



Left Out, Left Behind

The People Lost to Britain's Workforce

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Nicholas Hillman
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by David Willetts MP

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The logo for Policy Exchange, featuring the words "policy" and "exchange" stacked vertically. A diagonal slash cuts through the text from the bottom left to the top right, intersecting the 'x' in "exchange" and the 'y' in "policy".

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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 ¹	7,588	1,719	2,518	713	3,219 [†]
Winter 2002/2003	7,722	1,938	2,535	688 [‡]	3,338 [‡]

Labour Force Survey *Not seasonally adjusted and not adjusted for the 2001 Census results [†]Spring 1998 [‡]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’.² 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.”³

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,⁴ 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 2002.⁵

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

Some economic commentators have been puzzled over why unemployment has remained low despite the slowdown in the economy. One way out of unemployment is into a job. Another way out is to give up altogether. Pressure and performance targets aimed at reducing unemployment may drive some people out of unemployment benefits altogether and into economic inactivity.

Many of those who have disappeared from the unemployment statistics have reappeared in the equally-important, but often overlooked, figures on economic inactivity. In the first three months of 2002, the number of people of working age who were economically inactive was at its highest level since quarterly records began in 1992.⁶ In the six years since Labour came to power, the number of economically inactive people of working age has grown in every age group except 25 to 34. An academic study of 'hidden unemployment' uncovered an increase of 220,000 people between 1997 and 2002.⁷

There has been less change in the rate of economic inactivity, which measures the proportion of people who are economically inactive as a percentage of all adults. In Spring 1997, 21.6 per cent of working age adults were economically inactive. Since then, the figure has hovered between 21.8 per cent and 21.1 per cent and currently stands at 21.4 per cent. This measure has not risen in line with the number of economically inactive adults because there has been a slow, but steady, increase in the total population of working age. The almost imperceptible change in economic inactivity rates still represents a failure of policy, however, because it has occurred at a time of economic growth and despite various welfare to work initiatives.

Economic inactivity by age (000)

	Spring 1997		Winter 2002/2003	
	Number	Rate	Number	Rate
All aged 16+	16,957	37.4	17,255	37.1
All working age	7,588	21.6	7,722	21.4
16-17	581	40.5	668	44.0
18-24	1,137	23.5	1,271	25.3
25-34	1,486	16.6	1,314	16.5
35-49	1,866	15.6	1,934	15.2
50-64 (males) and	2,518	31.5	2,535	28.5
50-59 (females)				

Labour Force Survey

Labour spokesmen regularly condemn the last Conservative Government by claiming that they encouraged many people who should have been counted as unemployed to claim other benefits instead. Tony Blair, for example, said in Parliament, “I think every Member of the House knows that people were transferred on to Incapacity Benefit to disguise the true levels of unemployment in the 1980s.”⁸ No evidence has ever been uncovered to show that the previous Conservative Government intentionally shifted people from unemployment benefits to disability benefits. Indeed, although the number of Invalidity Benefit claimants rose throughout the 1980s, there was a large fall in the number of claimants after the introduction of Incapacity Benefit in 1995. The latest evidence shows this success has been reversed in recent years and the number of people on Incapacity Benefit is now rising.

When the authors visited Birmingham, an employment adviser working with the New Deal for Communities produced evidence showing that in one deprived ward the number of Jobseeker’s

Allowance claimants fell by 32 per cent last year. At the same time, the number of Income Support claims increased by 9 per cent, the number of Disability Living Allowance claims rose by 17 per cent and the number of Incapacity Benefit claims increased by 18 per cent.⁹

Both the number of Income Support claimants and the number of Incapacity Benefit claimants recently surpassed the level they were at when Labour came to office. In addition, the number of workless households is 26,000 higher than it was in Autumn 2002.¹⁰

Income Support and Incapacity Benefit claimants (000)

	May 1997	November 2002
Income Support	3,958	3,961
Incapacity Benefit	2,371	2,384

ONS/DWP Income Support and Incapacity Benefit Quarterly Statistics, November 2002

The best way to measure the overall impact is to compare the figures on economic inactivity to those on unemployment. We have calculated the ratio for the period from 1984. There is a striking pattern. In 1984, there were 2.3 economically inactive people of working age for every one unemployed person. By Spring 1997, this had risen to 3.8 inactive people for every one unemployed person. The figure is now 5.2.¹¹

Some economic inactivity is not disguised unemployment – the figures include full-time students, mothers who are not in paid work and severely disabled people. But there are reasons why the growing number of inactive people is of real concern.

