

Wirral's Response to the Welfare Reform Green Paper 'In Work Better Off'

1. EXECUTIVE SUMMARY

1.1 This report sets out Wirral's response to the publication of the Green Paper on Welfare Reform: 'In Work Better Off'. Members' views are requested on the issues raised below. Members are also asked to endorse the Consultation Questionnaire Responses attached as Appendix 1.

2. Background

2.1. On 18 July 2007 the Government published its latest welfare reform Green Paper: '*In Work Better Off – Next Steps to Full Employment*'. The Green Paper is published alongside '*World Class Skills - Implementing the Leitch Review of Skills in England*' which sets out how the Government will respond to the challenges highlighted by Lord Leitch and improve the skills of the workforce so they can access more job opportunities.¹

2.3. The Green Paper also builds on the work of the Work and Pensions Select Committee and recent independent reports by David Freud² on welfare to work and Lisa Harker³ on child poverty. It sets out how the Government - working with both employers and partners in the public, private and voluntary sectors - proposes to address these issues.

2.4. It also sets out a series of measures which aim to achieve full employment, central to the drive to eradicate child poverty. It includes plans for a more personalised, flexible and responsive New Deal matched by new responsibilities for jobseekers to do all they can to help themselves.

2.5. The Green Paper asks for views on the proposals set out by 31 October 2007. Wirral's response is attached as Appendix 1.

3. Summary of the Green Paper approach

3.1. The document sets out the next steps that the Government is taking on the road to full employment based on a number of guiding labour market principles which are:

¹ *World Class Skills - Implementing the Leitch Review of Skills in England* is published by the Department for Innovation, Universities and Skills.

² David Freud's report 'Reducing Dependency, Increasing Opportunity: options for the future of welfare to work,' was published 5 March 2007. www.dwp.gov.uk/welfarereform/freud_report.asp

³ '*Delivering on child poverty: what would it take?*' Lisa Harker; November 2006.

- **a balance of rights and responsibilities:** many people who can work need help in looking for work and overcoming barriers. They also need financial support while they are out of work. In return, the Government expects people receiving benefit to do all they can to help themselves get into work;
- **a personalised and responsive approach:** the system should tailor support to meet individual needs, including help with skills, health, childcare, financial support and accessing appropriate training;
- **retention and progression, not just job entry:** the system must do more to help people stay in work and move up the ladder through better in-work support – through advice, financial incentives and training;
- **working in partnership:** it is important to make the best use of expertise across the public, private and third sectors. The resources of each should be focused on where they can add the greatest value, in the context of a clear strategy and set of required outcomes; and
- **devolution and local empowerment:** all regions and countries of the UK, cities and localities can play an important role in identifying strategic priorities and delivering solutions, and this should be recognised.

3.2. The Government suggests that, building on success to date, the way forward for welfare reform as outlined within the Green Paper encompasses change in five key areas:

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

4. The Challenges

4.1. The Green Paper has been developed on the basis that there are some **key challenges** for the labour force that must be addressed, if the ambition of an 80% employment rate is to be achieved. Current evidence indicates that this would require:

- a reduction of one million in the number of incapacity benefits claimants;
- 300,000 more lone parents in employment; and
- one million older people (aged 50+) in work.
- **Wirral has agreed a Full Employment Target of 76% by 2012.** Nationally, the UK target is an 80% employment rate. Wirral's rate in 2006 when the Full Employment Strategy was developed was 71% and the 76% target is therefore considered by partners to be challenging but realistic. This target translates into **enabling an extra 9,500 people into new employment or self-enterprise.**

The Green Paper further highlights some specific challenges for disadvantaged groups which include:

4.2. **Long-term sick and disabled people:** While the introduction of recent programmes such as the New Deal and Pathways to Work have successfully begun the process of engaging with this group, significant challenges remain, with 2.67 million people still claiming incapacity benefits. Part of the problem is the benefit system itself which is

complex and difficult to understand. It is particularly tough for people who have been on benefit for a long time to break into employment. Once someone has been on incapacity benefits for more than two years they are more likely to die or retire than move off benefit to return to work.

In Wirral these challenges include

- Wirral has **19,490 Incapacity Benefit (IB)** claimants (Feb 07)
- Wirral has an **IB rate of 10.5%** of the working age population (Feb 07). This is higher than both the North West (9.7%), and GB (7.3%).
- Wirral's IB rate has fallen slowly and steadily from a high of 12.4% in August 2001 – mirroring the national and regional trend.⁴

4.4. Lone parents

Although the employment rate for lone parents has improved significantly, at 56.5 per cent it remains well below the overall employment rate. The Green paper suggests that a key problem is that too few people are taking up the support available.

- **Wirral has 5,450 Lone Parent (LP) claimants** (Feb 07)
- **Wirral has a LP rate of 2.9%** of the working age population (Feb 07). This is higher than both the North West (2.3%), and GB (2.1%).⁵

4.4. Older people

Despite the major improvements over the last decade, the employment rate of older people (aged 50+) still falls short of the overall rate (70.7 per cent compared to 74.3 per cent in February-April 2007). They can often face multiple barriers to employment – lack of skills, caring responsibilities (often for a sick relative), personal health issues, and age discrimination.

