



## Executive summary

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### Introduction

1. Our economy depends more than ever before on our people – on them making a contribution, aspiring to reach their full potential and taking responsibility for their skills needs. This matters for the individuals themselves and their families too – people making the most of their talents promotes social mobility and independence. To help achieve this, we need a welfare system that enables people to become the authors of their own lives.
2. In 1997, we inherited a largely inactive welfare state. For the last 11 years, the Government has gone about transforming it into an active one. Eleven years ago, we created the New Deal, which embodied the idea that rights entail responsibilities. In return for extra support, young people were expected to take up jobs and training or see their benefits cut. It was the beginning of the end for the idea that people could sit at home and claim benefits if they were able to work and had the offer of a job.
3. As we saw this approach working – with long-term youth claimant unemployment virtually abolished – we extended it to other groups, such as lone parents and new claimants of Incapacity Benefit (IB). At every stage, we ensured that support and conditions reflected an individual's circumstances and needs. Together with a growing economy, these reforms moved a million people off key out-of-work benefits, including almost halving claimant unemployment. As a result, we are spending over £5 billion less on benefits for unemployed people, releasing resources to substantially increase the amount we spend on helping people back to work and the support we give to the most severely disabled people.
4. Our aim now is to continue this process of reform. Getting the welfare system right is crucial, whatever the state of the labour market. Our motivation is the compelling evidence about the benefits of work for people's well-being and their children's life chances; it is about the need for people to get the skills to progress in an increasingly competitive and globalised society. Our foundation for doing so is a decade of lessons about what works in helping people to move from benefits into employment.
5. Our goal is simple: to make sure that no one is written off. We want to provide support that is tailored to each person's needs and to give everyone the opportunity to develop skills so they can find, and get on in, work. In return, we will require people to make full use of the support from which they could benefit.

6. Our objective is a social revolution: an 80 per cent employment rate – the highest ever – and reducing social exclusion by improving employment prospects for people facing the greatest disadvantage; ending child poverty, for the first time ever; and equality for disabled people, the next step in the onward march of equal rights. This Green Paper sets out how we intend to make progress towards achieving these goals.

## An obligation to work

7. We will enshrine the responsibility to work at the heart of our approach in a simple deal: more support but greater responsibility. We will help people find and retain work through support more personalised to individual need but, in return, those who are able will be expected to take a job if it is available. For those who are capable of working, there will be no right to a life on benefits.
8. This ‘something for something’ approach applies to everyone. However, we recognise that some there will be people with multiple and complex problems who need additional support to meet their responsibilities. This is why we are committed to ensuring that conditionality is personal, appropriate and fair for every individual.
9. The most severely disabled people or others with full-time caring responsibilities would not be required to look for work. We will, however, expect everyone else to take active steps towards employment and to take suitable jobs.
10. As part of this, we believe a lack of skills should no longer mean that people simply remain on benefit. We will take legislative powers to require those who need it to undertake training to help them get into work. We will consult on whether this should include lone parents with children above the age of five and people on incapacity benefits or the Employment and Support Allowance (ESA).
11. The vast majority of unemployed people want to work and nine out of ten people claiming Jobseeker’s Allowance (JSA) leave the benefit within a year. This is thanks, in part, to the high-quality support they receive from Jobcentre Plus, which is focused on a rapid return to work. We have learned what has worked in the New Deal – personal action plans, help with writing a CV and interview preparation, job search and training – and are now applying it to all jobseekers through the Flexible New Deal, our replacement for the previous New Deals.
12. Throughout the course of their claim their responsibilities will increase. The longer people claim benefits, the more they will be expected to do.