Economically inactive people are less job-ready than people registered as unemployed. Any increase in their numbers poses a much

greater challenge to Jobcentre Plus than a comparable increase in unemployment and it is more likely to lead to sustained periods of poverty for the individuals concerned. In the words of the Office of National Statistics, changes in inactivity rates are “a key part of the impact of labour supply on potential output growth.”¹² They can present an enormous cost to the Government, both in terms of foregone labour, services and taxes and in terms of public expenditure on benefits.

The increase in economic inactivity has also deepened the divisions between particular disadvantaged groups and the rest of the population. Most economic inactivity is concentrated amongst four groups: young unskilled people; people aged between 50 and state pension age (SPA); lone parents; and those with disabilities or other health difficulties. In Autumn 2002, the economic inactivity rate amongst people with disabilities of working age was 46 per cent, whilst for other people it was 15 per cent.¹³ Some groups of the population are work-rich and others are work-poor. The recent growth in inactivity has widened this gap.

The rest of this pamphlet looks at these four groups in turn. In each section, there is a short summary of the latest statistics, an evaluation of the Government’s programmes and some suggestions on how economic inactivity might be reduced in the future.

2. Young People

Almost 70 per cent of economically inactive people aged between 16 and 24 are in full-time education. It would be unfair to treat these students in the same way as others who are out of work. But even when they are removed from the statistics, there has still been a small increase in economic inactivity amongst younger people since 1997. After five years of the New Deal, the number of young people who are not working or studying has gone up.

Since 1997, the total number of inactive young people has grown by 219,000 – five times the growth in the economically active group.¹⁴ Once students are excluded, there are 636,000 economically inactive young people, an increase of 41,000 since 1997 – around the same as the growth in the economically active group.

Economic activity and inactivity amongst people aged between 16 and 24 (000)

	Total economically active	Total economically inactive	Economically inactive in full-time education	Economically inactive not in full time education
Spring 1997	4,557	1,719	1,124	595
Winter 2002/2003	4,601	1,938	1,302	636

In addition, some 572,000 of the young people who count as economically active are unemployed on the ILO measure. (According to recent Eurostat figures, 12.3 per cent of economically active people aged under 25 are unemployed – significantly higher than Germany's rate of 9.6 per cent.¹⁵) In total, therefore, over 1.2 million or 18 per cent of the 6.5 million young people are either inactive or unemployed.

We know little about the one in ten young people who are not working, not registered unemployed and not in education. One of the reasons they are so hard to find may be that they are seeking to avoid the ineffective New Deal for Young People. Some may be involved in part-time study or training. Others will be young mothers caring for their children, though the proportion of inactive women aged between 16 and 24 classified as looking after the family/home has fallen significantly in recent years, as has the number of young women giving birth.¹⁶ The number of people estimated to be on a gap year at any one time is 40,000 – a small fraction of the total 636,000 – and anyway many of these are employed in temporary work.¹⁷ The rest appear to be seriously disengaged from mainstream society.

Young people with low educational achievements tend to become disenfranchised from the labour market and are not even in any basic form of training. Whereas 30 per cent of people with no reported GCSEs are not in education, training or employment at age 16, the figure for those with more than five GCSEs at grades A* to C is just 2 per cent. Similarly, whilst 32 per cent of 16 year olds who were persistent truants in their GCSE year are not in education, training or employment, the figure for non-truants is only 4 per cent. These factors are more important than other characteristics,

such as ethnic origin or health problems.¹⁸ Thus inactivity ties in with a deeper social problem.

There is unlikely to be any simple way to reduce the enormous number of young people who have no contact whatsoever with the labour market. But there are at least three things the Government could do urgently to improve the prospects for economically inactive young people.

