering and progressing in the labour market. What is more, these groups are disproportionately likely to be further from the labour market, because they are inactive rather than unemployed. Our success in tackling unemployment means we are now well placed to extend support to harder-to-help groups.
- 11 Recognising that some groups of people are more likely to suffer relative disadvantage in the labour market, the Government has set Public Service Agreement targets to monitor progress

Figure 1.3: Employment rates among the Public Service Agreement target groups



Source: Office for National Statistics, Labour Force Survey.

Notes: 1 Data available from spring 1998 only.

2 Data are for a four-quarter average to spring of the year shown.

3 State Pension age is currently 60 for women, 65 for men.

in raising employment among these groups and reducing the gap between their employment rate and the national employment rate. These groups are:

- disabled people;
- lone parents;
- minority ethnic groups;
- people aged 50 or over;
- people with low or no qualifications; and
- those living in the 30 most deprived local authority districts.

- 12 Since 1997, not only has the overall employment rate increased but disadvantaged groups have benefited the most.
- 13 In particular, lone parents and people aged between 50 and State Pension age have seen substantial rises in their employment rates – up by 11 and 6 percentage points respectively between spring 1997 and spring 2005. So, despite strong growth in overall employment, the gap has narrowed.
- 14 The problem is not a lack of jobs; indeed, employment rates are lowest in the major cities, where there is at least one job per person. However, many residents of cities do not take up these jobs even though they live within easy travelling distance of thousands of vacancies. The problem is connecting people with the work that they want and need and also with the jobs that employers need done.

- 15 In order to address these economic and social problems we have set ourselves the aim of an employment rate equivalent to 80 per cent of the working age population. There are groups of people locked into long-term dependency on benefits who have been denied the opportunity that work can bring. In a modern, dynamic economy no one who can work should be denied that opportunity.

- 16 To achieve our aim, we will need to tackle inactivity among three key groups:
 - people on incapacity benefits – the number on incapacity benefits rose by almost 2 million between 1979 and 1997. Around three-quarters of claimants have been on incapacity benefits for more than two years. The number on incapacity benefits fell by over 40,000 over the year to May 2005, but we need to do much more. **We aim to reduce the number by 1 million;**
 - lone parents – in 1997, fewer than half of lone parents had a job, compared with more than two-thirds of partnered mothers. Since then we have seen the first sustained rise in lone parent employment rates in recorded history and now more than half are in work. But we need to do much more. **We aim to help 300,000 more lone parents into work;** and
 - older workers – the employment rate among older people is now one of the highest in Europe, but we need to do more to address the

demographic challenge. **We aim to increase the number of older workers by 1 million.**

The principles for reform

- 17 We have come a long way from the days when mass unemployment was regarded as a fact of life. But we cannot reach our aim of an employment rate equivalent to 80 per cent of the working-age population without fundamental change to the welfare state to help the most disadvantaged groups. We have undertaken a detailed analysis of the barriers to work faced by each of our key client groups. What is clear is that the current system fails too many people too often.
- The current benefits system is designed for the conventional nuclear family with a male breadwinner. It is too complex and inflexible for modern society, where more women work than ever before.
 - We must challenge assumptions that people with health conditions and disabilities, women with dependent children, and older people cannot work or do not want to work.
 - Currently there is a one-size-fits-all approach to our services. They cannot deliver the innovation and choice our customers rightly desire.
 - The current system fails to engage with employers or to use them to channel more and better jobs towards disadvantaged people.
- 18 At the same time, the UK's economy and labour market have also changed hugely over the past twenty years. Globalisation and increased competition mean that the skills of workers, and the flexibility of companies and institutions, have never been more important. The decline of manufacturing industry and the rise of the knowledge economy pose huge challenges – but also offer great opportunities – to both communities and individuals. Britain's strength as a global economic player, given the changing patterns of international trade and the emerging economic superpowers of China and India, means that we will need to provide opportunities for all of our people to work.
- 19 The Government has a critical role to play in supporting people to meet those challenges and take those opportunities. Far from being old-fashioned, the welfare state has never been more important for economic success and social justice. But a new type of welfare state is needed to fit the 21st century.
- 20 To achieve this we intend to embark upon a further programme of radical reform.
- A **reformed benefits system** will remove perverse incentives, balance rights and responsibilities and combine back-to-work help for those who can work with support for those who cannot, while respecting the rights of disabled people.

- **A modernised delivery system – with the public, private and voluntary sectors working together – actively engages with employers.** This will strengthen our relationships with other delivery organisations and employers so that we can offer an effective, efficient and comprehensive service to those in work but who are at risk of losing their job, to those who find themselves without work and to those who are moving back into work.
- **We will provide a new unified menu of support,** accessible to all people who find themselves out of work. It will provide a personalised menu of services tailored to the needs of the local economy.
- **A new initiative for cities** will make better use of existing resources by developing high-performance solutions to help people prepare for and find work.
- **A radical reform of the Housing Benefit system** will make it simpler and more flexible, and will address some of the perverse incentives of the current system.
- Over the longer term there will be a **much simpler benefits system.** The next stage of benefits reform will further incentivise work and ease transitions in and out of work, while ensuring effective support for those who cannot work.

Why does this matter?

- 21 It is an achievement that people today are living longer and healthier lives, but two years from now the number of people over State Pension age will overtake the number of children for the first time. If we are to support such a future, ensure continuing growth and prosperity for all, reduce pensioner poverty and meet our goal of eradicating child poverty we must increase the number of people who are in work, able to support their children and able to save for their retirement. We compete in an increasingly global economy, and therefore we must make the best use of our most valuable asset – the talents of individuals. We cannot afford to lose the contribution of those who in the past were dependent on long-term benefits.
- 22 Ensuring that all our citizens have both the right and the opportunity to join the world of work is a fundamental responsibility of any modern government. Entering the world of work confers multiple advantages that go beyond the very real increases in income that employment brings. Our ambition is to lift people out of dependency and liberate the talent and capability of everyone. The Government will help people achieve success for themselves and their families. We will balance rights with responsibilities and will assist individuals, and therefore our broader society, to respond to the challenges of demographic change and globalisation.

- 23 Increasing the number of people in work is good for the individual, good for families, good for communities and good for Britain.
- It is good for individuals and their families and communities because it increases income and independence and increases choice. There is also evidence that it improves their health.
 - It is good for Britain because people are independent of benefits and the economy can grow more quickly.
- 24 Making a reality of employment opportunity for all supports the national economy, builds local communities and improves prospects for families and individuals over their whole lives. That reality is at the heart of modern, dynamic economies and is vital to increasing prosperity and security for individuals and families. Employment opportunity is the means to tackle poverty, enabling people to provide for themselves, for their children and for their future retirement.
- 25 The next three chapters focus on our specific proposals for ill or disabled people (Chapter 2), lone parents (Chapter 3) and older workers (Chapter 4). Chapter 5 describes how Jobcentre Plus, in partnership with the private and voluntary sectors, will deliver these ambitious plans. Chapter 6 describes our reforms for Housing Benefit, while Chapter 7 sets out our longer-term ambition for a simpler benefits system.

Helping ill or disabled people



Chapter 2

Chapter 2

Helping ill or disabled people

1 There are currently over 2.7 million people on incapacity benefits.² We know that around 80 to 90 per cent of those who come onto benefits expect to work again,³ yet many never do. The longer a person remains on benefits, the less chance they have of leaving. Currently the benefits system reinforces this by offering more money the longer someone is on benefits and by requiring people to prove their ongoing incapacity, rather than actively encouraging and supporting people to take steps towards a return to work.

2 We are proposing a range of measures in three key areas:

- increasing the number of people who remain in work when they fall sick or become disabled;
- increasing the number leaving benefits and finding employment; and
- better addressing the needs of all those who need extra help and support.

3 We will achieve these aims by taking steps on prevention and proactive intervention; transformation of the gateway to the new allowance; mandatory engagement and support with all but the most severely ill or disabled people to get them back to work; and raising the expectations of everyone involved in the process.

4 This approach will be underpinned by a new Employment and Support Allowance, which will simplify the current system and replace the old incapacity benefits for all new claimants.

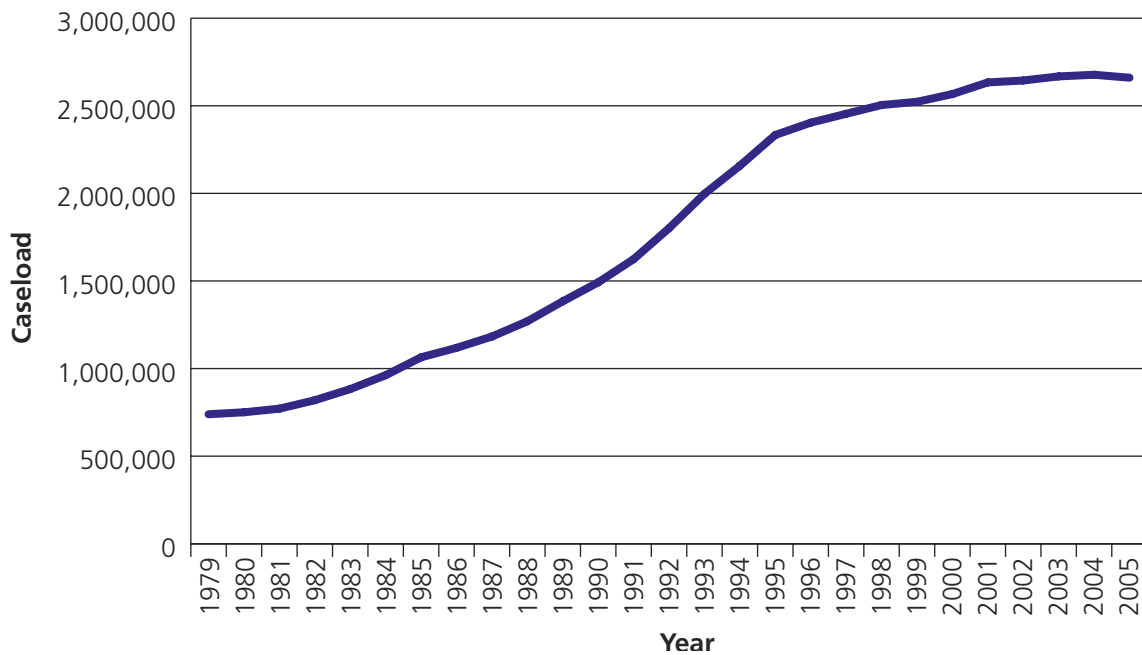
The challenge

5 The proportion of the working-age population in receipt of incapacity benefits (or older equivalents) has increased from around 3 per cent in the 1960s to over 7 per cent today. Almost all of the increase occurred between the late 1970s and mid-1990s, when the caseload rose from 0.7 million to 2.6 million people. Since then, caseload growth has slowed, and, after over two decades of substantial growth, overall numbers fell by 41,000 in the 12 months to May 2005, to 2.74 million. This challenge is faced by many OECD countries, not just the UK.⁴

New claimants of incapacity benefits

6 More than half of new claimants are out of work immediately before they come onto incapacity benefits. A quarter of all those who make a claim for incapacity benefits do so within 90 days of finishing a Jobseeker's Allowance claim, and around a tenth start within 90 days of finishing an Income Support claim. Of new claimants, 32 per cent have not been in work during the previous two years and 43 per cent have received an

Figure 2.1: Incapacity benefits caseload 1979 to 2005, excluding Incapacity Benefit Short Term (Lower)



Source: Office for National Statistics, Department for Work and Pensions Information Directorate, *Work and Pensions Longitudinal Study*

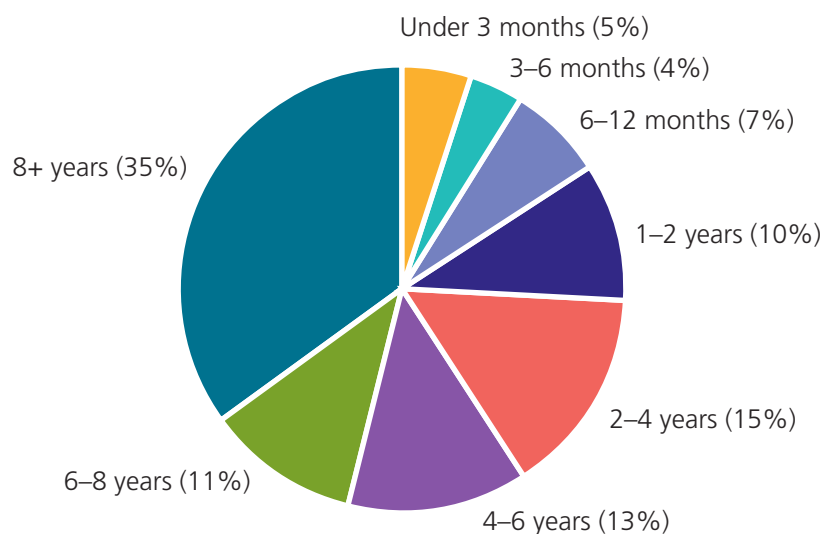
out-of-work benefit during the previous two years.⁵ This is of major concern as a poor work record is one of the best predictors of whether people will make an early return to work.

- 7 A significant proportion of new claimants come onto incapacity benefits from employment. Seventeen per cent of those entering incapacity benefits receive Statutory Sick Pay immediately before starting their incapacity benefits claim and 12 per cent were self-employed.
- 8 So, in order to maximise the number of people staying in work rather than moving onto benefits, we need a broad strategy that provides tailored help and support to address the different routes onto benefits and deals with a variety of barriers to work – not just ill health or disability.

Time on benefits

- 9 The increase in the number on incapacity benefits that occurred between the 1970s and the mid-1990s is largely explained by a decline in the proportion of people leaving benefits within the first 18 months and consequently increasing numbers who remain on the benefits long-term. Currently just over half of the caseload has been on benefits for more than five years.
- 10 This is not because people with transitory health conditions do not recover quickly and return to work – in fact, the majority do. Almost 60 per cent of people who started to receive incapacity benefits in 2004 left within a year. However, for the remaining 40 per cent who do not return to work quickly, the prognosis is bleak – only 22 per cent of claimants

Figure 2.2: Claimants of incapacity benefits by duration of claim (May 2005)



Source: Office for National Statistics, Department for Work and Pensions Information Directorate, *Work and Pensions Longitudinal Study*

already claiming for a year will leave within the next year and 29 per cent of them will still be receiving benefits after another eight years. This is the result of a system that, rather than helping people with health conditions back into work, simply allowed them to remain on benefits with little or no intervention. **Early intervention is crucial to ensure that people do not become dependent on benefits.**

Characteristics of incapacity benefits claimants

- 11 The stereotype is that incapacity benefits claimants are overwhelmingly older men, formerly employed in the manufacturing industries, with bad backs, living in Northern England, Scotland or Wales. It is also argued that many neither want nor expect to work again and that there are no jobs available for them.
- 12 In fact, over 40 per cent of claimants are women, over half are under 50 and nearly 40 per cent have a mental health

condition (compared with 25 per cent in the mid-1990s). And incapacity benefits are a national problem because there are at least 150,000 claimants in each region. Of course, problems are worse in some regions than others, and similarly for some groups of people more than others. For example, the scale of the challenge is typically more concentrated in some of the poorest and most disadvantaged areas, and among people who often face other disadvantages, such as low skills. But our strategy cannot be 'one-size-fits-all'. It must be:

- **inclusive** – it must address the needs of women and men, young and old, urban and rural areas;
- **national** – it must cover all parts of the country;
- **personalised** – it must address the different health, skills and support needs of different claimants; and
- **relevant** – it must reflect the needs of the local labour market.

Structural problems

13 The vast majority of people – around 80 to 90 per cent – making a claim for incapacity benefits want and expect to get back into work. It is the system that has failed them, by not providing the help and support they need. There are several shortcomings in the system as it currently stands.

- Little is done to prevent people moving onto incapacity benefits.
- The gateway to the benefits is poorly managed – with claimants receiving incapacity benefits before passing the main medical test.
- The benefits trap people into a lifetime of dependency – the longer a person remains on benefits, the less chance they have of leaving.
- There are perverse benefit incentives – paying more the longer people claim.
- Almost nothing is expected of claimants and little support is offered. Those who try to plan their return to work through volunteering and training perceive that they run the risk of proving themselves capable of work and therefore losing their entitlement.
- The very name of the benefit sends a signal that a person is incapable and that there is nothing more that can be done.

Progress so far

14 We have introduced a major programme of measures for those with health problems and disabilities, including the New Deal for Disabled People and increased rights through the

Disability Discrimination Act. These measures involve public, private and voluntary sector organisations.