13. This system works well for most claimants. But some people could be getting back to work quicker or staying in work for longer. We are, therefore, reforming the system so that the longer someone is on out of work benefits, the more help we offer and the more activity we require of them.
- We are tackling basic skills needs from the outset of unemployment as we reform JSA from 2009 – at the initial interview for benefit, there will be a simple screening of basic skills and where someone has an evident gap, they will be referred to help from the local skills services. We will record this and pursue the claimant's actions to improve their skills as the claim lengthens. We would also like to test the approach of requiring people to deal with their skills needs or risk losing benefit.
  - At three months and then six months, jobseekers will be expected to intensify their job search activity and comply with a challenging back-to-work action plan, including a skills health check and appropriate training.
  - After 12 months on JSA, jobseekers will be transferred to a private, public or voluntary sector provider who will be paid by results. No one who completes 12 months with a provider without moving into work could do so without having undertaken at least four weeks of full-time activity. This is a commitment for both the claimant, to refresh work skills, and for providers. But that is a minimum. If the customer's action plan requires it, the full-time activity can last as long as needed. The only condition is that it should remain relevant, in preparation for the goal of sustained work.
  - For those still on JSA after two years, we will expect even more. This Green Paper sets out our proposal to test full-time work programmes with private and voluntary providers, as well as other approaches such as requiring daily attendance at the Jobcentre Plus office.
14. We also propose introducing legislation to further underpin people's obligations to work, including:
- tougher sanctions for those who fail to take steps to get back into work or refuse to take a job; and
  - a requirement for those identified as having problems with crack cocaine or opiates to taken action to stabilise their drug habit and to take steps towards employment, in return for receiving benefits.

## No one written off – more support, more responsibility

15. As now, the system for unemployed people will be the most demanding but we also need to do more to help into work those receiving other benefits into work. Over 2.6 million people – far more than receive JSA – receive incapacity benefits. Most want to work but many have been left abandoned on these benefits for years. Indeed, the way that Incapacity Benefit (IB) was designed actively discouraged people from looking for work. That is why we plan now to reform IB and ensure no one is written off.
16. We have already legislated to replace incapacity benefits with a new benefit – ESA. ESA will be introduced in October 2008. We will now take forward our plans to move existing IB claimants onto ESA. Between 2009 and 2013, all incapacity benefits claimants will be reassessed using a medical assessment called the Work Capability Assessment (WCA).
  - Some will no longer qualify for incapacity benefits and will be able, instead, to claim JSA and receive active back-to-work support through that regime.
  - Those who qualify for ESA will be placed either in what we call the Work Related Activity Group or the Support Group. Those in the Work Related Activity Group will be expected to engage with a personalised programme of back-to-work support; those in the Support Group will be able to participate in this programme on a voluntary basis and will receive a guarantee of a higher basic rate of benefit than on IB.
17. In the light of the evidence that work is generally good for people's well-being, we will review this medical assessment to make sure the right people receive the right benefits and we will, in future, re-assess customers more frequently, giving them extra opportunities to talk to a medical professional about their back-to-work plans.
18. In the past, being on IB could mean being left forever without receiving any help to manage or improve a medical condition so as to prepare for a return to work. In 2003, we piloted Pathways to Work, a ground-breaking programme to provide such support, supporting claimants to better manage their medical condition and a £40 a week Return to Work Credit. The Return to Work Credit will be available for all eligible IB and ESA claimants for 52 weeks after their return to work. Evaluation of Pathways showed that the programme increases the chance of a new customer being in work from 28 per cent to 35 per cent 18 months after the claim was made. Since April 2008, Pathways has been available across the whole country and is mandatory for most new claimants.
19. All existing customers who are placed in the Work Related Activity Group will receive personalised support modelled on our successful Pathways to Work programme. For the first time ever in this country, no one who has the potential to work will be abandoned to a life on benefits. For everyone in this group, we will improve the help they get, for example with counselling for those suffering from depression or pain management for those with musculo-skeletal problems.

20. For the vast majority, ESA will be a temporary benefit, supporting people until they recover from their health problem or are able to adapt to their new circumstances. In return for this support, we will require people to engage with us, working with a personal adviser to draw up a timetabled back-to-work action plan. We will enact powers in the Welfare Reform Act 2007 to require new customers in the Work Related Activity Group to undertake general work-related activity. Customers who do not meet these requirements will have their benefit reduced. We will also extend throughout the first two years of a claim, the period during which new customers are required to engage with us by introducing Work Focused Interviews.
21. We want to ensure everyone can benefit from personalised support. Those with the greatest needs will be in the Support Group in ESA and will be able to volunteer for Pathways. They will also receive a higher basic rate of benefit from October this year – £102.10 a week compared with £86.35. We will also increase funding for our supported employment programmes, which provide help and training for people who have the greatest barriers to work.
22. We are also inviting views on what more we should be expecting of people undertaking the new personalised support on offer in the Work Related Activity Group.
23. We will use private, public and voluntary sector providers to deliver this back-to-work support. They will be able to invest more up front and then be rewarded from the benefit expenditure they save – the model proposed by David Freud in his report to the Department for Work and Pensions, published in March 2007.<sup>1</sup> As he recommended, we will test this approach in five cities and sub-regions, to learn what works before extending it.
24. These measures will complete the reform of IB. They will create a system focused on what people can do rather than what they cannot. Everyone will have the support they need to overcome their health problem and move into sustainable work. In return, we will make it clear that for the vast majority, ESA will be a temporary benefit and people will be expected to take reasonable steps to move into employment.