First, they should reverse the decline in the educational opportunities offered to disadvantaged young people. Around a quarter of 16 year olds – 150,000 people in England alone – obtain no GCSEs at all above grade D.¹⁹ At the same time, the number of vocational qualifications is falling fast. Last year's official review of the statistics says, "The number of GNVQs/VCEs/GSVQs awarded in 2000/01 fell considerably from 117 thousand in 1999/00 to almost 66 thousand in 2000/01."²⁰ Ministers are also going backwards on their Public Service Agreement to increase the number of people starting Modern Apprenticeships. Within England, the number has fallen from 84,600 in 2000/01 to 49,600 in 2001/02.²¹

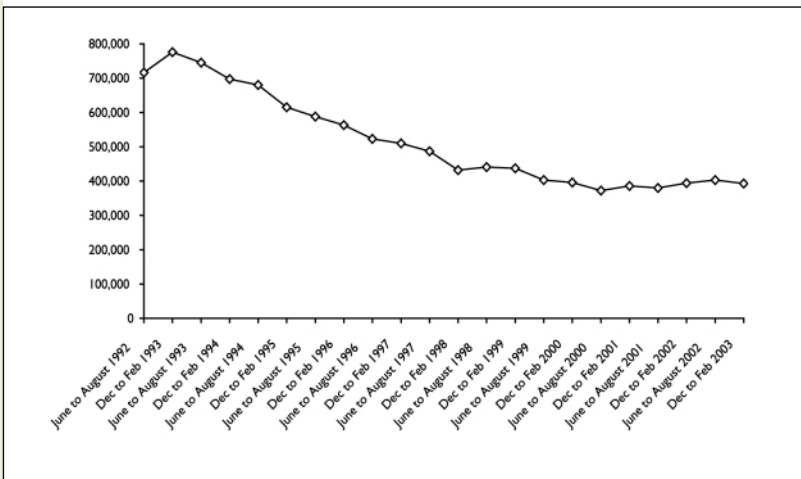
Secondly, the Government should abolish or radically reform the New Deal for Young People. Ministers have wildly overstated the impact of the scheme – Tony Blair told the House of Commons in June 2002 that "as a result of the New Deal, the number of young people who are on the dole today is 4,500",²² but the most recent official statistics showed that claimant count unemployment for 18 to 24 year olds actually stood at 244,000, more than fifty times higher than the Prime Minister claimed.²³

There is a wealth of evidence to show the New Deal for Young People has had much less impact than was hoped. The proportion of New Deal starts which are known to have led to sustained unsub-

sidised employment is only 36 per cent²⁴ and many of those who do find work would have done so anyway. Moreover, the proportion of leavers entering sustained unsubsidised work has fallen in every year since the scheme began²⁵ and one in five of those who have been on the programme have joined more than once.²⁶ There are now so many people who have been through the New Deal, but have failed to find sustainable employment, that there is a whole new programme called StepUP aimed specifically at them.

As the graph below shows, youth unemployment was falling at a faster rate before the New Deal went nationwide in April 1998.

ILO unemployment amongst people aged 18 to 24, 1992 to 2002



http://www.statistics.gov.uk/downloads/theme_labour/LMS_FR_HS/Table22.xls

According to the Government's own research, three of the four New Deal Options (Full-time Education and Training, Environment Task Force and the Voluntary Sector) are so weak that they "have actually

reduced the chances of moving away from JSA or New Deal.”²⁷ Moreover, the Adult Learning Inspectorate found that only 31 per cent of clients on the Full-time Education and Training Option, which is by far the most popular of the four, achieve a qualification and only 26 per cent find a job.²⁸

The scheme may even be leading some young people to opt out of the system of unemployment benefits and training altogether. Any successful new programme will need to work with the voluntary and private sectors, which have enormous experience of placing people into jobs. In the words of a recent report on the Government’s employment strategy from the Labour-dominated Work and Pensions Select Committee, “the resources, know-how and flexibility of private and voluntary sectors should be better harnessed to deliver services to groups at some distance from the labour market.”²⁹

The third thing the Government should do is find out more about the 636,000 people aged between 18 and 24 who are not working, not studying, not training and not even registered unemployed. We know extraordinarily little about these people. Our fear is that they are engaged in petty crime or have dropped out of society altogether. The Government has been so keen to claim success for the New Deal that it has swept this problem under the carpet. The people involved make up Britain’s Generation X. We need to know far more about them so that we can implement effective policies to help them.