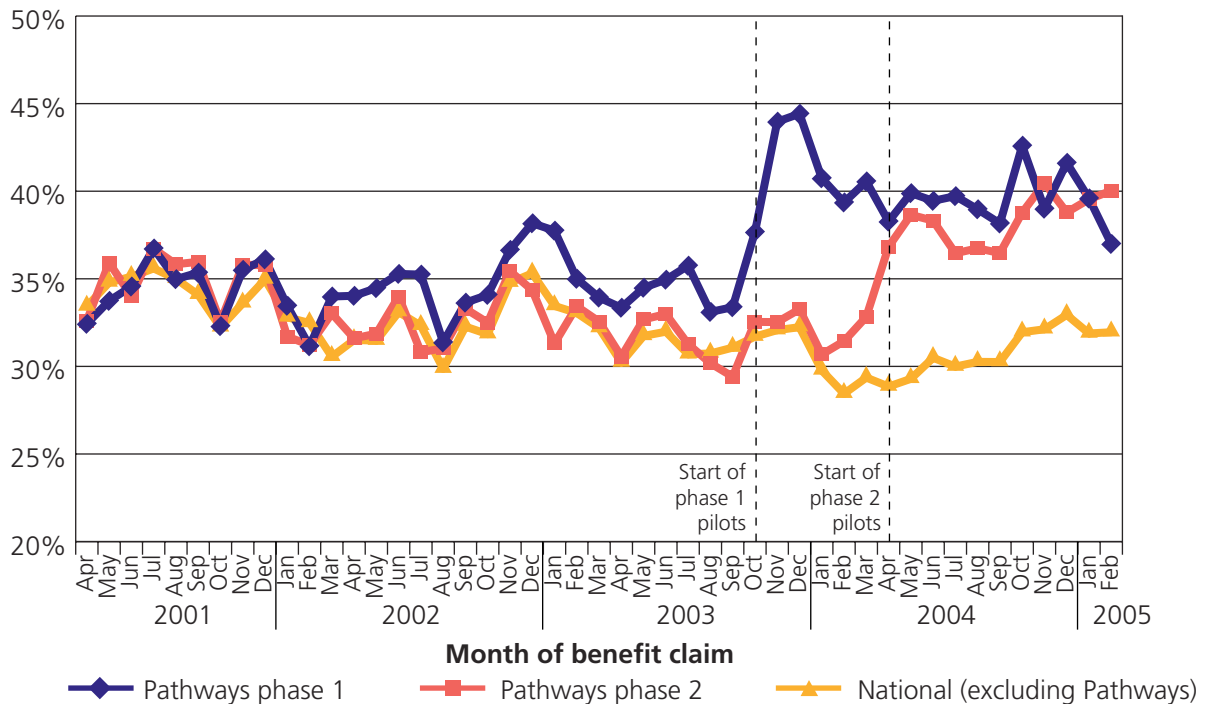
Pathways to Work

15 A key element of our approach has been the Pathways to Work pilots, which are the first major step by any government to delivering enhanced support for people facing health problems or disabilities. They provide a co-ordinated approach to addressing the barriers that people face when they have an illness or disability, rather than simply compensating them for the disadvantage they face. The pilots offer a dual approach to assistance, providing people with financial support while also facilitating their return to independence and the ability to earn the means to live. These pilots have placed the UK at the forefront of the developed world by actively engaging with this group in an effective way.

16 The pilots combine a balanced package of rights and responsibilities, which aims to target a number of the health-related, personal and external barriers to returning to work. The programme is based on a wide-ranging review of both national and international initiatives and evidence. It consists of five broad strands of activity designed to address the various weaknesses in the existing framework of support, as follows:

- a new, much more intensive framework of mandatory work-focused interviews delivered by specially trained personal advisers;

Figure 2.3: Proportion of customers leaving incapacity benefits within six months of their claim start



Source: *Incapacity Benefit reforms Pathways to Work pilots performance and analysis*, DWP Working Paper No. 26

Note: The data presented are produced from the National Benefits Database and do not include a proportion of short-term incapacity benefits claims. Therefore the percentages shown are lower than the actual rates. However, trends over time will be consistent.

- better access to existing return-to-work support and entirely new programmes, delivered in partnership with the NHS, to help individuals to manage their health conditions;
- improved financial and non-financial incentives to prepare for and find work;
- active involvement of employers in helping people to prepare for and progress in work; and
- work to change prevailing attitudes held towards people with illness or disability among other key stakeholders, particularly GPs and employers.

17 Early evidence from the pilots is very encouraging. We are engaging

significantly greater numbers of claimants and substantially improving their prospects for work. The evaluation so far demonstrates an increase of around **eight percentage points** in the number leaving benefits in the first six months of their claim compared with national rates.⁶

18 Customers, personal advisers, employers and service providers have responded very positively to the pilots. This is the first large-scale intervention for people with an illness or disability to deliver such positive results. We will continue to review the pilots to ensure we learn from the emerging evidence as we develop the next phase of reform. We will also seek to ensure our proposals deliver the pilots in innovative

and more cost-effective ways as we roll out to the rest of the country.

Our future strategy

19 Helping those facing ill health or disability is fundamental if we are to meet the employment challenge identified earlier. We will reduce the number of people moving onto the new benefit, increase the number leaving benefit quickly, and better address the needs of all those on the benefit, including additional payments to the most seriously disabled people. The measures we propose – reform of the gateway, improvements to workplace health, increased support for claimants and removal of the perverse incentives in the system – should, over time, significantly reduce the number claiming incapacity benefits. It is difficult to model the precise impact of these measures. If, however, the Government, employers, local authorities and health professionals come together to tackle this challenge, we can aspire to reduce the number of incapacity benefits claimants by 1 million over the course of a decade.

Reducing the number of people making a claim for incapacity benefits: prevention and proactive intervention

20 Our first priority must be to reduce the likelihood of people developing health problems that may result in them having to give up work and becoming dependent on benefits. Where they do develop health problems, we want to help them manage these so that

they can remain in work and achieve their potential.

21 This means that we must work in partnership with employers, employees, health professionals and insurers to develop a comprehensive package of support which develops healthy workplaces, retains employees in work, and maximises the effectiveness of healthcare in rehabilitating people. Central to this package of support is *Health, work and well-being*, which we published in October 2005.⁷ This established a groundbreaking partnership with the health departments and the Health and Safety Executive. We are working with key stakeholders to:

- create workplaces where we protect the health and well-being of employees and optimise the opportunity for **people to improve their own health and well-being**, as outlined in the workplace component of the *Choosing health* White Paper;⁸
- ensure all employees have access to competent **occupational health advice and support**;
- support and engage **healthcare professionals** so that they recognise the importance of work for their patients' well-being;
- make sure investigation and treatment for health problems can be accessed in a way which will help people to **remain in work** and avoid unnecessary absence;
- identify ways to improve the provision of, and access to, interventions for **managing common mental health problems**

that can lead to long-term ill health with the consequent impact on work and well-being;

- ensure the development of appropriate **return-to-work support**, building on the actions outlined in the *Framework for vocational rehabilitation*;⁹
- **lead by example** in supporting the NHS, Government and local authorities as employers to become exemplars of good occupational health practice; and
- continue to **challenge any discrimination** in employment that exists against long-term sick and disabled people.

22 This strategy underpins all the key elements of our welfare reform plans.

23 To further support the strategy, we will appoint a National Director for Occupational Health to help us bring about the fundamental changes we need in the health of people of working age, placing this important agenda at the same level as issues such as heart disease and cancer.

Developing healthy workplaces

24 Occupational health and safety is an integral part of workplace well-being, as well as a key part of effective business management. A clear message from a series of case studies carried out by the Health and Safety Executive is that there are business benefits associated with good health and safety management initiatives.¹⁰

25 We will work with trade unions at local, regional and national levels to build on the successful work that they have already undertaken in partnership with employers to protect employees better from health risks in the workplace. In particular, we will seek to develop the constructive and supportive role of safety representatives.

26 We have, through the Health and Safety Executive, established specific programmes running over the next three years to improve the prevention of workplace injuries and occupational ill health, and to improve the management of sickness absence and return to work. These include programmes focusing on musculoskeletal disorders and stress management. And, by 2008, the Health and Safety Executive's stress management standards will be extended to cover those parts of the financial and public sectors where there is greatest need to focus attention.

27 We also intend to use the evidence base on how employers benefit from a healthy workforce to develop a framework based around the healthy organisation, which we want to link in to the next scheduled review of the Investors in People standard in 2007.

28 Small and medium-sized enterprises need more help to face particular challenges in the management of occupational health, safety, sickness absence and return to work. That is why the Government, through the Health and Safety Executive, is piloting a new service in England and Wales – Workplace Health Connect.

- 29 We have already announced that the first pilots will begin in February 2006, with a national helpline for all employees and small and medium-sized enterprises, and local focused support for 40 per cent of small and medium-sized enterprises. But we want to go further. Through 2006, we will build provider capacity and learn quickly from the pilots. Based on this experience and analysis, our intention is to cover two-thirds of small and medium-sized enterprises by early 2007; and, following evaluation, we hope to be able to move to national coverage by 2008, subject to availability of resources.
- 30 In Scotland, Safe and Healthy Working is already providing a problem-solving service for Scottish small and medium-sized enterprises, and we will look to ensure that Workplace Health Connect meshes with this service. In Northern Ireland, a long-term, cross-cutting workplace health strategy, Working for Health,¹¹ has been in place since 2003. This has been taking forward a range of initiatives to reduce the incidence and severity of work-related illness by exploiting the workplace as a setting to tackle health issues and health inequalities.

Workplace Health Connect

Workplace Health Connect will deliver advice on occupational health, safety and return to work to small and medium-sized enterprises in England and Wales. It will consist of an advice line with an associated website and a workplace-focused regional problem-solving service with signposting to specialist help.

The vision for Workplace Health Connect is that:

- everyone working in small firms will have free access to consistent, high-quality advice on creating a healthy workplace;
- employees and employers will work together to improve their working environment and help colleagues return to work when they have been ill; and
- businesses will be more profitable and everyone will enjoy the economic and health benefits of being in work.

Supporting attendance – reducing sickness absence

- 31 Sickness absence has a significant impact on employers, employees and the benefits system. Absence from work because of illness or injury costs UK business approximately £12 billion each year in direct costs alone, and even more in indirect costs. As the Confederation of British Industry says,¹² it is in employers' interests to address the enormous cost of sickness absence, and the associated implications for the workplace.
- 32 Government can play its part by facilitating speedy and effective investigation and treatment, while employers can also help by intervening early when an employee goes off sick and by operating effective sickness absence management programmes in line with best practice. For example, there is good evidence that one of the most effective ways to return employees to work after a period of absence is to encourage them to start back on a modified basis (for example, by working part-time or adjusting some of their duties).
- 33 The Labour Force Survey indicates that, on any one day, about 2 per cent of the working population is absent from work for health reasons.¹³ The majority of those off sick return to work quickly – around 60 per cent of absence is for less than five days.¹⁴ But the evidence suggests that those on longer-term absence may account for a greater proportion of working time lost to an employer and so represent a higher cost.¹⁵ And around 120,000 people each year move across to incapacity benefits after a spell of sick pay.
- 34 Many of these individuals will never return to the workplace, with a devastating impact on themselves, their family and the local economy. Yet most of these individuals report potentially manageable conditions, such as mental health or musculoskeletal disorders, usually of no more than moderate severity. Research shows that they retain a desire to work, and there is some evidence on effective ways of aiding their recovery (such as early intervention and modified returns to work).
- 35 We want to do more to help employers across the public sector become more efficient and productive by adopting best practice in sickness absence management. Through the Ministerial Task Force on Health, Safety and Productivity, we are promoting best practice in the public sector and making sure that the issue remains high on the management agenda. Progress has already been made. The most recent figures show encouraging reductions in absence for both the Civil Service and local government.¹⁶ However, we need to sustain these improvements, so we will be considering what additional levers and incentives can be developed to drive improved performance among those organisations with above-average levels of sickness absence.
- 36 We also know that absence from work can be a particular problem for small and medium-sized enterprises. We are working with the Federation of Small Businesses on the development of its monitoring indicator on absenteeism

for small and medium-sized enterprises, which is to be launched on its website early in 2006.

Supporting attendance – incentives

Employers' Liability Compulsory Insurance

37 We know that incentives play an important part in helping employers focus on effective sickness absence management. To incentivise employers and to reduce risk in the workplace, so that fewer workers are injured and those who are out of work are helped to return as quickly as possible, these incentives must be as simple as possible to understand and loaded in favour of active, early intervention. Employers' Liability Compulsory Insurance is the insurance that employers must have to cover their liability to their employees for bodily injury or disease sustained in the course of their work. Creating healthier workplaces will not only reduce the number of employees absent because of ill health but can also result in lower insurance premiums and reduce the financial impact of sickness at work. Employers who can demonstrate excellence in the area of workplace health are more likely to attract and retain high-quality employees.

38 The Government has worked with the insurance industry (through the Association of British Insurers) and the Health and Safety Executive to ensure reduced risk in the workplace is reflected through liability insurance premiums. For example, we have developed a health and safety performance indicator for small and

medium-sized enterprises to help insurers identify good health and safety performers when insurance terms are set.

39 The Department for Constitutional Affairs is considering how the functioning of the Employers' Liability Compulsory Insurance market could be improved through its Better Routes to Redress strategy. And the Association of British Insurers has recently launched proposals for reform in this area. We welcome this engagement and will continue to work closely with the insurance industry, together with employers and trade unions, to encourage the development of products which help maximise the chance of a speedy return to work.

Question 1:

What else should we consider to give the right incentives to employers to provide increased health support to their workforce?

Engaging and supporting – GPs

40 GPs are a patient's first, and often only, contact with healthcare professionals. As such, GPs clearly have a pivotal role in providing support and advice about fitness for work and bringing about a change in current attitudes to work for people with a health condition or disability. Members of the medical profession, and GPs in particular, are often seen as 'gatekeepers' to sick pay and benefits. This tends to focus the doctor's attention on the patient's ongoing limitations, rather than encouraging both to think about

rehabilitation, including how an appropriate return to or move into work might be achieved, with all the health benefits this brings.

41 Maintaining a good relationship between doctor and patient is clearly key to the effective working of our health service. This relationship is based on trust. Work can and should be seen as a route to health, offering increased social contact, financial security and self-esteem. The idea that people facing illness or disability should be protected from work, whatever their aspirations, is outdated and can often be detrimental to the individual – the opposite of the outcome the GP intended.

42 We need to support healthcare professionals in bringing about a culture change in the way work is viewed by families and individuals. GPs, in particular, have a key role to play in making this change. A number of initiatives are planned to help them work with patients, to ensure they understand the importance of work in recuperation and the negative impacts of being out of work and can support and assist people to remain in or return to work.

43 Initiatives supporting GPs and primary care teams in their role include:

- identifying specific interventions that improve outcomes with a direct link to incapacity benefits and seeking to incorporate performance against these specific measures within primary care contracts – to reward

primary care staff who take active steps to support individuals to remain in or return to work;

- in conjunction with the health departments, taking steps to support GPs and their teams in recording sickness certification as part of good medical practice;
- reviewing the format of the medical certificate (FMed 3) to make it more user-friendly and to support GPs in providing more comprehensive and robust fitness-for-work advice;
- using the tools that all of the above will provide for evaluation and audit of the impact on entry to Statutory Sick Pay and movement onto incapacity benefits of practice and primary care trust (and their equivalents) populations;
- piloting of an occupational health advice line for GPs to help in the management of working-age patients;
- a national education programme for GPs on health and work;
- establishing GPs with special interest in occupational health within primary care trusts or practices; and
- developing further online learning modules and other relevant courses for GPs on fitness-for-work issues.

Engaging and supporting – other healthcare professionals

44 Employees who have health conditions sometimes interact with a wide range of other doctors and healthcare

professionals. We want to build partnerships with all the UK's health professions to ensure that a work focus is included in these interactions – so that patients and their health professionals understand the health benefits of work and so support individuals to remain in, or return quickly to, work.

45 Our plan of work in this area includes:

- development of a competency training framework for inclusion in the undergraduate training of all doctors;
- working with the Academy of Medical Royal Colleges and individual colleges and faculties to incorporate competencies in health and work in the postgraduate training of doctors in all specialities;
- with the Royal College of Nursing, development of an online learning module on work and health for nurses;
- supporting the College of Occupational Therapists, which is determined to push forward strongly in this area; and
- working closely with the Chartered Society of Physiotherapists to improve the work-focused messages given by their staff.

Question 2:

How can we best share the evidence for the role of work in recuperation and good practice regarding sickness certification to medical professionals?

Engaging and supporting – access to employment advice

- 46 We also want to ensure a stronger link between GPs, other healthcare professionals and direct employment advice. One of the ways in which we are doing this is by trialling placement of employment advisers in GPs' surgeries, learning from and building on the experience of existing examples throughout the country.
- 47 We know that even where GPs believe an individual, with the right support, could get back to work, often no relevant support services are available. We believe that active back-to-work services available to GPs, either within their surgeries or by some other means, may enable us to reach out to more of those people who are getting medical certificates from their GP but getting no access to support via their employer.
- 48 We will be piloting this approach in some Pathways to Work areas by using a co-ordinated service to provide vital initial advice, support and reassurance on the full range of work-related issues patients may raise, and to refer them to appropriate provision. Access would be voluntary and open to any patient of working age by self-referral or recommendation from a health professional. This would mean people on Statutory Sick Pay as well as benefits claimants could access wider services including condition management programmes. We will work with the local health networks on what are appropriate referrals. We will also raise the profile of this service elsewhere, for

example, within local NHS pain clinics and community mental health teams.

Engaging and supporting – workforce planning/ resourcing

49 It will be important to ensure that we have the right mix of key health professionals, especially in the areas of greatest need. Clearly this is not something that can be solved instantly. But we need to bring together relevant resource planning professionals across the public, private and voluntary sectors to address this problem. We believe that there is a great willingness on the part of private sector employers to work with us, including by providing training where necessary, to improve the position.

Statutory Sick Pay reform

50 The other key incentive that can impact on an employer's ability to manage sickness absence is Statutory Sick Pay. Statutory Sick Pay is a minimum amount that employers are required to pay and employees are entitled to receive when they are unable to work because of a health condition or disability that lasts for four or more days in a row. It is payable for up to 28 weeks and is paid at a single weekly rate which is currently £68.20 (£70.05 from April 2006). When they have particularly high levels of sickness absence, employers can sometimes reclaim a proportion of these Statutory Sick Pay costs from government.

51 Many employers (covering about 90 per cent of employees) have their own occupational sick pay scheme. In such cases, the employer must ensure

their scheme is at least as generous as Statutory Sick Pay (often it is much more generous). But whether or not they have their own occupational sick pay scheme, employers are still required to keep additional and complex records as though Statutory Sick Pay were payable, particularly when employees end up moving across to incapacity benefits.

52 Much of this complexity does nothing to support an employer to manage sickness absence more effectively. Rather it is connected to rules within Statutory Sick Pay such as the need to:

- ignore the first three days of sickness;
- link together periods of sickness less than eight weeks apart, even where that absence occurred with a previous employer; and
- not pay Statutory Sick Pay in many cases where a sick employee was previously claiming incapacity benefits.

53 Employers tell us that they would, therefore, like to see changes to Statutory Sick Pay, with fewer rules, complications and requirements for record keeping, to ease regulatory burdens imposed upon them. We support this as we believe that, particularly for small firms, a much simpler approach will enable employers to focus on the issue that truly matters – encouraging their employees back to work.