- Wirral faces some challenges with the **overall working age employment rate** which has been going down. In Wirral, the **employment rate is 69.9%**. This has fallen from 73.4% in 2004.
- Between 50 and retirement age, the **employment rate is 66.2%**. This has fallen from 66.9% in 2004.⁶

4.5. Ethnicity

Although it is improving, the situation for many ethnic minorities remains challenging. Overall they are more than twice as likely to be unemployed as white people and one and a half times more likely than the overall working age population to be economically inactive. Many people from ethnic minority backgrounds who are out of work don't claim benefit even though they are on very low incomes. The result is very high rates of child poverty.

4.6. Young People

Having a basic platform of skills is increasingly important for young people as they enter the labour market. The priority is to ensure that 16 and 17 year olds are in education or training, either full time or while working. The Green Paper therefore

⁴ Source: DWP Working Age Client Group, NOMIS.

⁵ Source: DWP using Annual Labour Force Survey (LFS), 2007

⁶ DWP using LFS, 2007

proposes that the minimum age young people can leave education or training is raised to 18.

4.7. **Low Skills**

People with outdated skills or no qualifications have a very challenging time in the labour market. For example, in Wirral, 15.9% of Wirral's working age population have no skills compared to a GB average of 13.8%⁷. There is a direct link between formal qualifications levels and the likelihood of being in work. Wirral's Full Employment Strategy shows that one-third of the workless have no qualifications and three-quarters have low qualifications (NVQ2 and below).

5. **Key Measures in the Green Paper**

- 5.1. There will be a new '**social contract for lone parents**' which promotes the value of work as the best route to tackle child poverty.
- 5.2. Building on the Freud Report earlier this year, the Green Paper sets out proposals to make much greater use of expertise across the **private, public and voluntary sectors** at both national and local level. There is some concern that this increased shift from JCP to externalised contracts may lose some of the expertise already built up. Furthermore, the increased emphasis on using one large 'Prime Provider' must be balanced by flexible and responsive local level provision.
- 5.3. A key measure builds on the groundbreaking example of the **Local Employment Partnerships** announced by the Chancellor of the Exchequer in the 2007 Budget statement. At the heart of these new partnerships will be a '**Jobs Pledge**' under which the Government is aiming for major employers, in both the private and public sectors, to offer a quarter of a million job opportunities. These opportunities will be for people who are at a disadvantage in the labour market – such as lone parents and those on incapacity benefits – so long as they engage with the support available and are ready, willing and able to work. The Jobs Pledge aims to encourage more employers to consider disadvantaged customers for their vacancies and in return they will get help in identifying and preparing the right people for those vacancies.
- 5.4. Jobcentre Plus, working with the Learning and Skills Council in England, will focus on ensuring that people are job ready. They will provide both general pre-employment training and will support people when they are in work – for example, working with employers to deliver in-work training through Train to Gain⁸ so that new recruits continue to develop their skills and careers in work.
- 5.5. Employers will also be encouraged to continue this investment in line with **the Skills Pledge** launched last month and the Learning and Skills Council's Train to Gain programme.⁹ From 2008 the new UK Commission for Employment and Skills will provide added support and scrutiny of the employment and skills systems.

⁷ NOMIS, 2007

⁸ Train to Gain is a service to help businesses get the training they need to succeed. It offers a free skills brokerage service for employers, fully subsidised training for low skilled employees up to a first full level 2 qualification and free information, advice and guidance.

⁹ To help raise individuals and employers awareness of the importance of skills, the Learning and Skills Council launched a national skills campaign on 9 July 2007, '*Our future: It's in our hands*'.

- 5.6. The Green Paper signals **the increased momentum behind existing employer engagement activity**. The Government intends to engage employers at a senior level to secure their support and is also working with government departments and local authorities to ensure that the pledge is met in the public as well as the private sector. City Strategy areas are aiming to support this initiative. Jobcentre Plus will continue to work with the National Employment Panel and its successor, the UK Commission for Employment and Skills, in order to engage local employer bodies in the regional recruitment of employers.
- 6. Proposed Changes to Welfare Programmes**
In order to address some of the Challenges outlined in section 4 above, the Green Paper proposes some specific changes to support specific disadvantaged groups. These include:
- 6.1. **Incapacity Benefit:** The 2006 Green Paper '*A New Deal for Welfare: Empowering People to Work*' set out the Government's intentions for providing extra support to people with health conditions and disabilities. The delivery challenge is now to ensure the successful national introduction of Pathways to Work by April 2008. This will be taken forward by the private and third sectors. This will lay the platform of employment support for the **new Employment and Support Allowance (ESA)**, to replace incapacity benefits for new customers from 2008.
- 6.2. Lone Parents**
The Green Paper cites the recent reports by both Harker and Freud (see paragraph 2.3 above) to claim that if a strong package of support was in place for lone parents (including guaranteed access to affordable and suitable childcare, and work that fitted with family commitments), there would be grounds for 'strengthening lone parents' responsibility to look for work as the logical next step'. The Green Paper suggests that considerable progress in such support is being made - including:
- increasing the availability of childcare - to be supplemented from April 2008 through the introduction of a duty on local authorities to secure sufficient childcare for working parents;
 - provision of financial support to parents through the childcare elements of the Working Tax Credit;
 - the introduction of the right to request flexible working; and
 - increased investment in the New Deal and other employment support.
- 6.3. The proposal is therefore, that from October 2008, lone parents with a youngest child aged 12 or over will no longer be entitled to claim Income Support solely on the grounds of being a lone parent. They may be eligible to transfer to Jobseeker's Allowance where they will receive support in looking for suitable work or to move on to another appropriate benefit.
- 6.4. This age will subsequently be brought down to a youngest child of seven years old from October 2010. Over time, this will affect nearly 40 per cent of lone parents currently on Income Support. By October 2010 the aspiration is that all schools in England will be extended schools providing a range of activities between 8am and 6pm on weekdays for 48 weeks of the year.
- 6.5. The Government have indicated that the rationale behind these proposals is not primarily for financial savings, emphasising "*We are not proposing this because we seek to reduce benefit expenditure – the rates of benefit for Income Support and*