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<sup>1</sup> Freud D, 2007, *Reducing dependency, increasing opportunity: options for the future of welfare to work*, Corporate Document Services

## Helping people remain in work

25. Helping people to stay in work when they become disabled or have a period of ill-health is the best way to keep them in touch with work and to reduce the numbers moving onto benefits. Dame Carol Black's report into the health of Britain's working-age population warned that there was insufficient access to support in the early stages of sickness.<sup>2</sup> She also found that the present sicknote system focuses too much on what people cannot do and can impede recovery and a quicker return to work.
26. She called for an overhaul of the sicknote system and for an improvement in back-to-work support services provided by the National Health Service and the Department for Work and Pensions. We will, therefore, pilot her recommended Fit for Work service, bringing together health and employment support to help people in the early stages of sickness absence. We will also work with doctors and employers to ensure that the sicknote system is focused on helping people to stay in work or make a rapid return to work whenever appropriate.
27. When people become disabled, many could stay in work with greater help – or get back into work subsequently. Our successful Access to Work programme provides this help – with specialised computer equipment or a British Sign Language interpreter, for example. But at the moment, too many people do not find out about this help and are left out. We will double the budget for Access to Work so that we can help many more people to find and retain a job – a step that will move us closer to our aspiration that everyone who is eligible for support through this scheme will receive it.
28. We are also providing financial support to help people who move from benefit to work to stay in work. We have already introduced In-Work Credits, giving eligible lone parents £40 a week (£60 a week in London) throughout their first year in work. In addition, and following on from an extensive evaluation of the Employment Retention and Advancement demonstration project, a package of support to aid retention during the first six months in employment was introduced for lone parents from April 2008. This will offer access to discretionary payments (of up to £300) to manage minor financial emergencies, as well as in-work advisory support from Jobcentre Plus.

## Devolving power to personalise support

29. We need to move from the standardised approach for different categories of claimants, to one personalised to the needs of each individual. To achieve that personalisation, we need to devolve power so that our services can be flexible. We, therefore, plan a triple devolution: to our advisers, to our providers and to local communities.

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<sup>2</sup> Black C, 2008, *Working for a healthier tomorrow*, TSO

30. Jobcentre Plus is recognised as one of the best back-to-work agencies in the world. Its staff have unrivalled knowledge of their customers and their needs; and have a superb record of delivering core back-to-work support. We will support Jobcentre Plus in continuing to improve, by giving its advisers greater flexibility to tailor their support to the individual needs of their customers.
31. As we said in *Work Skills*, the Department for Work and Pensions and the Department for Innovation, Universities and Skills (DIUS) have already started bringing together core elements of the employment and skills system.<sup>3</sup> Devolving responsibility opens up opportunities to go further, with exciting developments occurring in many of our major urban areas.
32. We will devolve power to our private and voluntary sector providers too. That is why, in December 2006, the Government asked David Freud to examine how we could give a greater role and greater incentive to these providers. This Green Paper sets out how we will implement all of his recommendations, including how providers will be paid by results on the basis of outcomes, out of the benefit savings they achieve. We will experiment with contracts that cover both jobseekers and those on incapacity benefits, to encourage further innovation.
33. We will devolve power to the local level. We will give local partnerships more influence in drawing up contracts for back-to-work services and monitoring their performance. For the most ground-breaking areas, we will go further. Communities will need to prove their leadership and show they are bringing additional resources to the table to experiment with new approaches such as the Fit for Work services or full-time activity programmes. Where they do so, we will give them the power to choose providers and even allocate European funding.
34. Our aim is to make the most effective use of the public, private and voluntary sectors in realising our ambitions. The question is not which sector delivers but who, within any of those sectors, can deliver it best. To that end, we will introduce a new 'Right to Bid' for public, voluntary and private providers that believe they could deliver any part of our services more effectively. By making our services contestable in this way, we will improve the performance of existing providers and open up our system to new and better approaches.