54 The Government has already responded to the concerns raised by giving employers more help to navigate their way through the current scheme.

- 55 In particular, we have worked with HM Revenue and Customs (who have responsibility for ensuring employers' compliance) in recent years in order to:
- introduce CD-Rom and web-based Statutory Sick Pay calculators to enable employers to work out whether an employee is entitled to Statutory Sick Pay and, if so, the payments required and the amount of Statutory Sick Pay they may be able to recover. They also significantly simplify the completion of Statutory Sick Pay forms;
 - introduce a new service within our HM Revenue and Customs Employer Helpline to help employers calculate Statutory Sick Pay entitlement over the phone (by April 2006);
 - use feedback from employers to overhaul and simplify HM Revenue and Customs Employer Guidance, ensuring that it meets their needs; and
 - market these tools to all employers, particularly smaller ones, to reduce the number of firms completing complicated paper-based calculations or relying on paper-based guidance (and to provide better support to those who choose to continue to do so).
- 56 We will continue to work with employers, their representatives and HM Revenue and Customs to develop and further improve all of these areas.
- 57 But we also need to go further. We believe the following changes are appropriate.
- 58 We propose to introduce a much simpler way for employers to assess when entitlement to Statutory Sick Pay arises and when the maximum period of entitlement has been reached by abolishing:
- the requirement to link periods of sickness separated by no more than eight weeks;
 - the need to link together periods of sickness with a previous employer;
 - the need to apply the current three waiting days before an employee can first become entitled to Statutory Sick Pay; and
 - the complex rules that prevent employers from paying Statutory Sick Pay where they have previously been claiming incapacity benefits.
- 59 We believe this will mean a much simpler system for employers to administer, where Statutory Sick Pay becomes payable on the first day a person is sick for work and where the maximum period when Statutory Sick Pay is payable is 28 weeks from that date.
- 60 Alongside this, we also want to shift the resources we currently use to compensate some employers for high levels of sickness absence and invest further in additional support for (particularly small) employers to manage sickness absence more effectively. We plan to do this by abolishing the overly complex percentage threshold scheme. We propose to use the money saved to support small employers in other ways that would help them to get sick employees back to work quickly (in line with the key elements of the prevention

package) and we welcome respondents' views on how we could do this most effectively.

Question 3:

Does this simplification package for Statutory Sick Pay provide incentives for improved absence management and meet the need for reduced bureaucracy? How could the redirected sums of the percentage threshold scheme be most effectively utilised?

Jobseeker's Allowance rules

61 The need for early intervention does not only arise where people are already in work. We are also keen that, when people on Jobseeker's Allowance fall sick, they do not automatically switch to incapacity benefits, particularly where the illness is of a short-term nature. People need to receive the benefit that is of most direct relevance to their usual status. We therefore propose to make full use of the current rules where people on Jobseeker's Allowance are allowed two spells of short-term sickness within a 12-month period. Instead of moving across early, Jobseeker's Allowance recipients will have to exhaust these permitted spells of short-term sickness before claiming incapacity benefits. This will be supported by more proactive sickness management arrangements within Jobseeker's Allowance, including 'return from illness' interviews and, where necessary, revision of the Jobseeker's Agreement and referral to specialist assistance.

Reducing the number of people making a claim for incapacity benefits: transformation of the gateway

62 The current Personal Capability Assessment process – already recognised by the OECD as being one of the toughest in the world¹⁷ – is used to assess individuals claiming incapacity benefits. It is often viewed simply as a hurdle that must be cleared to receive benefits and, as a consequence, it focuses on incapacity rather than capability.

63 We intend to transform the current assessment process within the gateway so that it:

- provides a professional assessment of an individual's eligibility for financial support based on their functional capability;
- identifies those people who are capable of taking part in work-related activity and the support and interventions required to help them get back to work; and
- identifies people who are so limited by their illness or disability that it would be unreasonable to require them to undertake any form of work-related activity in the foreseeable future. This group, which will replace the existing 'exempt' group is described more fully below.

64 We will work with health professionals, personal advisers and disability groups (including the Disability Rights Commission and the Disability

Employment Advisory Committee) to ensure that the transformed assessment process is fair and equitable in application and operation.

- 65 People will need to satisfy the Personal Capability Assessment before they become eligible for the additional Employment Support or Support component of the new allowance (as described later in this chapter). Until they do so, they will receive the basic level of Jobseeker's Allowance. We will also develop proposals so that the assessment distinguishes between eligibility for the benefit and capability for work. While the former will be determined on the basis of evidence provided by medical practitioners, the latter could be assessed by other health professionals as well.
- 66 Everyone who wants to work, whatever their health condition or disability, should get the necessary help and support to enable them to work as soon as they are able to do so. For the majority of people, the prospects are good with the right advice and help. However, we recognise that for people with the most severe functional limitations, it would be unreasonable to expect that they engage in work-related activity.
- 67 This group of people will fall into the new category of people who receive the Support component of the Employment and Support Allowance, and conditionality will not be imposed on them. It will differ from the current 'exempt' group, which it will replace, in that it will not be based on the nature of the specific illness or disability the individual has, but on the severity of the impact of that condition on the individual's ability to function. For example, blind people are currently consigned to the exempt group whereas most blind people, with support, are capable of and indeed wish to undertake suitable work. Our proposals will correct this anomaly.
- 68 Although it is likely that the majority of individuals in this new category will never be able to work again, we recognise that for some their situation may change such that return to some form of appropriate work may become an option. In these circumstances, individuals will be provided with the support necessary to help them achieve this if they wish. This group currently carries the working title of 'reserved circumstances' but we are seeking a more suitable name as part of our consultation process.
- 69 Following completion of the assessment, the report to the claimant's personal adviser will include a recommendation regarding an appropriate timescale for review. This will take into account the anticipated time for improvement in an individual's functional capability, assuming that appropriate health interventions have been undertaken. Recommendations for such interventions will also have been included in the report to the personal adviser. Review of progress will normally be no later than 12 months from the date of the previous assessment unless the person's condition suggests that a review in that timescale would be inappropriate.
- 70 We acknowledge that for many people the term Personal Capability Assessment has rather negative

implications and we therefore intend to change the name to reflect the enabling purpose of the assessment.

Mental health conditions

- 71 Around 40 per cent of all claimants are on incapacity benefits because of a mental health condition. These conditions can vary widely and be complex and challenging.
- 72 To respond to the needs of these individuals, we have invested heavily in training for personal advisers and in condition management programmes in Pathways to Work areas. We intend to develop our work with health services to meet the particular needs of this group, many of whom are likely to require ongoing support, whether they enter work or remain in receipt of benefits. Given the changing pattern of mental health, we need to ensure that the mental health component of the new medical assessment reflects the type of conditions prevalent today. Accordingly, we are convening a group of experts in this field to undertake a comprehensive review of this and make recommendations.

Appeals process

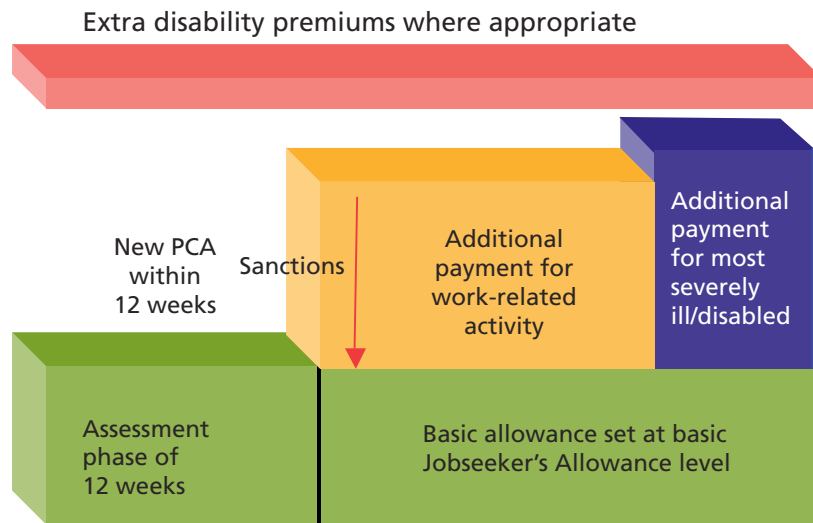
- 73 We recognise that a robust and independent appeals process is an integral part of any fair system of assessment. The current system generates a very high number of appeals, many of which are successful. We believe that improvements can be made so that the need for appeals is minimised. We intend to review the appeals process to:

- ensure that claimants have a clearer understanding of the basis for the initial decision, thus reducing claims resulting from a lack of that understanding;
- incorporate a comprehensive reconsideration process as part of the initial assessment of any appeal to further reduce the number of appeals needing to progress to tribunal, with clear feedback to appellants; and
- ensure that all new evidence is, wherever possible, included in the reconsideration process rather than at tribunal.

Increasing the number of people leaving incapacity benefits quickly: engagement and support for new claimants

- 74 The way that the welfare state interacts with people who are claiming benefits because of a disability or health condition needs to change. Building on the success of the Pathways to Work pilots, we need to engage people to support those who are able to work back into employment and use employer resources and expertise to improve access to job vacancies.
- 75 At the same time, we need to continue to offer support to people who are unable to work in either the long or the short term, while offering incentives to encourage people to prepare to work if they can. Where people are unlikely to be able to work for the foreseeable future, we will offer them unconditional support.

Figure 2.4: The new Employment and Support Allowance



A new Employment and Support Allowance

76 The Pathways to Work pilots have demonstrated that, with the right help and support, many people on incapacity benefits can move back into work, reinforcing our view that labelling people on incapacity benefits as 'incapable of work' is wrong and damaging. This, coupled with the complexity and structure of incapacity benefits, works against our intention to help people focus on their aspirations. So our next step is to replace incapacity benefits with an entirely new Employment and Support Allowance.

77 We propose that the new allowance focuses on how we can help people into work and does not automatically assume that because a person has a significant health condition or disability they are incapable of work. It is vital that the Employment and Support Allowance is built on the principle of rights and responsibilities.

78 The new allowance will:

- be an integrated, contributory and income-related allowance, replacing current Incapacity Benefit and Income Support on the grounds of incapacity;
- not automatically label someone as being 'incapable of work';
- not automatically go up the longer someone is on benefit, once the individual is in the main phase;
- provide underlying and targeted financial support for those with needs arising from health problems or disabilities;
- reward those who take steps to make a return to work possible, where that is reasonable; and
- do much to remove the complexity surrounding existing benefits.

The assessment phase

79 When an individual applies for the new allowance with appropriate evidence such as a medical certificate, they will

enter an assessment phase lasting three months. Individuals will have their functional capability assessed to determine their entitlement. While this process is undertaken, they will receive the assessment phase benefit, set at Jobseeker's Allowance basic rates (subject to income tests where individuals do not meet the contribution conditions).

- 80 During the assessment phase, we will not make any judgement about the most appropriate benefit for that individual. That said, we will ask all claimants to undertake a work-focused interview after eight weeks – as is the case at present – so that we can offer individuals the opportunity to access all the help that is available through Jobcentre Plus, for example, existing employment programmes. In this way, we can ensure that support is available before benefit assessment is finally determined.
- 81 We will undertake to complete the assessment, including the revised Personal Capability Assessment (as described above) within three months.

Employment and support – the main phase of the allowance

- 82 If the new Personal Capability Assessment confirms that a person is eligible for the new benefit, they will automatically move on to the main phase of the allowance. For most people, where a return to work (full- or part-time) is feasible in the short or medium term, they will receive the Employment Support component of the new allowance. This will be conditional

on drawing up a personal action plan focused on rehabilitation and eventually on work-related activity. This work-related activity group will be paid at a higher rate than during the assessment period. The additional amount will fix the total received by a claimant at a rate above the current long-term rate.

People with the most severe disabilities and health conditions

- 83 People with the most serious disabilities and health conditions would not be required to undergo such activity as a condition for the allowance, though they would be able to engage on a voluntary basis. After the assessment phase, they will be paid the Support component, and receive more money than they do now.

Continuous engagement

- 84 To help the work-related activity group engage, we will continue, as in Pathways to Work, to utilise the support and encouragement of our personal advisers. We will also use private and voluntary sector expertise to provide personal advice and support for individuals to help them back to work.
- 85 We anticipate that, given support to build up their capacity, most claimants will be capable of and would benefit from some form of activity or employment, which would often increase over time as personal advisers work with claimants to build up their individual capacity for work. As we learn more about what works, as the Pathways to Work approach is

Figure 2.5: Examples of activity suitable for inclusion in claimants' action plans

Activity type	Examples
<i>Work tasters</i>	<ul style="list-style-type: none"> ■ Work trials ■ Voluntary work ■ Permitted work ■ Preparation for self-employment
<i>Managing health in work</i> ¹⁸	<ul style="list-style-type: none"> ■ Condition management programmes ■ Progress to Work programme ■ NHS Expert Patients programmes
<i>Improving employability</i>	<ul style="list-style-type: none"> ■ Undertaking a basic skills programme ■ Over-50s 'confidence in working programme ■ Jobcentre Plus or external training programmes
<i>Jobsearch assistance</i>	<ul style="list-style-type: none"> ■ New Deal for Disabled People Job Brokers ■ Additional support from other specialist Jobcentre Plus advisers, such as Disability Employment Advisers, New Deal 50 plus, New Deal for Lone Parents, or similar external programmes ■ Independent job searches
<i>Stabilising life</i>	<ul style="list-style-type: none"> ■ Activities to stabilise health conditions (including mental health problems), for example use of cognitive behavioural therapy ■ Assessing childcare options ■ Managing financial situation ■ Stabilising housing situation

established across the country and as resources permit, we will ask everyone apart from those with the most severe disabilities and health conditions to engage in work-focused interviews, produce action plans and engage in work-related activity, or see their benefit level reduced.

- 86 Opposite are some examples of what type of activity might be considered as suitable for inclusion in the action plan. This list is not exhaustive, nor should it be seen as prescriptive.

Question 4:

Do the types of 'suitable activity' we have set out provide a sensible range of activities that could be undertaken in order to fulfil an acceptable action plan?

- 87 If individuals do not participate, as in Pathways to Work, their benefit will be reduced in a series of slices. Ultimately, if people continue not to comply, the benefit will return to the level seen during the assessment period.
- 88 Claimants will, as now, have a right of appeal at appropriate points in the decision-making process.

What about fluctuating conditions?

- 89 Not only do health conditions vary widely, but they can fluctuate in intensity. We need to have a system that can be flexible to the claimant's changing condition and both advisers and employers will need to deal with these challenges.

- 90 There are three broad scenarios we have to prepare for:

- a person who has an illness that has a varying impact on them on a daily or weekly basis;
- a person whose illness worsens, but is likely to improve again, or who needs a spell in hospital; and
- a person whose condition progresses with significant impact on their functional capacity, and which is unlikely to improve again.

- 91 For the first two groups, we propose that personal advisers should, wherever possible, agree appropriate action which reflects these variations. In a small number of cases, it may be necessary to allow a gap until the condition has improved sufficiently to enable some form of activity to re-commence. For the third group, personal advisers will look to establish whether they should move into the reserved circumstances group.

Additional costs of disability

- 92 As well as the higher amount of benefit paid either in recognition of the work-related activity an individual undertakes, or the unconditional support they need, many claimants will continue to be entitled to some of the disability-related benefits that currently exist. For example, Disability Living Allowance provides a non-contributory, non-income-related and tax-free contribution towards the disability-related extra costs of people who require personal care and/or have mobility difficulties. Because it is paid both in and out of work, it remains

available to disabled people who are able to return to work. We do not intend to make changes to Disability Living Allowance as part of these reforms.

- 93 For those receiving the means-tested part of the new Employment and Support Allowance, we propose that the current basic Disability Premium in Income Support be replaced by the new Employment Support and Support components. This will provide a 'something for something' contract, recognising an individual's right to support and responsibility to act within their capabilities. We also recognise that, for many disabled people, the extra support currently provided through the Enhanced Disability Premium and Severe Disability Premium is important. We anticipate that people on the income-related strand of the Employment and Support Allowance who meet the relevant criteria will continue to get the additional help currently provided through these premiums.

Question 5:

Is the combination of Disability Living Allowance plus the Enhanced Disability Premium/Severe Disability Premium for those on low incomes, the right way to target support towards disabled people with the greatest needs?

Contributory benefit additions

- 94 The current benefits system is complex and enshrines outmoded concepts that do little to support those with a health condition or disability back to work.

- 95 The new Employment and Support Allowance aims to tackle this and provide a modernised and simpler benefit. We propose that the Employment and Support Allowance should not contain age additions. These send the message to young people who are disabled early in life that society does not think it is a worthwhile aim for them to aspire to participate in the world of work. Instead, the new benefit will incentivise those incapacitated early in life to consider their capabilities and help them reach their goals.
- 96 We also propose that the Employment and Support Allowance should not contain adult dependency increases, which enshrine a system of 'dependent' spouses, rather than the equal partnerships of today.

Question 6:

Do you agree that these proposed simplifications more accurately reflect the principles underpinning our modern society?

What happens if people try working?

- 97 It is clear from our research that many people facing an illness or disability believe that to be on incapacity benefits you need to be incapable of any work and, worse still, that showing any potential for work risks disallowance.¹⁹ Alongside this, the name of the benefit clearly associates the claimant with being 'incapacitated' in some way.
- 98 These are not fair or helpful associations as they focus on what is limiting the individual, rather than focusing on their

potential. The new system will not equate a person's health condition or disability with incapacity to work. Rather the enhanced medical assessment and personal adviser processes will help people focus on what they could do, given the right support.

99 It is vital that a person making the move from benefits into work has the right financial security to back them up. Not least, people need to know they will be supported if things go wrong. The 'linking rules' in incapacity benefits previously allowed individuals to return to the same level of benefit they were on before going back to work (providing they still met the associated conditions) for the first year of being in work.²⁰ But they were complex and claimants had to apply for them.