3. People aged between 50 and State Pension Age

Four out of ten people aged between 50 and State Pension Age (SPA)³⁰ are economically inactive. Even though the number of active people in this age group has grown quite fast in recent years, the total number of inactive people also rose by 100,000 during Labour's first five years in office. It has fallen since then, but remains higher than in 1997.

Economic activity and inactivity amongst people aged between 50 and SPA (000)

	Total economically active	Total economically inactive	Economically inactive males	Economically inactive females
Spring 1997	5,469	2,518	1,290	1,228
Spring 2002	6,207	2,614	1,379	1,235
Winter 2002/2003	6,348	2,535	1,316	1,219

Labour Force Survey

The table above also reveals that the changes in inactivity amongst this age group have affected men more than women. Whilst 9,000 fewer women are economically inactive than in Spring 1997, 26,000 more men are. Research by the Office of National Statistics suggests that the figure for males could increase further still in the years ahead: “in the absence of other factors, increasing levels of inactivity [amongst older men] are likely to continue with each cohort.”³¹

Older men and women are both much more likely to move directly to economic inactivity from employment than via unemployment.³² It is tempting to assume that this reflects widespread voluntary early retirement. However, although some early retirement does occur, the main cause of inactivity for 48 per cent of older inactive people is long-term sickness or disability.³³ Half of all Incapacity Benefit claimants (1.2 million people out of a total of 2.4 million) are aged between 50 and State Pension Age.³⁴ In one area of South Wales, more than half of all men aged between 50 and State Pension Age are out of work and claiming sickness-related benefits.³⁵ The opportunities available to inactive older disabled people and the obstacles they face will be considered in more detail in the chapter on people with disabilities.

There are two important causes of economic inactivity amongst older people other than sickness and disability: low educational achievement and early retirement. In Autumn 2001, 41 per cent of men aged between 50 and 64 with no qualifications were inactive, compared with 22 per cent for those with at least a GCSE-level qualification, and later cohorts of men without any qualifications have progressively higher rates of inactivity.³⁶

One in five economically inactive older people regard retirement

as the main reason for their inactivity.³⁷ Some of them are former professional workers who have voluntarily retired, often with generous occupational pension schemes, but many are skilled and semi-skilled workers who have lost their jobs: 58 per cent of inactive older men whose last job was ‘professional’ consider retirement to be the main cause of their inactivity, but so do 34 per cent of men whose last job was ‘clerical and secretarial’ and 20 per cent whose last job was a plant and machine operative.³⁸ Only around a third of people taking early retirement do so voluntarily.³⁹

The main welfare-to-work programme for older people is the New Deal 50plus. This has little in common with the New Deal for Young People – it is voluntary and not confined to Jobseeker’s Allowance claimants. The scheme was introduced nationally in April 2000 and its main features are a £60 a week Employment Credit (subsumed within the Working Tax Credit from April 2003) and a £1,500 Training Grant, both of which are confined to people who start work paid at a gross income of less than £15,000 a year.

The Employment Credit is aimed at making low-paid jobs more attractive. However, for many of the people most in need of clearer work incentives – those claiming Housing Benefit and other state benefits – it has had no significant impact and “In some cases, it seems, the benefit of the Employment Credit is offset, entirely, by the loss of other benefits.”⁴⁰

Although a majority of recipients do find the Employment Credit (EC) helpful in their decision to enter work,⁴¹ quantitative research also shows “that more than half of those who claimed the EC said that they would have taken their job without it, indicating a fair degree of deadweight”.⁴² Moreover, 10 per cent of claimants apply for the Employment Credit retrospectively, having found work before

formally joining the programme⁴³ and 29 per cent of participants who find work do not receive the Credit.⁴⁴

Unlike the Employment Credit, the Training Grant is received by so few people that it has had almost no impact. Only 8 per cent of Employment Credit recipients have made use of the Training Grant⁴⁵ and “It does not seem to have contributed to the subsequent advance of those entering work in any significant way at all.”⁴⁶ The main reasons for non take-up are that 48 per cent of clients think it is not relevant to the sort of work they wish to do, people lack experience of buying their own training and it is difficult to integrate the Grant with any investment in training that the employer might already be making.⁴⁷