Jobseeker's Allowance are the same – nor to 'punish' lone parents. Nor will we force lone parents into jobs."

7. Financial implications

- 7.1. There is a need to consider the future investment required in Wirral for addressing the issues raised. It must be noted that there may be significant reductions in some of the resources available for employment programmes and economic regeneration such as NRF and ESF funding.
- 7.2. As Members are aware from previous Reports to Cabinet (28.06.2006 and 24.01.2007), Wirral has been working with Merseyside partners to develop the Liverpool City Region Employment Strategy (CES). The Strategy fits with the overall aim of the Green Paper - to improve employment and skills outcomes for disadvantaged groups and within most deprived areas. The main resource for the core of the CES programme is the Deprived Areas Fund (DAF). ¹⁰ DWP have recently confirmed that Wirral has been allocated the following DAF (see Table 1).

Table 1: Wirral DAF Allocation 2007/09

Local Authority	DAF allocation 2007/08	DAF allocation 2008/09	Total
Wirral	£631,208	£488,761	£1,119,969

- 7.3. It is important to note that this resource would not have been awarded to Wirral had we not been part of the Merseyside CES partnership.
- 7.4. However the Green Paper also points out that supporting people on benefit involves a significant cost for the taxpayer. The Government proposes to pilot an approach where providers who are successful in moving people into sustained employment (an outcome which would also help reduce benefit spending) are rewarded with increased funds to invest in further activity. Wirral would welcome this approach as it would strengthen our previous arguments for re-investment of resources at a local level - put forward during the development of the City Employment Strategy.

8. Staffing implications

- 8.1. The Director of Regeneration has previously presented a report (Cabinet 16.08.07) for members to consider the staffing requirements for delivery of Regeneration initiatives. Further reports will be brought to consider detailed delivery proposals for Employment and Skills activity (including ESF) in Wirral.

9. Equal Opportunities implications

¹⁰ DAF funding will be available to each of the 6 DAF wards in Wirral – Bidston, Birkenhead, Egerton, Leasowe, Seacombe and Tranmere.

- 9.1 The Green Paper has a strong focus on supporting disadvantaged groups to access and maintain employment and learning opportunities – building on the measures in this year’s Welfare Reform Act to ensure that those with health conditions and disabilities have extra support.
- 10. Community Safety implications**
- 10.1. There are no community safety implications arising directly from this report
- 11. Local Agenda 21 implications**
- 11.1 There are no implications directly arising from this report
- 12. Planning implications**
- 12.1. There are no implications directly arising from this report.
- 13. Anti-poverty implications**
- 13.1. The Green Paper sets out a series of measures aimed at achieving full employment – a goal that the Government sees as central to reducing poverty – particularly the drive to eradicate child poverty.
- 14. Human Rights implications**
- 14.1. There are no implications directly arising from this report.
- 15. Social Inclusion implications**
- 15.1. The Green Paper proposes a series of changes to employment and skills support offered to those who are most disadvantaged in the labour market. It is a central part of the Government’s stated aim of tackling social and economic exclusion by supporting people from benefits into employment.
- 16. Local Member Support implications**
- 16.1. The issues raised have implications for the whole of Wirral.
- 17. Background Papers**
- 17.1 The full Green Paper document is available from the Economic Policy Team on 691 8037 or can be accessed on the DWP website using the following link
<http://www.dwp.gov.uk/welfarereform/in-work-better-off/>
- Peter Hain’s Statement to Parliament is at www.dwp.gov.uk/aboutus/2007/18-07-07.asp
Working for children (March 2007) is at www.dwp.gov.uk/childpoverty

RECOMMENDATIONS

- (i) Members’ views are requested on the issues raised in the report.
- (ii) Members are also asked to endorse the Consultation Questionnaire Responses attached as Appendix 1.

J. WILKIE

Deputy Chief Executive/Director of Corporate Services

This report has been prepared by Rose Boylan who can be contacted on 691 8037.