100 We recognised the importance of doing better than this and making it easier for people to return to their previous benefit levels. We announced in the 2005 Budget that we will double the linking period to cover the first two years of being in work and we will make the process automatic. These changes come into effect from October 2006. We will transfer linking rules to the Employment and Support Allowance and will continue to consider, in the light of evidence, whether we can improve them yet further.

101 Even with the security of the linking rules, we appreciate that moving into work can be a daunting prospect for many reasons. We also need to make sure there are the right incentives to try working. This is why there are a number of options for people to try out work before leaving incapacity benefits.

For example, claimants can undertake unlimited voluntary work, and various forms of part-time paid work.

102 Volunteering is one of the key ways an individual can build up confidence and gain valuable work-related skills after a period out of work. People on incapacity benefits can already undertake unlimited voluntary work for charities and voluntary organisations and we intend to extend this provision to the new Employment and Support Allowance.

103 The recent Russell Commission report on youth action and engagement recommended that young people on benefits and their families should not suffer a financial barrier when they volunteer. The Department for Work and Pensions and the Home Office are working together to communicate existing rules more effectively to volunteer-involving organisations, local authorities and young people.

104 Key to making these changes have an impact is ensuring that people are aware of the opportunities. We are issuing detailed guidance to our staff about how to encourage claimants to volunteer without affecting their benefit entitlement.

105 For people currently on both income-related and contributory incapacity benefits, it is possible to earn a certain amount of money without affecting benefit entitlement. People can undertake some part-time and temporary work or engage in work trials without their benefits being affected. This allows people a period of financial stability while they adjust

to working (via a small number of hours a week) and move towards more sustained employment. This option has often been a vital tool to build up an individual's confidence to make that last step into work. But in their present form, these rules are not as effective as we would like in acting as routes into work, and are underused.

- 106 We are looking at this provision, alongside the measures outlined above, to see what improvements we can make to ensure that we offer the clearest possible incentives into work in the new Employment and Support Allowance. We are already moving in this direction. For example, we have announced changes to permitted work that will improve the support and guidance available from personal advisers and we have also announced that we are going to make it easier for people on incapacity benefits to undertake test-trading (preparation for self-employment) while retaining their benefit, as we believe that self-employment offers one of the best and most flexible routes back into the labour market for people with health conditions and disabilities.
- 107 These improvements will be carried into the new benefit and we will continue to look for further ideas to help people take opportunities without fear of their benefits being removed.
- 108 We will also need to ensure that work pays for people moving into employment. We would therefore envisage the roll-out of the 'Return to Work Credit' in new Pathways to Work areas.

Question 7:

How do you think that we can best improve work incentives within the new Employment and Support Allowance so that individuals have the opportunity to try out periods of work and progress to full-time work where possible?

Addressing the needs of all those on the benefit: engagement and support for existing claimants

- 109 The benefit structure and conditionality requirements outlined above will only apply to new claimants. Existing claimants will remain on their current benefit level. However, many existing claimants will have potentially manageable conditions, which may have changed or improved while they have been on benefits. We propose to work more proactively with this group of people, balancing their responsibilities to prepare for a return to work with the need to treat them fairly.
- 110 The Pathways to Work pilots have, since February 2005, been extended to require some existing claimants to take part in three mandatory work-focused interviews, and will be extended to cover more of the caseload on a mandatory basis in the pilot areas from April 2006. And, as has been the case in all of the original seven Pathways to Work pilots from their inception, anyone already on incapacity benefits may volunteer for the support we offer – support that we will highlight to individuals so that they are fully aware of what is available to them, for example by providing information at medical examination centres when

- claimants attend for review. This will be especially important for people whose health condition has changed or improved.
- 111 In addition to this option of volunteering for help, in time we will increase the frequency with which claimants are assessed and have to attend work-focused interviews. As resources allow, we will, over time, consider extending work-focused interviews to existing claimants to ensure that they are aware of the opportunities available to them, including Pathways to Work support as it becomes available. This will be in addition to the regular Personal Capability Assessments that people will undergo to gauge whether their condition has changed or improved.
- 112 It is estimated that around 1.2 per cent of expenditure on incapacity benefits is overpaid through fraud and error – this is one of the lowest rates across the benefits system. Despite this relatively low level of fraud and error, we are not complacent and we continue to seek to drive out all types of error in incapacity benefits, as we do with all other benefits, through our current and developing range of policies aimed at tackling fraud and error.
- 113 The more proactive and more frequent engagement with future claimants that is envisaged under the new Employment and Support Allowance will itself reduce the risk of fraud and error creeping in. It will help ensure that the level of benefit in payment remains correct over time.
- 114 But we recognise that there may be a minority of claimants who, although able to undertake some work, will seek to prolong unnecessarily their time on the protected level of incapacity benefits. It is important, therefore, in the interests of fairness to genuine claimants and to the taxpayer, that we identify any such cases and review them. Therefore, in line with our core principle of balancing rights with responsibilities, we will complement the existing routine case review (currently held at varying intervals) by introducing the additional safeguard of randomly selected, ad hoc case checks, to be carried out by a dedicated team which will be specially created for this purpose. Where these checks produce doubt about the nature or extent of an individual's incapacity, a fresh Personal Capability Assessment will be required.
- 115 This process will provide confirmation to the genuine claimant of the appropriateness and correctness of their ongoing entitlement and also assurance to the taxpayer of the integrity and security of the benefit.
- 116 Building on these measures, and learning from the evidence gained, we will set out later a strategy specifically aimed at the barriers faced by existing claimants. A key part of this strategy will be the initiative on cities, described in Chapter 5. We will discuss our developing strategy, as well as ways of ensuring fairness for existing claimants, with stakeholders.

Addressing the needs of all those on the benefit: raising expectations

- 117 Disabled people looking for work face a range of barriers – discrimination, policy design and delivery, physical and environmental barriers, and a lack of empowerment. We need to change the current culture and raise the expectations of employers, health professionals and disabled people themselves that these barriers can be overcome.
- 118 Since 1997, we have set about implementing the most profound extension of disability rights this country has ever seen. We have strengthened civil rights for disabled people in such areas as access to goods and services, and to public transport, and we established the Disability Rights Commission in April 2000 to help disabled people understand and enforce their rights.
- 119 In October 2004, we extended the employment provisions of the Disability Discrimination Act 1995 to provide protection against discrimination for an additional 600,000 disabled workers. A further 7 million jobs and 1 million employers were brought within the scope of the employment provisions of the Act. Most recently, amendments made to the Disability Discrimination Act in 2005 require public authorities to promote equality of opportunity for disabled people. The legislation will ensure greater opportunities for disabled people to work by tackling discrimination in recruitment and employment.
- 120 The Prime Minister's Strategy Unit report *Improving the life chances of disabled people*²¹ sets an ambitious 20-year vision to bring disabled people fully within the opportunity society. The radical programme of service delivery reform set out in this report; the Department of Health's Green Paper *Independence, well-being and choice*;²² and the forthcoming Department of Health White Paper *Well-being in our communities: A new direction* will increase the opportunities available to disabled people to take fuller control of their lives.
- 121 The Strategy Unit report proposed a new cross-government Office for Disability Issues, to act as a focal point within government and drive forward the implementation of the overall strategy. This was established on 1 December 2005.
- 122 The report also recommended measures including:
- improving support for families with young disabled children;
 - helping a smooth transition into adulthood by, for example, removing 'cliff edges' in service provision;
 - improving the support and incentives for entering and staying in employment; and
 - encouraging more employers to recruit and retain disabled people while making the Government's welfare-to-work initiatives respond more effectively to the needs of both employers and disabled people.

123 The Government is developing individual budget pilots in 13 local authorities in England. These will build on the existing direct payment schemes operated by social services departments to give severely disabled people and others more choice and control over the support provided by different agencies. The aim will be to ensure that people who receive support or services are at the centre of the process and have the power to use their budget in a way that best suits their own particular requirement.

124 The pilots will look at practical ways of streamlining assessments and pooling funding streams, including social services support, the Supporting People and Access to Work programmes, and Disabled Facilities Grants for housing adaptations. Just as importantly, the pilots will also be looking at support arrangements, including effective advocacy for disabled people, to ensure that they are confident in managing their budgets independently.

125 Each local authority is trialling a different mix of services, client groups and support to test out different potential arrangements. Severely disabled people who receive incapacity benefits will be among the service users involved in these pilots. This means that, as the pilot programme works to develop viable models of individual budgets, the needs and requirements of this group will be taken fully into account. We will also ensure more broadly that we join up the developmental work on individual budgets and the continuing development of the welfare reform programme.

Delivering the reforms

126 Given the significant resource commitment that these reforms represent, we will clearly wish to ensure that we base our reforms on the best possible evidence. As well as building up the evidence base through rolling out the Pathways to Work pilots to the rest of the country, we will wish to build up increased conditionality on the basis of what evidence tells us is most effective. We would envisage doing this from 2008. However, many of the other measures outlined in this Green Paper will be implemented across the whole country before the new Employment and Support Allowance comes into full effect.

Helping lone parents



Chapter 3

Chapter 3

Helping lone parents

- 1 The lone parent employment rate has seen significant improvement since 1997 and is at a record level of 56.6 per cent. However, the number of lone parents out of work and claiming Income Support remains high. There is a continuing disparity, with lone parent employment rates lagging behind those of partnered mothers.
- 2 This has a significant impact on poverty. Most non-working lone parent families are poor, as defined by living in a low-income household, and they are particularly likely to experience persistent poverty and deprivation. The Government is helping to make provision available to enable lone parents to work, but in return we believe that lone parents have a responsibility to make serious efforts to return to work, especially once their youngest child reaches 11. Moving into work can improve their own lives, and the lives of their children too.
- 4 There are some 1.8 million lone parents of working age in Great Britain, of whom fewer than 170,000 are lone fathers. Of the total, 787,000 lone parents are on Income Support, 230,000 fewer than in 1997. In addition, a small number claim because they are sick or disabled, or claim Jobseeker's Allowance. A significant proportion of lone parents move from Income Support to incapacity benefits when their youngest child reaches 16, which is why we need to have a coherent package of reforms for both groups.
- 5 In spring 2005, the lone parent employment rate reached 56.6 per cent, an increase of just over 11 percentage points since 1997. This is the highest lone parent employment rate on record, and for the first time ever there are now over 1 million lone parents in work – 318,000 more than in 1997. Despite this success, the number of lone parents out of work and claiming Income Support remains high, both historically and in relation to other countries.

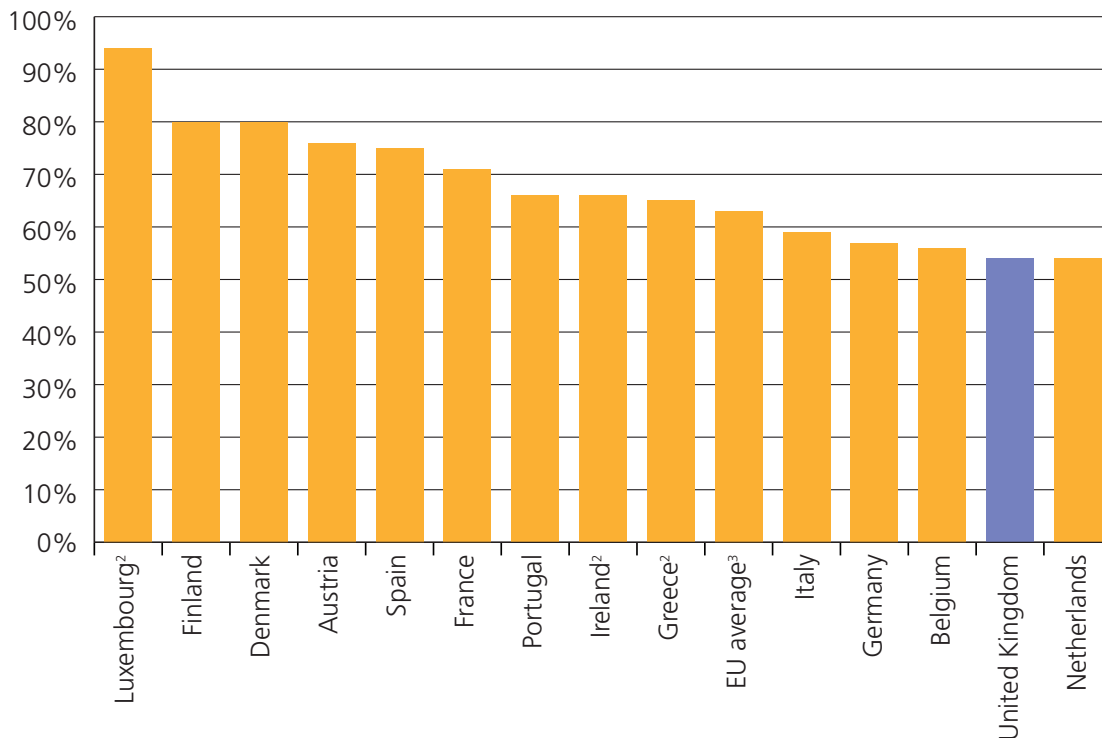
The challenge

- 3 Helping lone parents return to the labour market is the most effective way to ensure their social inclusion and the best route out of poverty for them and their children. Additionally, the increase in sustainable employment that results in the long term raises the productive potential of the economy, and these gains are spread more evenly throughout society.

International comparisons are not altogether straightforward, as the definition of a lone parent varies from country to country. But key features of all countries with a high proportion of lone parents in employment include the availability of good-quality, affordable formal childcare, and strong requirements to seek work combined with financial incentives to do so. Additionally, the international evidence shows that stricter conditionality can have a very limited benefit if it is applied without childcare support and incentives to work. Stronger requirements can be crucial in getting lone parents off benefits, but the macroeconomic environment is a key determinant of their participation in the labour market.

- 6 In the UK, lone parents, especially lone mothers, are much less likely to participate in the labour market than partnered mothers with children of the same age. Around 72 per cent of partnered mothers are in employment, compared with 56.6 per cent of lone mothers and 70 per cent of lone fathers. There are a number of reasons why a higher percentage of lone fathers are in work than lone mothers. These include that, on average, they have fewer and older children, are older than lone mothers (87 per cent are over 35, compared with 58 per cent of lone mothers) and have higher qualifications.
- 7 Most non-working lone parent families live in a low-income household, and they are particularly likely to experience persistent poverty and deprivation.

Figure 3.1: Employed lone parents aged 25 to 49 in 2003¹



Source: Eurostat

Notes: 1 Figures are for all lone parents aged 25 to 49 in employment in 2003, excluding those who are self-employed.

2 Unreliable or uncertain data.

3 Eurostat estimate.

Finding work is the surest way out of poverty because:

- a change in labour market status and earnings accounts for roughly two-thirds of exits from low income;
- non-working families are four times more likely to experience severe hardship than those working; and
- achieving the 70 per cent lone parent employment target would lift around 300,000 children out of low income, which would make a significant contribution to our target to halve child poverty by 2010.

Progress so far

- 8 Since 1997, we have made huge strides in developing the support available to lone parents. The lone parent population is not static: people move in and out of lone parenthood. The Government has made significant investment to help parents stay in work, return to work and balance the demands of work and family effectively. The National Childcare Strategy, the National Minimum Wage, tax credits and the introduction of flexible, family-friendly policies in the workplace benefit all parents.
- 9 In April 2001, we started to roll out mandatory work-focused interviews to all lone parents. These ensure that they know about the opportunities available to them and the benefits of work. About 750,000 lone parents have joined the New Deal for Lone Parents to access help, supported by their personal adviser, and 410,000 have moved into work. The New Deal for Lone Parents, launched nationally in October 1998, is a voluntary programme that helps lone parents achieve job readiness through a range of provision. The New Deal is very effective: one in two lone parents moves into work with the support of their personal adviser.
- 10 The success of these initiatives has encouraged us to go further – introducing an additional interview at the six-month stage for new claimants. From October 2005, we extended this to quarterly interviews for lone parents whose youngest child is aged at least 14, to prepare individuals for the transition to employment when their child reaches school leaving age.
- 11 We continue to keep our programmes under review, and to make changes where this will help lone parents move into or stay in work. For example, we are considering options for changing the ‘notional earnings’ rule, which can act as a disincentive to lone parents taking part in some programmes. This will enable participants to access a wider range of local training and support without their benefit entitlement being affected. We also want to work proactively with employers to develop work taster programmes for lone parents.
- 12 We want to support lone parents to help keep them in work and stop them moving or returning to a life on benefits. We will explore new ways of increasing the support that Jobcentre Plus can give to lone parents who are moving into work or are already in work. And we will ensure that lone parents know they can contact Jobcentre Plus for advice on the full range of support that is available to

them – including help with housing costs, tax credits, childcare and more – before making important decisions about balancing work and their family responsibilities.

- 13 The programmes we have developed give lone parents more choices than ever before. In England, we have established 524 Sure Start local programmes, offering a range of early learning, childcare, health and family services to over 400,000 children in the most disadvantaged areas. These also provide invaluable support and advice to parents.
- 14 Our ten-year childcare strategy, *Choice for parents, the best start for children*,²³ will build on this achievement through a network of 3,500 integrated children's centres across the country – one in every community. Networks of Extended Schools will provide wrap-around childcare to suit the needs of working parents. Our commitment to providing, by 2010, an out-of-school childcare place between 8am and 6pm for all children aged 3 to 14 will be of real benefit in enabling parents – particularly lone parents – to go to work, knowing that their children have a safe and stimulating place to go. By 2010, there will be over 2 million sustainable childcare places for children up to 14. These reforms will ensure that appropriate high-quality care is available so that parents have greater choice in balancing work and family life.
- 15 Since devolution, the Scottish Executive has built on the childcare strategy introduced by the UK Government in 1998 – *Meeting the childcare challenge – A childcare strategy for Scotland*.²⁴ It also aims to make high-quality, accessible and affordable childcare available in every neighbourhood. In addition, the Working for Families Fund supports parents in disadvantaged groups and areas with affordable and accessible childcare, to ensure that this is not a barrier to their entering education, training or employment.
- 16 The Welsh Assembly published a childcare strategy for Wales²⁵ in November 2005, building on achievements to date in developing and expanding the availability of locally accessible, affordable and good-quality childcare in Wales. The Genesis Wales project, funded by £12.5 million of European Structural Funds, is providing a comprehensive package of advice, guidance, support and childcare for people wishing to access work, training or learning opportunities.
- 17 The Secretary of State for Northern Ireland has announced plans for a new drive to deliver access to high-quality, affordable childcare to help those bringing up a young family enter or return to work. In addition, as part of a Children and Young People's Funding Package, there will be an expansion of the Sure Start infrastructure, bringing a range of social and pre-school provision to children and families in the most disadvantaged areas. This will be complemented by a major initiative to develop Extended Schools, offering high-quality, structured activities before and after school, tailored to meet the particular needs and circumstances of the pupils and their families and communities.
- 18 The Employment Act 2002 introduced new legislation in the UK specifically

to help working parents. Since 2003, parents with young and disabled children have received more support than ever before to balance childcare and work in ways that benefit everyone: employers, employees and their children. Rights to request flexible working and increases in maternity and paternity pay and leave all assist parents in achieving a balance between home and work responsibilities.