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<sup>3</sup> Department for Work and Pensions and the Department for Innovation, Universities and Skills, 2008, *Work Skills*, Cm 7415



## A right to control for disabled people

35. We want our most significant devolution of power to be to individuals themselves. A commitment to personal responsibility must mean giving power to the individual wherever possible. So we will experiment with allowing claimants to choose their back-to-work provider, while ensuring that this is not used to avoid tough conditions on their job search.
36. We also propose a step forward in the rights of disabled people by introducing a right to request control over the support they get. This would build on the experience of individual budget pilots. Many disabled people have little effective control over the services they rely on for support. Instead, these pilots have given people a budget for support and enabled them to decide how that budget was used.
37. We will consult on how this approach could be extended. In particular, this might include giving disabled people the ability to pool the funding from more of the different types of support they receive. We would aim to give them the right to know the value of the support to which they are entitled and the ability to request that support as an individual budget. The disabled person would need an agreement about the outcomes for which they will use the budget and how they will go about doing it. This approach could empower disabled people to shape support to their own needs or to choose a different provider if they were not getting the help they need.
38. Evidence shows that individual budgets can be successful in improving people's satisfaction with the services they receive. There are big potential benefits if they can also provide better value for money and if we can get this right

## Simplifying the benefits system

39. A too-complex benefits system obscures choices and obligations and creates perverse incentives. It is complicated for both our staff and customers and, despite the progress that we have made, it makes it harder to tackle fraud. Simplifying the benefits system can help to direct people towards work and reduce the still significant overpayments caused by fraud and error. For these reasons, we have previously said we are interested in moving to a single system of benefits for people of working age.
40. We want to ensure that the system as a whole fits together properly, meeting specific needs in a timely way. The changes in incapacity benefits proposed in this Green Paper will build on existing plans by taking steps towards aligning benefit rates across incapacity benefits and ESA. We will take a power to abolish Income Support so we can move towards a system based on two benefits – JSA and ESA.

## Conclusion: ending child poverty

41. These reforms will help those who have been written off for too many years. They will ensure the right people are receiving the right benefit and that everyone will get the personalised support they need – drawing on the expertise and innovation of the public, private and voluntary sectors. We will transform support for disabled people – by ensuring that everyone can access help to get back to work and giving people far greater control over the support they receive.
42. In return, people will be required to engage with this support and take reasonable steps to prepare for, and then move into, work. For those who have been unemployed for a long period or who are thought to be playing the system, we will test strong measures – including full-time work in return for benefits. There should be no choice between working and a life on benefits. If people can work and there are opportunities available to them, they will be expected to do so.
43. All our proposals are driven by a core belief – using the power of a responsive State to increase people’s life chances, opportunities and capabilities. Nowhere is this more clearly demonstrated than our goal to eradicate child poverty by 2020. Our goal in reforming welfare is to switch spending from propping up failure to investing in the future. Over the coming months we will work with stakeholders on the shared vision for 2020 and the steps we must all take to reach our ultimate ambition of a society free from child poverty – where all children enjoy a good childhood and no one’s life chances are limited by their background.
44. To contribute to this mission, the proposals in this Green Paper will support many more parents into employment – the best and most sustainable route out of poverty. It introduces a full disregard for child maintenance payments, supported by the requirement for both parents to be registered on the birth certificate, except where this would not be in the best interests of their child.
45. Over the last 11 years we have been turning the welfare state from being essentially passive to profoundly active. The reforms in this Green Paper complete that transformation, to create a system that promotes a work culture rather than a welfare culture, rewards responsibility and ensures that no one is left behind. It will be delivered by a network of public, private and voluntary service providers, focused on the individual needs of the customer where the rights to benefit are matched with personal responsibilities.