



# Left Out, Left Behind

## The People Lost to Britain's Workforce

**David Willetts MP**  
**Nicholas Hillman**  
**Adam Bogdanor**

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The logo for Policy Exchange, featuring the words "policy" and "exchange" stacked vertically, with a diagonal slash through the "x" in "exchange".

First published in July 2003 by Policy Exchange

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London SW1P 3AY  
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[www.policyexchange.org.uk](http://www.policyexchange.org.uk)

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ISBN 0 9545611 0 4  
Typeset by Politico's Design, [design@politicos.co.uk](mailto:design@politicos.co.uk)

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# Executive Summary

Over the past decade, there has been a sustained fall in the number of people who are unemployed. In Spring 1992, there were around 2.8 million unemployed people in Britain. That figure is now down to 1.5 million.

What is much less well known is that this drop in unemployment has been accompanied by a rise in the number of people who are neither employed nor officially unemployed – a group described as economically inactive. Over 7.7 million people of working age now count as economically inactive, up from 7.3 million in 1992 and 7.6 million in 1997. Who they are, and what more can be done to help them, are the main themes of this paper.

## Economic inactivity by category (000)

	All of working age	Young people (16 to 24)	Older people (50 to SPA)	Lone parents* Lone parents*	People with disabilities*
Spring 1997 <sup>1</sup>	7,588	1,719	2,518	713	3,219 <sup>†</sup>
Winter 2002/2003	7,722	1,938	2,535	688 <sup>‡</sup>	3,338 <sup>‡</sup>

Labour Force Survey \*Not seasonally adjusted and not adjusted for the 2001 Census results <sup>†</sup>Spring 1998 <sup>‡</sup>Autumn 2002

Not everyone should be in the workforce. No civilised society would expect people with severe disabilities to work and most people would recognise the right of a parent to spend their time caring for a young child. However, there are many other causes of economic inactivity and it is surprising that so many people remain wholly outside the labour market at a time of sustained economic growth.

There are 4.7 million women and 3.0 million men of working age outside the labour market. Most of them are in four overlapping groups: young people, people aged between 50 and state pension age; lone parents; and people with disabilities. The tables below gives further indication of who they are.

**Reasons for inactivity amongst inactive men of working age (%)**

	16-24	25-34	35-49	50-64
Long-term sick or disabled	5	43	64	55
Looking after family/home	1	11	15	4
Students	83	21	5	0
Retired	0	0	1	29
Other	11	25	16	12
Total	100	100	100	100

Catherine Barham, Economic inactivity and the labour market, Labour Market Trends, February 2002, Table 2

**Reasons for inactivity amongst inactive women of working age (%)**

	16-24	25-34	35-49	50-59
Long-term sick or disabled	3	11	25	39
Looking after family/home	24	72	60	28
Students	66	8	4	1
Retired	0	0	0	15
Other	7	9	11	18
Total	100	100	100	100

Catherine Barham, Economic inactivity and the labour market, Labour Market Trends, February 2002, Table 2

The numbers of economically inactive young people, people aged over 50 and people with disabilities have increased since 1997. The figure for lone parents has gone down somewhat, but this trend is independent of Government policy initiatives.

### **Young people: 1.9 million**

Many economically inactive people aged between 16 and 24 – 1.3 million out of a total of 1.9 million – are in full-time education. But 1.2 million young people, or around 18 per cent of all those aged between 16 and 24, are not in work, nor in full-time education, nor registered as unemployed. We know surprisingly little about where they are or what they are doing. But we fear they make up Generation X.

The New Deal for Young People is failing to deliver what was promised. Indeed, it might even be making things worse by driving young people out of the system altogether. We need to offer a better alternative to the New Deal if we are to reduce the number of young people who are economically inactive and not in full-time education.

### **People aged between 50 and State Pension Age: 2.5 million**

There are 2.5 million people aged between 50 and State Pension Age who count as economically inactive. Although some older people do take voluntary early retirement, the main cause of economic inactivity amongst this age group is long-term sickness and disability. As with young people, low educational achievements also increase the likelihood of being outside the labour market.

Nothing significant has been done in recent years to make it easier for older people to go on working where they are still able and

willing to do so – the New Deal 50plus, for example, has done little to improve work incentives. A number of other policies to enable older people to work have been proposed by the Government, but then not implemented.

### **Lone parents: 0.7 million**

Around 700,000 lone parents are economically inactive and the vast majority of them are female. The factors that help to determine the employment status of individual lone parents include the age of the youngest child, what qualifications they hold and whether they previously lived with a partner. Although the employment rate of lone parents has been moving slowly upwards for many years, there is a growing consensus that the Government is going to miss its target of placing 70 per cent of lone parents in work by 2010.

Radical reform of the New Deal for Lone Parents, improvements in the delivery of benefits and a more effective regime for compulsory work-focused interviews are desirable changes that would make the ambitious target easier to hit.

### **People with disabilities: 3.3 million**

Around half of people with disabilities (3.5 million) are in employment and nearly all of the rest (3.3 million) are economically inactive. Many inactive disabled people will never be in a position to work, but over a million of them would like to find a job.

Recent changes to Incapacity Benefit entitlement have provided an additional barrier to work and the New Deal for Disabled People has been beset by problems. So far, work-focused interviews have

also done little to improve the chances of people with disabilities finding work. The new Jobcentre Plus offices, which combine the services that used to be provided by the Benefits Agency and the Employment Service under one roof, need to give a higher priority to their disabled clients.

More could be done to protect the benefit entitlement of people with disabilities who move into work. And, in the longer term, there also needs to be a new focus on rehabilitation for disabled benefit claimants.

# **1 . The Problem of Rising Economic Inactivity**

Before coming to power, Labour made a firm commitment to provide substantial new help to the millions of people who are excluded altogether from the labour market. Tony Blair told the Labour Party conference in 1996, “By the end of a five year term of a Labour government I vow that we will have reduced the proportion [of national income] we spend on the welfare bills of social failure. ... This is my covenant with the British people. Judge me upon it. The buck stops with me.”

After 1997, the rhetoric took on an even harder edge. In the run-up to every Budget and Pre-Budget report since 1997, Gordon Brown has told journalists to expect a ‘crackdown on the workshy’.<sup>2</sup> The 2001 manifesto claimed “With Labour, the welfare state helps people into work, makes work pay, supports them at work, and demands responsibilities in return.”<sup>3</sup>

The Government has introduced more than enough schemes that are supposed to help people off welfare and into work:



- Action Teams for Jobs
- Ambition
- Basic Skills Pilots
- Employment Zones
- Innovation Fund Projects
- Mentoring Pilots
- Minority Ethnic Outreach Projects
- New Deal for Disabled People
- New Deal for Lone Parents
- New Deal for Partners
- New Deal for Young People
- New Deal 25plus
- New Deal 50plus
- ONE Pilots
- StepUP Pilots
- Tailored Pathway Pilots

On the International Labour Organization (ILO) measure,<sup>4</sup> unemployment has fallen from 2.0 million to 1.5 million since Spring 1997. This fall of 0.5 million is smaller than the 0.8 million decline in the five years after 1992, but it is still significant. The claimant count, which measures people claiming unemployment-related benefits (principally Jobseeker's Allowance), has also fallen, from 1.6 million in 1997 to 1.0 million in 2002.<sup>5</sup>

#### **ILO unemployment by age (000)**

	Spring 1997	Winter 2002/2003
All aged 16+	2,036	1,494
All working age	2,012	1,475
16-17	166	179
18-24	484	393
25-49	1,044	678
50 and over	341	243







































































