A more radical approach

19 Lone parents are naturally concerned that if they go to work their children should be well looked after. This is true not just for those whose children are too young to go to school, but also for lone parents with school-age children, who need to be assured that they will be well cared for after school and during the holidays. It is right that the Government should help make provision available to enable lone parents to work, but in return we believe that lone parents have a responsibility to make serious efforts to return to work, especially once their youngest child reaches 11. This will improve their own lives, and the lives of their children too.

Extending opportunity

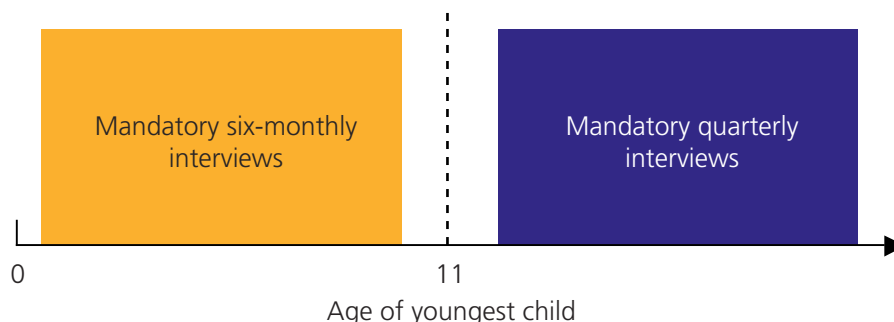
More frequent work-focused interviews

20 Our roll-out of compulsory annual work-focused interviews to lone parents who are claiming Income Support has shown that such interviews help lone parents think about work, and many go on to prepare for it by joining the New Deal for Lone Parents. So our next step is to build on this success by further increasing the frequency of the interviews.

21 We propose, as resources allow, to:

- hold mandatory interviews every three months with lone parents who have been claiming Income Support for at least a year and whose youngest child is at least 11;
- introduce six-monthly interviews (twice as frequent as now) for all lone parents who have been on benefit for at least a year and who are not required to take part in more frequent work-focused interviews; and
- pilot providing more intensive support for lone parents during the first year of their claim. During this time many people are still adapting to their changed circumstances and will need more help.

Figure 3.2: Planned new interview regime



Work-Related Activity Premium

- 22 We recognise that regular contact with a personal adviser may not in itself be sufficient to encourage lone parents to return to work. Making the move from being on benefits to working can be a big step, so we intend to pilot a new incentive to ensure that lone parents are better off if they take serious steps towards preparing for work. This incentive will focus, at least in the first instance, on all lone parents whose youngest child has reached the age of 11. When the youngest child begins secondary education, many lone parents feel more able to think about returning to work but need support to enable them to turn this aspiration into a reality.
- 23 Of lone parents with a youngest child aged at least 11, 68 per cent are already in work. Nationally, there are 150,000 lone parents on Income Support with the youngest child aged between 11 and 16. This group faces fewer childcare constraints than those with younger children, and it is reasonable to ask them to consider undertaking activities appropriate to their individual circumstances which will prepare them to re-enter the labour market. The OECD has said that “once employment and childcare support is available on a comprehensive basis, it would be reasonable to oblige sole parents on Income Support to make use of it”.²⁷ By 2008, half of all families will have access to school-based care for 5 to 11-year-olds. By 2010, all parents of school-age children will have access to care from 8am to 6pm all year round. There will be 2,500 children’s centres by 2008 and a further 1,000 by 2010, providing services for children of pre-school age.
- 24 It is therefore reasonable to expect more lone parents to take advantage of the support available to them and to take steps to help themselves and their families. In February 2005, we announced our intention to ask lone parents with older children to engage in some work-related activity, in preparation for returning to work. In recognition of this participation, we will pay a premium in addition to Income Support, and we suggest this should be £20 a week. We will test this payment to lone parents who have been on benefits for at least six months and whose youngest child is aged 11 or over. Getting the new premium will be conditional on the lone parent undertaking work-related activity agreed with a personal adviser.
- 25 We recognise that for some lone parents, for example those with additional caring responsibilities, work-related activity may not be an immediate option. Participation will therefore be voluntary – if a lone parent decides not to do any work-related activity, their entitlement to Income Support will not be affected, but they will not qualify for the extra payment. We will assess the effectiveness of the pilot before moving further.
- 26 We expect that the majority of lone parents of older children will be keen to take advantage of the new financial incentive, and will want to work with a personal adviser to improve their readiness to work. But we also know that many lone parents on benefits with children younger than 11 are keen to

work, and making the new premium available to them could encourage them to take active steps to return to the labour market.

Question 8:
 Would it be reasonable to extend the Work-Related Activity Premium, and the associated requirement to take steps back to employment, to lone parents with children younger than 11? If so, what age should be the cut-off point?

27 The nature of the work-related activity will vary according to the needs of each individual lone parent. We know that

some lone parents with older children will have recent work experience and will need relatively little help and support to get them back to work. But others will have been on benefits for some time and will need to move forward more gradually. Lone parents will need to identify their barriers to work and the steps that will be necessary to manage or remove them.

28 We envisage that the Work-Related Activity Premium will be payable for up to six months. However, we recognise that lone parents who are some distance from the labour market may

Figure 3.3: Examples of work-related activities suitable for lone parents

Activity type	Examples
<i>Work tasters</i>	<ul style="list-style-type: none"> ■ Work trials ■ Structured voluntary work ■ Preparation for self-employment
<i>Improving employability</i>	<ul style="list-style-type: none"> ■ New Deal for Lone Parents ■ Basic skills training ■ Confidence building ■ Mentoring ■ Labour market orientation/employer awareness ■ Health management, for example NHS Expert Patients programmes ■ Work-related training ■ Wider Jobcentre Plus and external training programmes
<i>Jobsearch assistance</i>	<ul style="list-style-type: none"> ■ Help from a personal adviser ■ Information, advice and guidance ■ External agencies ■ Independent job searches

need to undertake a sequence of activities, each building on the previous one, to bring them closer to employment. Others may need to undertake training that runs beyond the end of the six-month period – perhaps because a particular course is not available in the early part of the work-related activity period. We will therefore consider, when a personal adviser and the lone parent have agreed a course of activity that will run beyond six months, whether the premium should be payable for a longer period.

Question 9:

In what circumstances do you think it would be reasonable to extend the six-month Work-Related Activity Premium period?

Partners

- 29 There is now widespread agreement that the programme for supporting and helping lone parents into work is vital for them, for their children and for our drive against child poverty. But we still need to do more for the partners of people on benefits who are not in work themselves and are not engaged in our active welfare-to-work programmes.
- 30 We have moved a long way from the model of a household with a single breadwinner and a dependent spouse. While some partners will not be in a position to consider work, for example because of substantial caring responsibilities, there are significant numbers who, with the right support, could move into full time or part time work. They will be able to contribute to raising the standard of living for themselves and their families, and to

enjoy the wider benefits of working. It is clearly right that people who are partners of benefits claimants and who have not reached State Pension age should be helped to return to employment, or have the opportunity to access the world of work for the first time.

- 31 In April 2004, we introduced the enhanced New Deal for Partners, and a requirement that partners of people receiving benefits should be asked to participate in a work-focused interview. These interviews are currently being introduced across the country, linked to the opening of Jobcentre Plus offices. Partners of people receiving Working Tax Credit or Pension Credit, and working less than a certain number of hours a week, can also access help.

Making a difference

- 32 Our policies are already making a difference to the lives of people and their families in all sectors of society. Building on the evidence we have gained so far, we believe that the enhanced support and incentives proposed in this chapter will create the right environment for lone parents and partners to make their own informed choices and find their route back into work.

Helping older workers



Chapter 4

Chapter 4

Helping older workers

- 1 By 2024, an estimated 50 per cent of the adult population will be over the age of 50, due to the combination of increased life expectancy and low birth rates. But although people are living longer than ever before, they are spending a relatively lower proportion of their lives in work than previous generations. Unemployment among people over 50 is low, but inactivity is high and many people leave work early due to ill health. Those out of work tend to face greater barriers in returning to work than other age groups.
- 2 The overall effect is that employment rates among those aged between 50 and State Pension age are lower than in the population as a whole. The consequences of this are far-reaching, both for the economy and for the ability of individuals to make provision for later life.
- 3 Many people want to carry on working into their 60s. Indeed, around 1 million people already work past State Pension age. For those who want to work longer there remain structural, personal and cultural barriers. The culture of early retirement persists, as does discrimination against older people. We need to increase the average age of retirement by providing incentives and support to help people to return to work more quickly and to stay in work for longer.
- 4 We have already made good progress and intend to build on this. Employment rates among the over-50s have steadily improved, and the gap between the overall rate and the rate for older workers has reduced. We are considering a variety of options in light of the Pensions Commission's report and will set out our proposals for reform in spring 2006. More immediately we wish to boost support for people returning to work and provide better information to people about the work and retirement options available to them. To do this we will:
 - align our additional employment support for the long-term unemployed with that for younger age groups by requiring people aged between 50 and 59 to take up additional jobseeking support through New Deal 25 plus;
 - improve back-to-work support for Jobseeker's Allowance claimants and their dependent partners who are over 50;
 - pilot face-to-face guidance sessions with people approaching or over 50, to deliver tailored and relevant information on working, training and planning for retirement; and
 - work with employers to extend flexible working opportunities to older workers.

The challenge

- 5 The ageing population presents us with two major challenges:
 - how to support the growing numbers of pensioners in retirement, given the decreasing proportion of workers in the population in future, while maintaining a strong and competitive economy; and
 - how to enable individuals to build the income they need to meet their aspirations for retirement.
- 6 Our aim to support and encourage people over 50 to stay in work addresses both of these issues by:
 - increasing the proportion of the population in work, which will improve the affordability of pensions and generate growth in the economy;
 - increasing the length of working life, although not the proportion of life spent in work; and
- 7 The last 50 years have brought dramatic and welcome increases in life expectancy. Paradoxically, the same period has also seen a steady decrease in the average age at which people stop working, a trend which has only recently reversed. The result is that the average percentage of life spent in retirement by adult men has increased from 18 per cent in 1950 to 31 per cent in 2005.
- 8 These changes pose large challenges for society and for the individual. Early withdrawal from the labour market means that the economy loses skills and productivity.²⁷ For the individual, his or her ability to save enough for a long, comfortable retirement – both through National Insurance contributions and private pensions – is limited. Many leave the workforce without planning for their later life. Of those people retiring voluntarily before State Pension age, we know that only a third consider the full financial effects of that decision.

Percentage of male adult life spent in retirement

Due to rising life expectancy, today's average male who works to 64 will spend the same proportion of his life in work and in retirement as someone retiring at 67 in 2050. In 1950 the average male retired at 67 and spent a much lower proportion of his life in retirement.

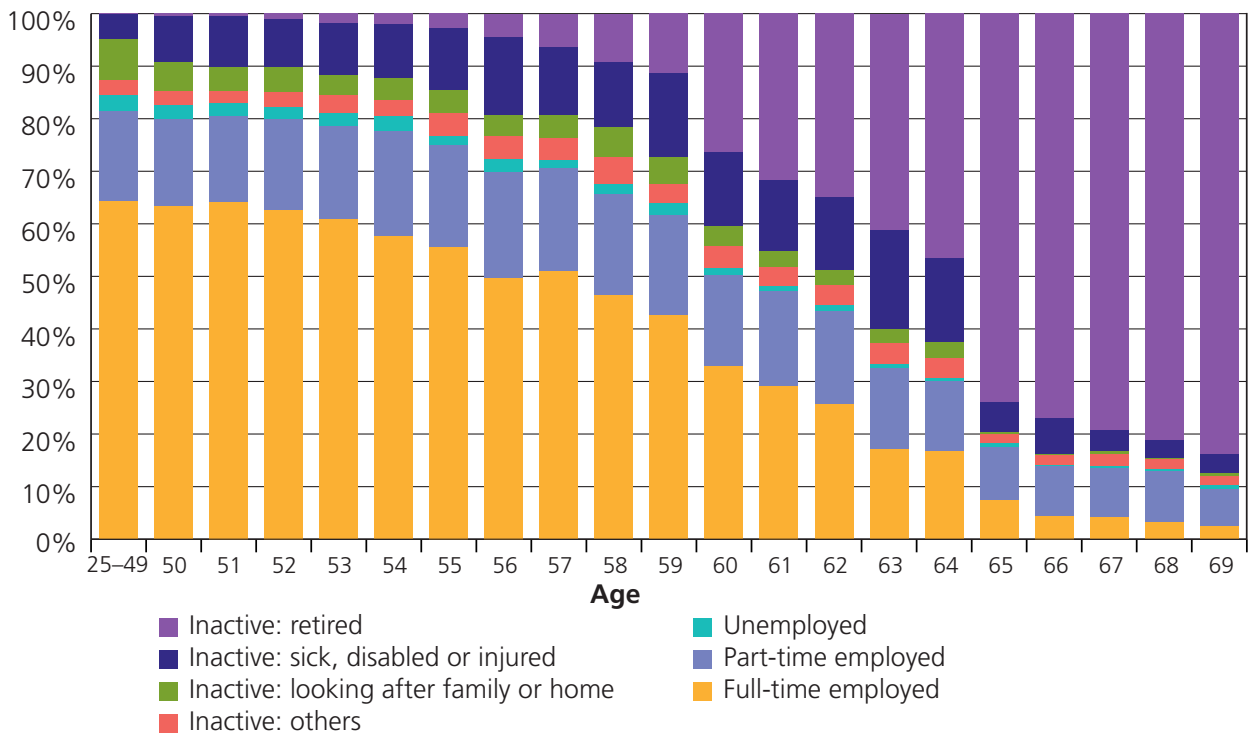
	1950	2005	2020	2050
Retirement age	67	64	65	67
Years of life expectancy at retirement age	10.8	20.4	20.9	21.8
Percentage of adult life (18+) spent in retirement	18%	30.7%	30.8%	30.8%

- 9 The trend for people to spend longer in education and start work later means that time spent in work will be further reduced if we do not reverse the trend of early retirement.
- 10 There are 8.8 million people aged between 50 and the State Pension age (60 for women and 65 for men) in private households in Britain. Of these, nearly 30 per cent (2.6 million) are not working, 1.4 million are claiming sickness and disability benefits, and just over 140,000 are claiming Jobseeker's Allowance. Additionally, over 250,000 are dependent partners of benefit claimants, many of whom are women.
- 11 Looking below these figures shows a more complex picture with different features for different age groups. More people aged 50–59 are economically

inactive due to ill health than due to retirement or unemployment. Employment levels are high among people in their early 50s (around 80 per cent), but there is a steep shift from employment to inactivity from age 59 onwards. The most common time for the change from employment to retirement to occur is between the ages of 60 and 65. As people approach 65 part-time work becomes as common as full-time work, which indicates the importance of opportunities for flexible working during the transition to retirement.

- 12 We know that people who work up to the State Pension age are much more likely to continue in work beyond that age. Around 1 million people are working beyond the State Pension age today, many in part-time work and self-employment. Our policies need to

Figure 4.1: Economic activity by age in Great Britain



Source: Office for National Statistics, Labour Force Survey, autumn 2004

reflect the different circumstances and features of these age groups.

A million older workers

- 13 Having an additional 1 million older people in work is a challenging but achievable aim, but it cannot be accomplished overnight. This is an aspiration for the long term, for beyond 2020. The timescale takes into account the fact that the equalisation of women's State Pension age with that of men at age 65 (rising gradually between 2010 and 2020) will be critical in securing more older people in work, and it also corresponds with the period when the ratio of pensioners to those below the State Pension age is projected to start rising.
- 14 The signs for the future are good, with the next generations of older people likely to benefit from improving health, higher levels of qualifications and greater flexibility in the workplace. With proportionally fewer younger people in the labour market, demand for older workers should grow. But growth will depend on the continuation of a stable economic environment and good labour market conditions, and could be constrained by employers and individuals not responding to demographic changes. If employment rates were to remain constant from 2004 to 2025, the change in the age structure of the population alone could decrease the proportion of 16 to 69-year-olds in work from 69.2 per cent in 2004 to 67.5 per cent in 2025.²⁸
- 15 As unemployment among the over-50s is low, future long-term increases in employment will need to come from

retaining people in work for longer and from the economically inactive. The inactive are the furthest from the labour market and so can be the hardest to help. For those who are unemployed, more effort will be needed to ensure access to jobseeking support. Older people in employment will need the flexibility to work in a way that suits their personal circumstances.

- 16 There are a number of potential barriers to employment growth which will need to be considered and addressed. These barriers fall into three groups: structural, personal and cultural.

Structural barriers

- 17 Decisions about work and retirement can be influenced by the availability of different sources of income and their associated conditions and rules. Individuals may also respond to financial incentives or barriers. These include the structure of the tax and benefits system, the role of employment programmes and the rules of pension schemes.

Personal barriers

- 18 Many factors affect the decision to retire, but surprisingly few people consider the financial implications. Key factors include:
 - health and disability issues – the main reason for people leaving work before State Pension age. Half of people claiming incapacity benefits are over 50, and reforms are therefore particularly relevant to this group;
 - caring responsibilities, which peak between the ages of 45 and 65;

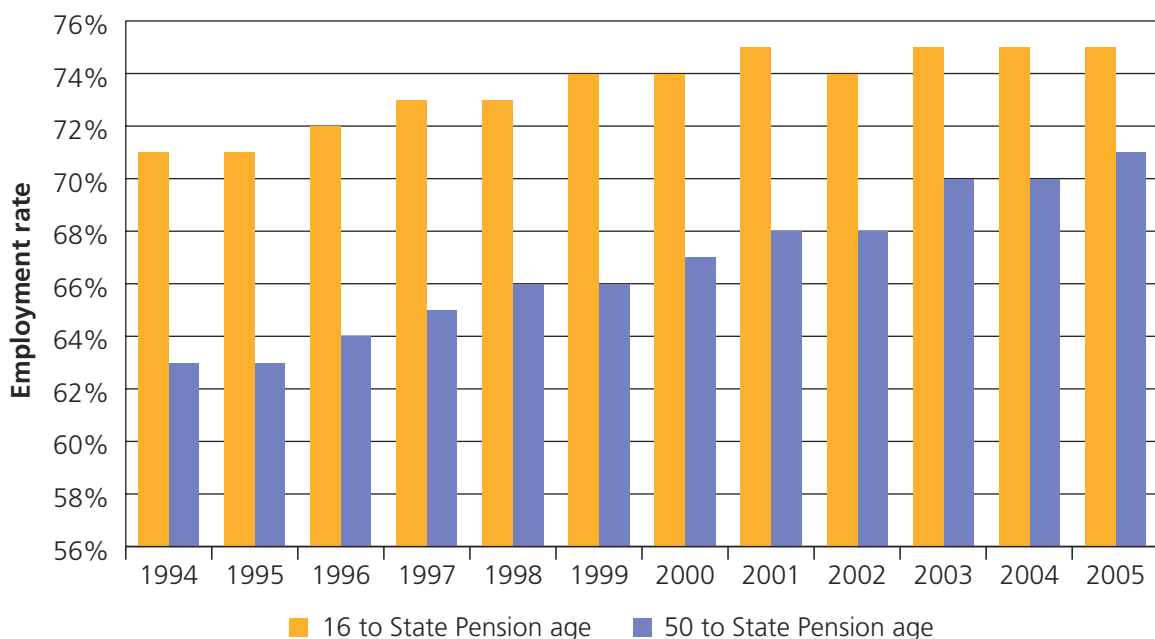
- a lack of flexible working opportunities, which makes retirement a 'cliff edge', with a dramatic shift from full-time work to full-time economic inactivity; and
- lower levels of formal qualification and less propensity to train (employment rates are lower among those with no qualifications).
- individuals have unrealistic aspirations for early retirement, which are unlikely to be realised without sensible planning and significant saving, and they also worry that healthy time in retirement will be lost to work;
- some employers have outdated prejudices about the capabilities of people over 50, which can lead to discriminatory or inflexible employment practices and to people feeling forced out of work;
- many employers and individuals mistakenly believe that older people must leave the workforce to ensure that there are enough jobs for younger workers. In fact, more people working means more growth in the economy, resulting in more jobs for workers of all ages.

Cultural barriers

19 Individuals' and employers' attitudes to and decisions about work and retirement are influenced by a number of cultural factors. We find, for example, that:

- people assume that their own life expectancy will be lower than official estimates. The average man reaching 50 today can expect to live for another 33 years to age 83, and the average woman another 36 years to around 86;

Figure 4.2: Difference in employment rates between the working-age population and people aged between 50 and State Pension age (spring of each year, Great Britain)



Source: Labour Force Survey

Progress so far

- 20 Good progress has been made in recent years on improving employment rates among older people. Although we have not returned to the high employment rates of the 1970s, recent years have seen steady improvement. Since 1997, the employment rate for people aged between 50 and State Pension age has risen by six percentage points, from 64.7 per cent in spring 1997 to 70.7 per cent in spring 2005.
- 21 In recent years the gap between the employment rate of older people and the overall rate has declined. Employment rates for men aged between 50 and State Pension age are higher now than since the early to mid-1980s. The proportion of people in this age group receiving unemployment or incapacity benefits is lower now than it was in the late 1990s. There are now around a million people over the State Pension age in work.
- 22 We are also doing well in comparison with other countries. In 2004 only Sweden and Denmark among EU members had a higher proportion than the UK of people in employment aged 55–64.
- 23 The 2002 Green Paper *Simplicity, security and choice: Working and saving for retirement*²⁹ sets out a number of initiatives that we have now introduced or are in the process of introducing.
- 24 The New Deal 50 plus has supported over 150,000 job entries since April 2000. Back-to-work help is now available to people claiming Pension Credit (from age 60). Our 'Age Positive' campaign has influenced employers by promoting the business case for age-diverse workforces, and every year sees increasing demand from employers for information about adopting non-ageist employment practices.
- 25 This year will see the introduction of legislation which, for the first time, will give people the right to challenge age discrimination in the workforce and will mean that employers will have to treat their staff fairly, whatever their age. We will also be introducing a default retirement age of 65, below which employers will not be able to force people to retire (unless it can be objectively justified). Employers will also have a duty to consider requests to work beyond age 65.
- 26 We have already made it clear that, ultimately, we envisage a future in which people have complete freedom of choice over when to stop working. Indeed, many employers are already realising the benefits of operating without a retirement age. The default retirement age will be carefully monitored, and in 2011 we will undertake an evidence-based review. If this review suggests that we should abolish the default retirement age, then that is what we will do.
- 27 Alongside these measures, the Commission for Equality and Human Rights, due to be established by late 2007, will provide effective guidance to employers and individuals on good practice in employment with respect to age, and will support implementation of the legislation. The Arbitration and Conciliation Service will provide guidance in advance of the Commission

coming into being. Our 'Be Ready' campaign, launched in May 2005 and delivered in partnership with business groups and trade unions, has already begun to influence employment practices and raise awareness of the forthcoming legislation.

- 28 In April 2005, more generous options for delaying taking the State Pension were introduced. For the first time, these included the option to take a lump sum, making it more desirable to put off retirement for longer. For those wishing to work more flexibly in the transition to retirement, we will also be introducing changes to the rules on non-state pensions, so that (where schemes allow it) people can draw part of their pension while continuing to work for the same employer. This change will come in from April this year.
- 29 In the medium term, structural changes are also planned, including raising the earliest age at which a (non-state) pension can be taken, from 50 to 55 by 2010. Equalisation of the State Pension age, due to take place between 2010 and 2020, will see the State Pension age for women rise gradually to 65, in line with that for men. This will affect the 3.7 million women who will reach 60 between 2010 and 2020. As the Pension Credit entitlement age will rise simultaneously, some men will be affected too.
- 30 These initiatives offer support to individuals and employers to enable longer working among the over-50s, and provide the framework for further growth. However, to meet the long-term challenges of an ageing

population, more may need to be done to achieve even higher levels of employment. This is why we have announced our aim of having 1 million additional older people in work.

Pensions Commission reports

- 31 In its first report the Pensions Commission highlighted the role that extending working life has to play in achieving a sustainable future for pensions and for our economy. The Commissioners recently published their second report, suggesting a number of actions the Government should take to secure higher employment for older people in the future. These include options to gradually raise the State Pension age above age 65 beyond 2020 and to improve awareness about a range of other issues.³⁰
- 32 We are considering these options along with the other proposals in the report, and will be announcing our response later in the spring.

Next steps

- 33 In the long term, to ensure that we achieve the cultural and behavioural changes necessary for us to meet our employment aspiration, we need to:
 - continue to identify and, where appropriate, remove any existing barriers and provide greater incentives (financial or otherwise) to stay in work;
 - continue to ensure that older benefit recipients have the same access to help and support in finding work that younger people do;

- help employers to examine their recruitment and retention practices and encourage them to support flexibility in employees' working patterns up to and beyond the State Pension age; and
 - provide information to individuals and raise their awareness to enable informed decision making in relation to work and retirement.
- 34 We need to focus on measures that ensure people are able to return to the labour market easily after spells of unemployment, ill health or caring, but crucially we also need to focus on measures that create the right environment for retaining older people in work.
- 35 This is not about everyone having to work until the age of 70 – many would not be able to or would not want to do that. This is about providing people with support and information to enable them to make sensible choices about when and how to retire, based on their own circumstances and aspirations. For many people approaching retirement now, working even a year or so longer could have a beneficial effect, both before and after retirement. In the longer term, we need to find a sustainable balance between working life and retirement which will ensure that people have the opportunity to provide for an adequate income in later life.
- 36 We know that to achieve this we need to remove the 'cliff edge' between work and retirement, allowing people to combine work with the other important elements of their plans for later life. We will also consider how to offer incentives to overcome existing barriers and how to support people who continue to work in later life.
- 37 We recognise that our aspirations for increased employment among older people can only be achieved through a joint effort by the Government and employers working in partnership. Many employers are already leading the way with enlightened employment practices. These encourage older people to continue to make an important contribution to their workplace, and help them realise their own aspirations for a flexible or phased retirement. We want to build on this best practice and continue to support employers who still have a way to go in achieving age diversity.
- 38 In the medium term, bringing the State Pension age for women in line with that for men by 2020 will be a crucial first step towards our goal of higher employment. In the lead up to and during the change, it will be important that our back-to-work support is seen to be relevant to and effective for the over-60s. We will set out detailed plans, alongside related changes to other services and benefits that are currently linked to the State Pension age.
- 39 In the short term, we are proposing changes to support individuals further in seeking work and planning their working life.

Improving labour market interventions

- 40 Jobseekers in their 50s should be confident of receiving at least the same level of help to get back into work as jobseekers in their 30s and 40s. We therefore want to align our employment support for older long-term unemployed people with that for younger age groups, by requiring people aged 50–59 to take up the additional jobseeking support available through New Deal 25 plus. At present, the New Deal 25 plus intensive back-to-work activity is voluntary for people aged 50–59 who have been claiming Jobseeker's Allowance for about 22 months, whereas for people aged 25–49 it is mandatory.
- 41 The pilots announced in *Simplicity, security and choice: Working and saving for retirement* are already showing that requiring people aged 50–59 to take up additional jobseeking support can effectively help more of them get back into work and away from benefit dependency. We therefore propose to extend mandatory help of this kind nationally.
- 42 For workless couples the evidence suggests that there is more chance of one or both partners finding work if both are actively seeking it. We are determined to ensure that older partners of benefit claimants are not excluded from the rights and responsibilities that other jobseekers have. Nor should they be at risk of receiving less support in their efforts to find work. At present, when a couple without dependent children is workless and one partner was born after 1957, each partner is treated as an individual jobseeker. We propose to extend this regime to include older couples as well.
- 43 Each year over 50,000 jobseekers aged 50 or over fail to access the support to which they are entitled through New Deal 50 plus, leaving many at risk of drifting into long-term worklessness and benefit dependency. We propose to improve the chances of older jobseekers finding work sooner by piloting a system to ensure that every eligible jobseeker takes advantage of the additional personal adviser support offered through this programme.
- 44 One of the core elements of New Deal 50 plus is a unique in-work training grant of up to £1,500, designed to address the skills and career development needs of older people returning to work. The grant is claimable for up to two years after an eligible customer has moved into work. Take-up has been relatively low, but evidence suggests that those who have accessed the grant have found it very useful. We propose increasing the involvement of the information, advice and guidance services in promoting the 50+ In Work Training Grant and in supporting those people over 50 interested in taking it up.

Communicating choices on working and when to retire

- 45 Information and guidance are needed to help people understand the range of opportunities available to them and plan effectively for later life. We will pilot face-to-face guidance sessions with people approaching 50 or over 50, to deliver tailored and relevant information on working, training and planning for retirement.
- 46 With implementation of age discrimination legislation due in October 2006, individuals will have increased rights in planning when they retire, and many employers are now offering a range of working patterns to help retain or recruit older people. Together with the option to defer the State Pension, and the possibility of combining part-time work with a pension income to ensure a flexible transition into retirement, these measures offer a range of opportunities and choices for individuals. There is a lot to take in and to decide, and the guidance sessions will be flexible in offering different approaches to individuals depending on their needs.
- 47 The pilots will help us to have a better understanding of the issues that people require most help with when planning their working lives, and will enable us to identify the type of information and support that individuals will need to make sensible choices.

Flexible working

- 48 Older people have said that they require more flexible working practices to allow them to balance work with other constraints such as health problems, caring responsibilities and outside interests. Greater flexibility also helps the transition from work to retirement and could keep people in work for longer.
- 49 Almost half of employees have access to flexible employment arrangements but others often face the stark choice between full-time work or full-time inactivity. We will build on the success of our 'Age Positive' campaign to encourage employers to realise the business benefits of adopting more flexible approaches to retirement, giving individuals more choice and more opportunities to stay in work for longer.

Delivering welfare reform



Chapter 5

Chapter 5

Delivering welfare reform

Working in partnership

- 1 Delivering this radical programme of reform requires much more than just legislation and policy change – it requires a delivery network that is effective, accessible and flexible. Through its network of new offices and call centres and its front-line personal advisers, Jobcentre Plus delivers an integrated and accessible work-focused service to all of its working-age clients. Since 2000, we have been systematically testing the impact of opening up the design and delivery of labour market support to private- and voluntary-sector competition.
- 2 Jobcentre Plus now has contracts with a range of service providers to deliver in-depth work-focused support and training across the country through the New Deal, and through programmes tailored to meet the particular needs of harder-to-help client groups. These organisations can bring a distinctive approach to service delivery, based on their specialist knowledge, experience and skills:
 - Thirteen Employment Zones provide support to unemployed adults, young people who have already been through the New Deal, and lone parents. Independent evaluation shows that Employment Zones, which adopt a more individually tailored and flexible approach, deliver significantly better job outcomes than for comparable New Deal 25 plus participants.
 - Twenty-four Action Teams for Jobs have helped jobless people in the most employment-deprived areas of the country find and remain in work. They work on an outreach basis and have flexibility to provide whatever support is thought necessary to help people move into work: for example, they might provide debt counselling, work clothes, or help with childcare costs.
 - A network of New Deal for Disabled People Job Brokers across England, Scotland and Wales provides support and services to incapacity benefits claimants who want to work. The aim is to achieve lasting paid employment.
- 3 This approach brings unprecedented levels of individual choice into the system. For example, in most areas of the country, benefits claimants have a choice of providers offering job-brokering services. There is also a greater degree of choice within Jobcentre Plus programmes than ever before. In Pathways to Work pilots, clients have a wide choice of different options. Working with their personal adviser they can tailor work-related activity according to their health condition and specific barriers.

- 4 This activity could include condition management programmes (commissioned by NHS trusts), job-broking and work preparation services provided by New Deal providers, and job-broking services provided by Jobcentre Plus. This element of choice is very popular and is highly valued by clients.
- 5 While it is important that national standards of service provision are upheld, the Government recognises that specific barriers to work differ between local areas and individuals, and that they may not easily be tackled with a one-size-fits-all approach. In taking forward our reforms, we need to ensure that we provide the best possible service for our clients, the best possible recruits for employers, and the best possible value for the taxpayer.
- 6 Our vision is that:
 - clients will be seen by a skilled personal adviser (either from Jobcentre Plus or from a private- or voluntary-sector provider) who will offer advice appropriate to their individual circumstances;
 - the client and personal adviser will agree an action plan to help the client prepare for work;
 - where appropriate, as part of any agreed action plan, the personal adviser will refer the client to further support, chosen from a range of programmes and delivered by a mix of public-, private- and voluntary-sector providers; and
- clients will have access to a full range of job and career opportunities through the effective engagement of local employers.
- 7 The Government wants to ensure that service providers are given sufficient flexibility and discretion to tailor its policies to suit the specific needs of individuals and employers they serve. We want to draw on the wealth of experience of those working in other sectors, and we are looking for greater involvement on the part of voluntary-sector and private providers in the future reform agenda. They are often best placed to support our clients, particularly those with a health condition or a disability, by providing the specialist services they need.
- 8 Building on the success with the New Deal for Disabled People and other initiatives, we wish to develop further our services for incapacity benefits claimants. We will therefore invite new voluntary-sector and private providers to manage Pathways to Work in new areas. This will allow new and innovative approaches to be tested. We will need to ensure that support of sufficient quality is available to a wide range of claimants, delivered with maximum flexibility. Our objective will be to focus providers on improving job entry and retention, rather than simply asking them to replicate existing Pathways to Work provision. We hope that such contracts will be in place from 2007.

Question 10:

Does utilising voluntary sector and private providers in this way sound sensible? Would outcome-based payments incentivise providers to meet the challenges of delivering Pathways to Work and the new arrangements described in Chapter 4?

The menu of support

- 9 We will continue to customise the support we give to all claimants, ensuring that it is tailored to individual needs, that it provides real choice, and that it is relevant to the needs of the local economy. Where appropriate, we will provide help early in a benefit claim to help secure a quick return to work, while acknowledging that not everyone is able to return to work quickly. Making a new claim for benefits must be coupled with effective support, which looks at the person's individual circumstances and barriers to work, and assesses the help they need to return to work.
- 10 Over the years, a number of different programmes have been developed to meet the needs of people who are out of work. We must not lose the value gained from a variety of approaches, but we need to be sure that they are effective and that they fit with our new vision of a reformed, coherent welfare state. We need to make sure that the support offered to help people move into work is easily accessible, appropriate, efficient and effective – this is why we have embarked on a wide-ranging review of the help we offer through Jobcentre Plus and our partner providers.

Review of disability employment services

- 11 We are reviewing our employment services for disabled people and intend to consult on our proposals later in the year. We plan to promote greater inclusion and equality by ensuring that mainstream services are accessible to more disabled people. Better tailored support will enable people to realise their potential and achieve – where they can – independence in the workplace. A more coherent range of specialist services will respond more flexibly to the needs of disabled people and employers and will make better use of resources.

Tackling worklessness in cities

- 12 Tackling the problems of cities is central to meeting the Government's aim of increasing prosperity and reducing poverty and social exclusion. Despite progress over the last eight years, there remain pockets of persistent low employment, low skills, poor health and weak overall economic performance. The UK has a relatively small number of areas with an employment rate below the EU average, but nearly all of these are in major cities. Cities tend to have lower proportions of pupils who leave school with good qualifications and higher numbers who then leave learning altogether and do not find work. The diversity and mobility of city populations can make it difficult to achieve universal standards of healthcare provision. More needs to be done to address these cycles of worklessness, underperformance and deprivation.

- 13 Our long-term aspiration is to achieve an employment rate equivalent to 80 per cent of the working-age population. Nationally, the number of people in work has risen by well over 2 million since 1997, with the biggest improvement in the areas that started in the poorest positions. Agencies of central, regional and local government are already working to tackle concentrations of worklessness, and there are many examples of effective partnerships at city level. But the resources flowing into cities would have more impact if we could get these agencies working together more closely, and align the relevant funding streams.
- 14 We will pilot a new initiative for cities to help local partners work together to improve economic regeneration through skills, employment and health.
- 15 The key aims are to:
- deliver a significant improvement in employment rates among those of working age, with a particular focus on the most disadvantaged, especially benefits claimants, lone parents, older people and people from minority ethnic groups;
 - ensure that individuals within these client groups are better able to both find and remain in work; and
 - improve the skills of individuals within these client groups to enable them to progress once they are in work.
- 16 Each local area will be asked to develop a consortium comprising local partners with a shared interest in working together to raise local employment rates and improve the local economy.
- This may include local authorities, employers, learning and skills councils, regional development agencies, primary care trusts and Jobcentre Plus. Partners in England will use the local strategic partnership, including the existing Local Area Agreement infrastructure, to draw the consortium together. Consortia in pilots covered by the devolved administrations will need to take account of local partnership structures and patterns of deprivation when developing their proposals.
- 17 Each consortium will be expected to use private and voluntary sector providers to deliver additional investment and employment support under contract. To facilitate this, the Department for Work and Pensions will continue to develop contracts that reflect best practice principles and to streamline procurement processes. This will allow public, private and voluntary sector providers to offer choice to users and tailor their services to meet individual needs.
- 18 The bids from local consortia will need to set out the outcomes they expect to achieve. The Government will then negotiate a set of outcome targets reflecting the needs of each local community, including the circumstances within the UK devolved administrations. The Government will allow flexibility over the way the consortia deploy resources to meet outcome targets (for example, through a process of alignment or pooling of budgets).
- 19 The consortia will be required to operate within the new national benefits structure, including the proposed conditionality arrangements for new claimants. Once the new

benefits structure is in place, the Government will consider proposals from pilot areas to trial a range of conditionality and incentive structures for existing claimants.

- 20 Administration of benefits will continue to be managed by Jobcentre Plus.
- 21 Successful bids will receive initial investment from the Department for Work and Pensions and a financial reward for meeting their aims. Bids will need to demonstrate robust accountability arrangements for the delivery of their agreed targets and the engagement and support of local employers. As the providers of opportunities for those currently locked into benefits dependency, it will be important that employers are closely involved in deciding how best to match their employment needs with the skills and competencies of potential recruits.
- 22 A key aim of this initiative will be to provide a solution that offers the maximum degree of local flexibility, so that local areas can provide local solutions to local problems.

Question 11:

Will this proposal provide an effective mechanism to join up the work of different agencies and make better use of existing funding to tackle the problems in cities?

Skills

- 23 We cannot expect people to get lasting and worthwhile jobs if they lack the skills required in the new economy. Around 10 million adults of working age do not have qualifications equivalent to a full level 2, and around 5 million have literacy skills below level 1.³¹ People without qualifications equivalent to level 2 lack the understanding, competence and knowledge to work productively in sectors such as construction and retail and do not have the platform needed to progress to higher-level skills. Additionally, some people with skills at levels 1 and 2 will have acquired them years ago for work that is no longer available. By 2012, some two-thirds of all jobs, both new and existing, are expected to require qualifications at level 3 or higher.
- 24 The Government is committed to helping all low-skilled adults get the skills they need to succeed in work. Only through increasing skills can we achieve our aim of a high-productivity, value-added economy with increased social mobility and social justice. For those helped back into the labour market after some time out of work, it is vital that their experience of re-entering the workplace is a successful one. Success in the workplace depends on the ability to do the job. That means having the right skills, so we need to ensure that the universal entitlement to free basic skills training and free tuition towards a first level 2 qualification is made a reality

for all adults, providing all individuals with the opportunity to become functionally literate and numerate. We will continue our joint working with the UK devolved administrations to support low-skilled adults.

- 25 We are trialling in six areas a new approach to skills coaching. This is aimed mainly at those receiving incapacity benefits or Income Support. If successful, this approach can play a major role in identifying those people for whom skills deficits are the main barrier to successful employment, and help them address these deficits and turn their lives around.
- 26 At the end of 2004, the Government commissioned Lord Leitch to lead a review of skills. The Leitch Review is due to report in 2006 on the skills profile that the UK should aim to achieve by 2020 in order to drive up growth, productivity and social justice. In order to realise economic and social objectives, it is important that the long-term needs of business and the economy inform the development of skills policy for those inside and outside the labour market. The Review's interim report, *Skills in the UK: The long-term challenge*,³² shows that the UK needs to be far more ambitious, as at present it compares particularly poorly with other countries in terms of numbers of low-skilled adults.

Tackling fraud

- 27 Our strategy for safeguarding the benefits system was outlined in *Beating fraud is everyone's business: Securing the future* and *A new contract for welfare: Safeguarding social security*.^{33 34}

We followed this up with *Reducing fraud in the benefit system: Achievements and ambitions*³⁵ outlining our progress and future strategy. Our latest estimate shows that between 1997 and 2005 we had reduced benefits fraud by 68 per cent.

- 28 We created a professional, intelligence-led investigation force, equipped with powers from the Social Security Fraud Act 2001 and the Proceeds of Crime Act 2002. We developed a range of sanctions and have introduced the 'Targeting Benefit Fraud' advertising campaign, in a bid to raise awareness of benefits fraud and to act as a deterrent. We also introduced the National Benefit Fraud Hotline to make it easier for the public to report benefits fraud, and we began data matching with local authorities and HM Revenue and Customs.
- 29 Our strategy for the future includes:
- expanding our data matching ability to include data from the private sector;
 - use of new technology;
 - increased use of risk profiling (with additional checks on claims identified as higher risk as a result);
 - use of the proposed identity card across all Department for Work and Pensions businesses; and
 - reorganisation of our fraud investigators into two areas – Customer Compliance and the Fraud Investigation Service.

- 30 This approach will enable us to maintain the current number of fraud investigators and the number of sanctions imposed, while ensuring that lower-level fraud is detected and corrected more quickly than is currently possible by criminal investigation. It will also ensure that claimants are made aware of their responsibilities.
- 31 The Fraud Investigation Service will combine national and regional operations in one organisation, centred in areas where we know most fraud occurs. It will be wholly intelligence led.

Evidence-based policy making

- 32 The proposals set out in this document are grounded in evidence from this country and overseas. As we develop the reforms in further detail, we will continue to learn from our experience and from that of others. We will undertake rigorous evaluation of pilot measures, and of nationally implemented changes, and we will publish the results openly. Evaluation will tell us how the changes affect individuals and society as a whole, and will determine our next steps. We will ensure that statistical data produced by the Government allow straightforward comparison between the total number of cases under the old and new systems.

A radical new approach to Housing Benefit



Chapter 6

Chapter 6

A radical new approach to Housing Benefit

- 1 Housing Benefit has long been criticised as an extremely complex benefit that does little to promote personal responsibility. Delays in processing, and the uncertainty that claimants have about the level of support that they can receive, can act as barriers to work. In addition, payment is made directly to the landlord in the majority of cases, which does nothing to assist tenants in developing the essential financial and budgeting skills they need when moving into work.
- 2 We have already made good progress in tackling uneven administration and we have introduced measures to align Housing Benefit with other benefits and tax credits. However, more radical reform is needed to simplify Housing Benefit and ensure it supports our wider objectives for welfare reform. The central element of Housing Benefit reform is therefore the introduction of Local Housing Allowance. This approach is currently being tested in 18 local authority areas and we will build on this experience to develop a scheme suitable for national roll-out across the deregulated private rented sector.
- 3 Housing Benefit is also a passive benefit. Most claimants have their Housing Benefit paid directly to their landlords, which means that they have no personal responsibility for their rent and many are unaware of how much rent is actually paid on their behalf. This does nothing to prepare claimants for moving into work and undermines the relationship between landlord and tenant. In addition, the complexity of the Housing Benefit rules, delays in processing and the uncertainty that claimants have about the level of support that they can receive, can all act as barriers to work.
- 4 Housing Benefit is also a passive benefit. Most claimants have their Housing Benefit paid directly to their landlords, which means that they have no personal responsibility for their rent and many are unaware of how much rent is actually paid on their behalf. This does nothing to prepare claimants for moving into work and undermines the relationship between landlord and tenant. In addition, the complexity of the Housing Benefit rules, delays in processing and the uncertainty that claimants have about the level of support that they can receive, can all act as barriers to work.

The challenge

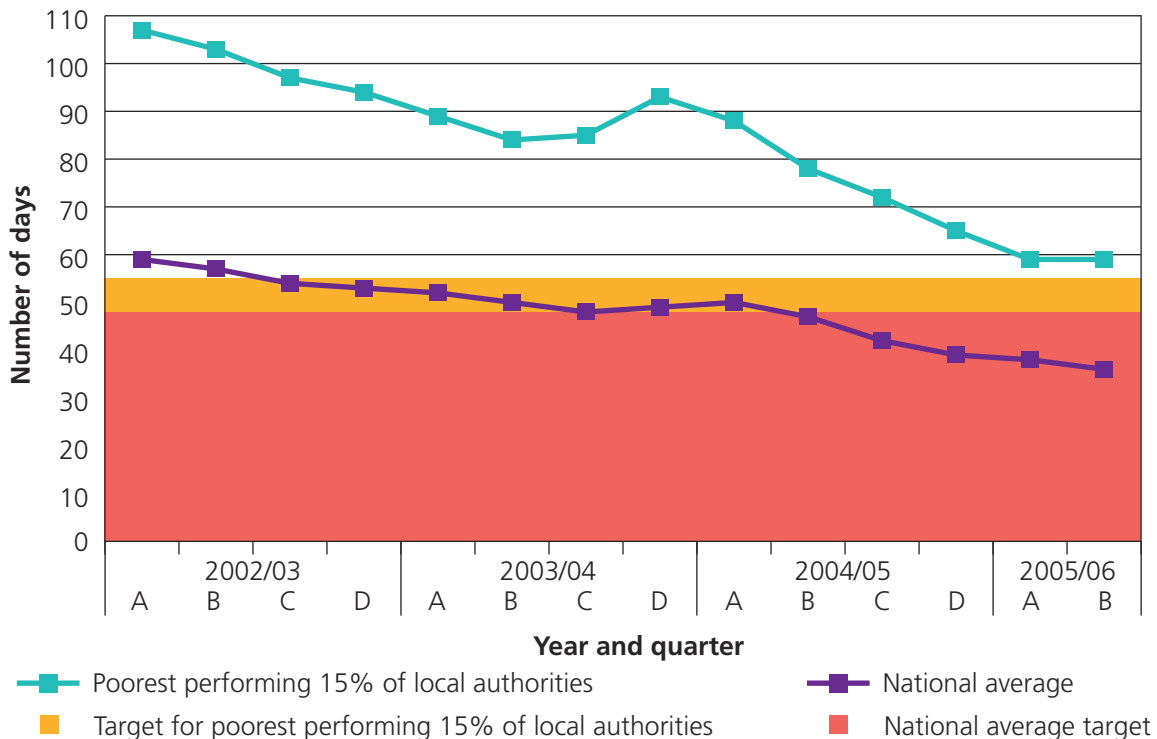
- 3 Housing Benefit plays an essential role in underpinning the Government's wider goals of tackling poverty, promoting work for those who can, and addressing social exclusion. It provides help with

Progress so far

- 5 Radical reform of Housing Benefit is under way. In 2002, the Government published *Building choice and responsibility: A radical agenda for Housing Benefit*,³⁶ setting out our overall strategy for reform of Housing Benefit and our progress up to that time.
- 6 The most pressing problem was uneven administration. In too many local authorities, the delivery of Housing Benefit fell below acceptable standards. There were many reasons for this, but lack of investment, lack of strategic priority, and the sheer complexity of the benefit rules all played a part.

- 7 Over the past few years, we have been working with all 408 local authorities to improve Housing Benefit administration, combining clear performance standards with regular inspection and practical support. We have started to see real improvements, and have developed and published clear national performance standards for Housing Benefit to reflect good practice. The Benefit Fraud Inspectorate publishes reports on its inspections of Housing Benefit services and has provided additional free consultancy to authorities with the most serious administrative problems.

Figure 6.1: Average number of days taken to process a new claim for Housing Benefit or Council Tax Benefit by quarter



Source: Housing Benefit Management Information System

- 8 The Government has invested in the Performance Standards Fund to support local authorities in improving their administration of Housing Benefit and Council Tax Benefit. More than £161 million is being invested in around 370 local authorities, helping them to recruit and train new staff, to develop innovative approaches to streamline processing of claims and to purchase new IT equipment. While many of our initiatives are still in their early stages, the experience so far suggests that there is already a positive impact on performance and on the service provided to customers and landlords.
- 9 Since 2001/02, the average time taken to process new claims³⁷ for Housing Benefit and Council Tax Benefit has been reduced by over three weeks, with some of the greatest improvements seen in the poorest performing authorities. However, there is more to do, which is why the Government has set a new Public Service Agreement target to cut processing times, with a focus on the poorest performing authorities. We are committed to reducing the average time taken to process a Housing Benefit claim to no more than 48 days nationally, and across the bottom 15 per cent of local authorities to no more than 55 days by March 2008. We have also set a stretching performance standard to process new Housing Benefit claims within 36 days.
- 10 The Housing Benefit reform strategy is not just about improving administration of the benefit, it is also about continuing to simplify the system and better align the rules with those of other benefits, Pension Credit and tax credits. People who really need the help that Housing Benefit offers may be reluctant to apply for their entitlements because of the complexity of the system.
- 11 In order to simplify the system we have:
 - eliminated the requirement for Housing Benefit recipients to renew their claim every year;
 - made the transition to work simpler by extending entitlement to a four-week 'run-on' period for Housing Benefit and Council Tax Benefit to recipients of incapacity benefits and Severe Disablement Allowance;
 - removed the need for the vast majority of people moving into work to complete a fresh claim – this is now treated as a change of circumstances;
 - ensured that people are better off in work by providing for tax credit awards to be taken into account as current income, rather than using complicated attribution/retrospection rules;
 - made it easier for people claiming Pension Credit to claim Housing Benefit/Council Tax Benefit by shortening the claim form from 26 to three pages; and
 - introduced a system that allows people of working age to make a claim for Housing Benefit/Council Tax Benefit through Jobcentre Plus at the same time as they make a claim for Income Support, Jobseeker's Allowance or incapacity benefits. This system will be rolled out by the end of 2006.

Objectives of Local Housing Allowance

Fairness – Local Housing Allowance bases the maximum amount paid to tenants on the size, composition and location of the household. Therefore, two households in similar circumstances in the same area will be entitled to similar amounts of benefits.

Choice – Tenants are able to take greater responsibility and choose how to spend their income in a similar way to tenants who are not in receipt of benefits. Like other tenants, they are able to choose whether to rent a larger property, or to spend less on housing and increase their available income.

Transparency – The current link between Housing Benefit and individual rents is complex and does not set out clearly what level of state support is available for people on low incomes. A clear and transparent set of allowance rates helps tenants (and landlords) know how much financial help is available from the state. Tenants are able to compare how much support is available towards their housing costs in different areas and for different property sizes.

Personal responsibility – Empowering people to budget for and to pay their rent themselves, rather than having it paid for them, helps develop the skills unemployed tenants will need as they move into work. Currently, around 40 per cent of Housing Benefit payments in the private rented sector are made to tenants, with the remainder paid straight to landlords. The Government believes that, wherever possible, Local Housing Allowance should be paid to tenants, as are most other benefits and tax credits.

Financial inclusion – Ideally, we want people to have their housing payments paid into a bank account and to set up a standing order to pay the rent to their landlord. This has the advantage of being a safe and secure method of payment and provides certainty for landlords that rent will be paid.

Improved administration and reduced barriers to work – For working-age tenants, Local Housing Allowance provides greater certainty about what help is available in and out of work. A simpler system also helps speed up administration of housing payments, giving tenants more confidence when starting a job that any in-work benefit will be paid quickly. A more transparent system may also improve the ability of individuals to move between areas and to take advantage of employment opportunities.

12 However, we can only make limited improvements without fundamental and radical change to the structure of Housing Benefit.

14 Local Housing Allowance bases housing support payments on a system of standard maximum allowances, varying according to the size of the household and location of the property. Benefit will be paid to the tenant rather than to the landlord in most cases.

Local Housing Allowance

13 Local Housing Allowance is at the heart of our radical programme for further reform in the private rented sector.

15 Our objectives fully reflect wider principles for welfare reform. The overarching purpose is to transform passive housing support into an enabling provision that places responsibility and choice firmly in the hands of tenants and that strongly encourages financial inclusion and the development of skills that can help smooth the transition into work.

Impact of Local Housing Allowance in pathfinder authorities

16 This new and much simpler way of calculating housing payments for tenants was initially introduced for mainstream private rental properties in nine pathfinder authorities, the first of which began testing Local Housing Allowance in November 2003.

Local Housing Allowance: pathfinder experience to date

- The introduction of Local Housing Allowance has generally been smooth in all nine of the original pathfinder authorities.
- By paying benefit to tenants rather than to landlords, Local Housing Allowance is giving personal responsibility for managing rental costs and payments to around 87 per cent of the 45,000 tenants in the pathfinder authorities.
- Procedures for identifying and assessing where payment should be made to the landlord (because the tenant is vulnerable or is in arrears) seem to be working well in each pathfinder authority.
- Across the pathfinders, most tenants have payments made into a bank account.
- Most landlords have not seen an increase in management costs.
- The baseline survey shows that 61 per cent of unemployed tenants in pathfinder authorities who are paid directly believe they will move into work, compared with 44 per cent of unemployed tenants who have their benefit paid to the landlord.
- A minority of landlords appear to be leaving the Housing Benefit rental market. However, other landlords are embracing the new Local Housing Allowance market and there is no noticeable impact on supply.
- Landlords are no more likely to require deposits or references under Local Housing Allowance than they were previously.
- Improved joint working and communication between Housing Benefit departments and local stakeholders have been reported, in preparation for the introduction of Local Housing Allowance.
- There has been very little impact on homelessness levels, threats of eviction or tenancy terminations on tenants in the pathfinder areas.

- 17 A comprehensive and independent evaluation of these nine pathfinders is nearing completion, and seven reports have been published so far.³⁸ We expect final reports to be published later this year.
- 18 The evaluation is tracking the administrative and operational impact of Local Housing Allowance as well as wider housing market effects in each pathfinder authority. It is also taking account of the different conditions that prevail in Scotland and Wales. A series of regular surveys and interviews with tenants, landlords, key local authority staff, rent officers, Jobcentre Plus staff and welfare organisations is being carried out. This information is being used to identify areas where Local Housing Allowance policy requires adjustment, prior to a national roll-out across the private rented sector.
- 19 Between April and July 2005, a further group of nine local authorities began implementing Local Housing Allowance for private sector tenants, to enable good operational practice to be developed prior to implementation of Local Housing Allowance nationally.

Issues for consideration before roll-out in the private rented sector

- 20 Evidence from the evaluation, as well as the experiences of pathfinder authorities, highlight three main elements of the scheme that we need to examine further to ensure that they fully meet Local Housing Allowance objectives. While the general principles of Local Housing Allowance have been successful, there are issues, such as excessive cash gains, work incentives and longer-term financial stability, that need to be considered.

Capping Local Housing Allowance

- 21 In pathfinders, claimants are able to keep the difference between their Local Housing Allowance payment and their rent costs. In some areas, claimants are able to receive large cash sums over and above the amount they need to pay their rent. There is a concern that this is fundamentally unfair and that it could have serious implications for work incentives. We are therefore considering whether the amount of Local Housing Allowance that tenants can receive above the level of their rent should be capped. This will make the system fairer, protect work incentives and remove any incentive for people to overcrowd their property in order to gain financially.

Size criteria

- 22 In the pathfinder authorities, a claimant's maximum Local Housing Allowance rate depends on the number and mix of occupiers in their property.

The current size criteria state that a claimant's Local Housing Allowance rate should be based on:

- **one bedroom each for:**
 - every adult couple;
 - any other adult aged 16 or over;
 - any two children aged under 10;
 - any two children of the same sex aged 10 to 15; and
 - any other child;
- **and**
 - 1–3 occupiers for 1 living room;
 - 4–6 occupiers for 2 living rooms; and
 - 7 or more occupiers for 3 living rooms.

- 23 Since testing of Local Housing Allowance began, we have become concerned that the current size criteria reflect neither the reality of the property market nor the expectations that families not on benefits would have about their accommodation. Properties with three living rooms may be very scarce and difficult to obtain in many areas. This contributes in some areas to the large amounts of Local Housing Allowance that people are receiving above their rent.
- 24 We are considering an adjustment to the size criteria so that a claimant's benefit and Local Housing Allowance rates are calculated according to the number of bedrooms needed, rather than the number of living rooms. This is a simpler, more intuitive approach that will more accurately reflect the reality of the wider rental market.

Local Housing Allowance rates

- 25 There is concern that the way in which Local Housing Allowance rates are set does not accurately reflect the range of rental properties of a particular size in an area. In pathfinders Local Housing Allowance is set at the mid-point between the highest and lowest rents in an area (excluding extreme high and low rents). This does not reflect the actual distribution of available accommodation in any given price range – there may be only a small number of properties at the lower end of the market. This method also makes Local Housing Allowance rates very susceptible to any changes at the top or bottom end of the market.

- 26 We are considering setting Local Housing Allowance rates at the median rent to ensure that they reflect the distribution of rents in an area. We also want to ensure that there is stability in Local Housing Allowance rates to give tenants greater certainty about the level of help they can receive.

The median rent is the rent that is halfway up the distribution of all rents in an area. For example, in an area with 13 available houses with rents of:

£50, £60, £90, £95, £105, £105, £150, **£150**, £150, £200, £200, £200, £200,

the median rent would be £150 as this is in the middle of the distribution. In contrast, the mid-point would be £125.

- 27 This means that claimants can be confident that Local Housing Allowance levels actually reflect the middle of rents in the housing market in which they live. In addition, as the median calculation is less influenced by changes at the very top and bottom of the market, we also expect it to provide more stable Local Housing Allowance rates. This will give greater certainty to tenants about the level of help they can receive in the longer term.

Roll-out across the private sector

- 28 It is important that we move carefully in planning a roll-out of Local Housing Allowance. The national scheme would need to differ in some aspects from the pathfinder model, in order to take account of the lessons learned from the early phase. We also want to ensure

that evidence and experience from the ongoing evaluation are taken into account as implementation progresses. We are considering ways of applying Local Housing Allowance only to new claimants, so that existing claimants can continue to claim Housing Benefit under the current rules until, for example, they move house or have a break in claim. This will ensure the best chance for a smooth roll-out of Local Housing Allowance, giving local authorities time to gradually introduce the system and minimise the risks involved in implementing a change on this scale. It will also enable local authorities to reassure existing tenants, communicate the benefits of Local Housing Allowance and encourage them to take advantage of the improvements that Local Housing Allowance brings. We want to look carefully at the arrangements for migrating existing Local Housing Allowance claimants in the pathfinders onto the national Local Housing Allowance scheme, and wish to discuss with the pathfinders the most appropriate way of doing this.

- 29 We will continue to look carefully at private sector issues as part of the evaluation process, before taking any final decision on extending the benefits of Local Housing Allowance across the deregulated private rented sector.

Reform in the social housing sector

- 30 It is essential that Housing Benefit contributes to the wider welfare reform agenda by supporting our aspiration of an employment rate equivalent to 80 per cent of the working-age population, rather than acting as a barrier to work. This is particularly

relevant in the social housing sector, where working-age tenants are significantly more likely to be either unemployed or inactive than those in other tenures. Social housing tenants are much more likely than private sector tenants to be claiming Housing Benefit (60 per cent and 22 per cent respectively) and twice as likely to be without work. This level of economic inactivity makes it necessary to consider the case for reform of Housing Benefit in the social housing sector.

- 31 We are testing Local Housing Allowance private sector tenants in 18 local authorities and intend to use this approach nationally. However, we need to consider whether a similar approach would be appropriate for social housing sector tenants, or whether there are other options that will support greater choice and responsibility.
- 32 We are aware that there are significant differences between the private rental market and social housing, and between the social housing sectors of the UK devolved administrations. Many complex factors will need to be taken into account before a decision is made on exactly how we take forward reform in this sector. Proposals need to be developed with caution and over a longer timescale.

Question 12:

How should Housing Benefit be adapted to meet our welfare reform objectives for tenants in the social housing sector?

Long-term benefits reform



Chapter 7

Chapter 7

Long-term benefits reform

- 1 The present benefits system for people of working age is too complex. The many different rules may make sense in isolation, but together they make for a confusing and incoherent picture. This complexity makes it hard for benefits claimants to understand their rights and responsibilities, and hard for staff and advisers to help people to get their correct entitlements. It makes the system more prone to fraud and error and expensive to administer, and often makes it harder to move into work.
- 2 We need a simpler benefits system which better meets the needs of claimants and responds to the weaknesses in the current system that so often frustrate claimants and stakeholders. We want to:
 - provide a single gateway to financial and back-to-work support for all claimants;
 - have a system that is simple to understand – making clear the support people can expect – and simple to administer;
 - complement our comprehensive menu of support by creating a clear link between financial support and responsibility upon the individual to take steps to improve their employment prospects;
 - provide the right financial incentives for those moving into work;
 - encourage individuals to take their future into their own hands – we know that the biggest barrier to taking up a new job for those on benefits is the fear of the unknown and of falling foul of the benefits system; and
 - provide a safety net for those who cannot work and for those who try out work but encounter too many difficulties.
- 3 The reforms set out in this Green Paper will reduce much of the complexity surrounding existing benefits for those facing health problems and disability. We consider that there may be advantages in moving in the longer term towards a single system of benefits for all people of working age, with appropriate additions for those who have caring responsibilities and those with a long-term illness or disability.
- 4 We currently provide a wide range of benefits, established by various pieces of legislation for diverse purposes, and delivered by separate administrative systems. Benefits are paid differently to reflect personal needs over different periods of time. Benefits often overlap and have complex interactions with each other and with tax credits.

- 5 The next step is to review the range of benefits to identify the challenges to creating a single system with fair and effective solutions.
- 6 The new system must be affordable and deliverable as well as simpler to understand and operate.

Northern Ireland

- 7 The provision of social security in Northern Ireland is governed by the long-established and widely accepted policy of parity with Great Britain. The Government believes that this should remain the basis of future provision in Northern Ireland and will have regard to this in implementing any proposals set out in this Green Paper.

Consultation arrangements and contact details



Chapter 8

Chapter 8

Consultation arrangements and contact details

Working in partnership to improve our services

- 1 Proposals outlined in this paper are informed by ongoing informal consultation with key stakeholders. Indeed, we have been consulting on incapacity benefits reform since 2002, when we published *Pathways to work – Helping people into employment*.³⁹ Proposals for lone parents, Housing Benefit and occupational health are similarly the product of a lengthy process of consultation and evaluation of evidence from existing policies.

Formal consultation

- 2 Publication of this paper signals the start of a formal consultation period in line with the best practice guidance in the Cabinet Office's Code of Practice on Consultation. A partial Regulatory Impact Assessment is available at www.dwp.gov.uk/aboutus/welfarereform
- 3 The formal consultation period will continue for 12 weeks from 24 January to 21 April 2006.
- 4 Copies of this paper are available in a variety of formats (including audio, Braille, Easy Read, large print and Welsh versions) and can be ordered by contacting:

The Welfare Reform Team
Level 2
The Adelphi
1–11 John Adam St
London WC2N 6HT
Telephone: 020 7712 2521
Fax: 020 7962 8524
Textphone: 020 7712 2492
Email: welfarereform@dwp.gsi.gov.uk
(Lines are open Monday to Friday, 9am – 4pm.)

Feedback

- 5 To facilitate the consultation process, a series of key questions have been posed throughout the paper and these are pulled together at the end of this section. A template is also available at www.dwp.gov.uk/aboutus/welfarereform
- 6 The deadline for responses is 21 April 2006. Please ensure that your response reaches us by that date. Please send consultation responses to the Welfare Reform Team.
- 7 When responding, please state whether you are responding as an individual or representing the views of an organisation. If 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.

- 8 A list of those consulted is available at www.dwp.gov.uk/aboutus/welfarereform. If you have any suggestions of others who may wish to be involved in this process, please contact us.
- 9 The information you send to us may need to be passed to colleagues within the Department for Work and Pensions and may be published in a summary of responses to this consultation, along with a response from the Government.
- 10 Because of the law about access to information that public organisations hold, we may at some time in the future share some or all of your information with other individuals or the general public. If you would not want us to do this, please explain why as part of your answer. We will consider your request if it is possible that your information might be shared. However, we cannot promise to keep your information secret or private. If you are worried about sharing information about yourself with other people, please limit what you tell us, or do not tell us anything personal. If you want to talk to someone about this before you give us your views, please contact the Welfare Reform Team.
- 11 More information about the Freedom of Information Act can be found on the website of the Department for Constitutional Affairs at: www.dca.gov.uk/foi/guidance/exguide/index.htm
- 12 Throughout the formal consultation period, we will be facilitating a range of events to gather feedback. Details of these events will be available at:

www.dwp.gov.uk/aboutus/welfarereform, alongside contact details for those wishing to participate.

- 13 We will produce a report of consultation feedback. The report will be available at: www.dwp.gov.uk/aboutus/welfarereform

Consultation questions

- 1 What else should we consider to give the right incentives to employers to provide increased health support to their workforce?
- 2 How can we best share the evidence for the role of work in recuperation and good practice regarding sickness certification to medical professionals?
- 3 Does this simplification package for Statutory Sick Pay provide incentives for improved absence management and meet the need for reduced bureaucracy? How could the redirected sums of the percentage threshold scheme be most effectively utilised?
- 4 Do the types of 'suitable activity' we have set out provide a sensible range of activities that could be undertaken in order to fulfil an acceptable action plan?
- 5 Is the combination of Disability Living Allowance plus the Enhanced Disability Premium/Severe Disability Premium for those on low incomes, the right way to target support towards disabled people with the greatest needs?

- 6 Do you agree that these proposed simplifications more accurately reflect the principles underpinning our modern society?
- 7 How do you think that we can best improve work incentives within the new Employment and Support Allowance so that individuals have the opportunity to try out periods of work and progress to full-time work where possible?
- 8 Would it be reasonable to extend the Work-Related Activity Premium, and the associated requirement to take steps back to employment, to lone parents with children younger than 11? If so, what age should be the cut-off point?
- 9 In what circumstances do you think it would be reasonable to extend the six-month Work-Related Activity Premium period?
- 10 Does utilising voluntary sector and private providers in this way sound sensible? Would outcome-based payments incentivise providers to meet the challenges of delivering Pathways to Work and the new arrangements described in Chapter 4?
- 11 Will this proposal provide an effective mechanism to join up the work of different agencies and make better use of existing funding to tackle the problems in cities?
- 12 How should Housing Benefit be adapted to meet our welfare reform objectives for tenants in the social housing sector?

References

Chapter 1: The challenge

- 1 Excludes Incapacity Benefit short-term lower rate claimants.

Chapter 2: Helping ill or disabled people

- 2 'Incapacity benefits' refers to people on contributory Incapacity Benefit or Severe Disablement Allowance and people on means-tested Income Support on the grounds of incapacity.
- 3 Woodward A, Kazimirskia A, Shaw A, and Pires C, 2003, *New Deal for Disabled People. Evaluation. Eligible population survey. Wave one. Interim report*, DWP Research Report No. W170, DWP.
- 4 Organisation for Economic Co-operation and Development, 2003, *Transforming disability into ability, policies to promote work and income security for disabled people*, OECD.
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- 11 Health and Safety Executive for Northern Ireland, 2003, *Working for health: A long-term workplace strategy for Northern Ireland*, HSENI.
- 12 Confederation of British Industry, 2005, *Who cares wins: Absence and labour turnover survey 2005*, CBI.
- 13 Office for National Statistics, 2002, *Office for National Statistics: Labour market trends*, TSO. The article on trends and sources of data on sickness absence by Barham and Leonard is contained in the April 2002 publication.
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 - 16 From 10 days per employee in the Civil Service to 9.1, *Cabinet Office analysis of sickness absence in the Civil Service 2004*, and in local government from 10 days to 9.5 based on *Best Value Performance Indicator* returns to the Office for the Deputy Prime Minister.
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 - 18 Not participating in a medical intervention would not be subject to benefit sanction.
 - 19 Legard R, Lewis J, Hiscock J and Scott J, 2003, *Evaluation of capability report: Identifying the work-related capabilities of incapacity benefits claimants*, DWP Research Report No. W162, DWP.
 - 20 The exception to this was people eligible for Working Tax Credit, whose linking period was up to two years.
 - 21 Prime Minister's Strategy Unit, joint report with Department for Work and Pensions, Department of Health, Department for Education and Skills, Office of the Deputy Prime Minister, 2005, *Improving the life chances of disabled people*, Prime Minister's Strategy Unit, DWP, DH, DfES, ODPM.
 - 22 Department of Health, 2005, *Independence, well-being and choice: Our vision for the future of social care for adults in England*, Cm 6499, TSO.
- Chapter 3: Helping lone parents**
- 23 HM Treasury, 2004, *Choice for parents, the best start for children: A ten year strategy for childcare*, The Stationery Office.
 - 24 The Scotland Office, 1998, *Meeting the childcare challenge: A childcare strategy for Scotland*, Cm 3958.
 - 25 National Assembly for Wales, 2005, *Childcare is for children*, Department for Education and Training.
 - 26 Organisation for Economic Co-operation and Development, 2005, *Babies and bosses: OECD recommendations to help families balance work and family life*, OECD.
- Chapter 4: Helping older workers**
- 27 It is estimated (in a Cabinet Office report from 2000) that the drop in work rates since 1979 costs the economy £16 billion a year in lost output.
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 - 29 Department for Work and Pensions, 2002, *Simplicity, security and choice: Working and saving for retirement*, Cm 5677, DWP.
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Chapter 5: Delivering welfare reform

31. Level 1 – recognises the ability to learn with guidance and supervision, combined with basic knowledge and skills. Includes GCSEs at grades D to G, level 1 NVQs and vocational qualifications.

Level 2 – can be general, vocational or occupational. Provides foundation skills that help people get jobs or progress to further education or advanced-level study. Includes GCSEs at grades A* to C, intermediate GNVQs, level 2 NVQs and vocational qualifications such as Modern Apprenticeships.

Level 3 – provides higher technical, craft or professional skills. Can be general, vocational or occupational. Includes certificates for teaching assistants, A-levels, advanced extension awards and level 3 certificates.

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Chapter 6: A radical new approach to Housing Benefit

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Chapter 8: Consultation arrangements and contact details

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