The most detailed research into the New Deal 50plus concluded that it attracts few economically inactive older people, that the most successful participants are the easier cases, such as those at the younger end of the eligible age range, and that people who are not able to find employment soon after joining the scheme tend to stay out of work.⁴⁸

Ministers should reform the support available to out of work older people so that it becomes more focused on those who need help, rather than on those who are likely to find work through their own efforts or as a result of the general Jobseeker’s Allowance rules. Unfortunately, ministers have simply incorporated the Employment Credit within the new Working Tax Credit, where it is unlikely to have a much greater impact than it has had so far.⁴⁹

The Government has put forward some interesting proposals on stemming early retirement. The problem here has not been an absence of ideas, but a lack of political will to implement any significant change. Three years ago, the Prime Minister’s Performance and

Innovation Unit published a report called ‘Winning the Generation Game’ on tackling economic inactivity amongst older people. This ended with 75 firm conclusions which the Government said it accepted and which Tony Blair described as “a challenging blueprint for action.”⁵⁰ But although ministers accepted the report’s conclusions, they have not actually done anything to implement them – a rather important omission. According to a recent report from the National Audit Office, “There is a lack of public information on progress to implementing [the] recommendations, with some disillusionment outside Government as a consequence.”⁵¹

The recent pensions Green Paper announced that ministers want “to allow individuals to continue working for the sponsoring employer whilst drawing their occupational pension”, something which is currently barred.⁵² This is a welcome proposal that would allow people to leave the labour market gradually and, although it would not solve the problem of high economic inactivity on its own, it could be of help to both workers and employers. However, the Inland Revenue themselves tightened up the rules as recently as 1997 to make it more difficult for people to take a pension and then return to work with the same employer.

People aged over 50 have an enormous wealth of talent and experience to offer. It is a scandal that so many of them are outside the labour market when their retirement is enforced, rather than voluntary. We need a far more proactive approach to removing the barriers that stand in their way.

4. Lone Parents

There are 1.8 million lone parent families with 2.9 million children within Great Britain and nine out of ten of these families are headed by a lone mother.⁵³ One in four families with dependent children is now headed by a lone parent, up from one in seven in 1986 and one in five in 1991.⁵⁴ There has been a significant and very welcome fall in inactivity amongst lone parents in recent years, but it still remains too high. We will seek to identify the reasons for this.

The labour market position of lone parents (000)

	Economically active	Economically inactive	Employed	Unemployed (ILO)
Spring 1997	812	713	694	118
Autumn 2002	977	688	865	112

Labour Force Survey. Not seasonally adjusted and not adjusted for the 2001 Census results

There are significant differences between the labour market position of mothers who live with a partner and lone mothers. In Spring

2001, 43.9 per cent of lone mothers were economically inactive, compared with 27.1 per cent of mothers with dependent children who were married or cohabiting.⁵⁵ Moreover, a significantly higher proportion of lone parents are out of work in the United Kingdom than in other industrialised countries. One recent report showed that only 3 out of 20 other industrialised nations had a lower proportion of lone mothers in employment than the United Kingdom.

Employment status of lone mothers with dependent children

Countries	Employed Lone Mothers (%)
Australia (2000)	46
Austria (1999)	80
Belgium (1997)	59
Canada (1996)	51
Denmark (1995)	73
Finland (1998)	65
France (2001)	66
Germany (2000)	67
Greece (1996)	75
Ireland (1999)	53
Italy (1998)	65
Japan (1999)	83
Luxembourg (2000)	82
Netherlands (1997)	42
New Zealand (2001)	45
Norway (1999)	68
Portugal (1996)	88
Spain (1991)	68
Sweden (1998)	68
UK (2001)	50
USA (2000)	68

There are some clear factors that help to determine the labour market status of a lone parent, including the age of the youngest child, the level of educational achievement and the position an individual is in when they became a lone parent.

Whilst 32 per cent of lone mothers with a child under 5 are in employment, 60 per cent of comparable mothers in couples are. The gap falls as the age of the youngest child rises, although in families where the youngest child is aged between 11 and 15 mothers in couples are still significantly more likely (78 per cent against 62 per cent) to be working than are lone mothers.⁵⁶

More than a third (37 per cent) of all lone parents have no qualifications and they make up 44 per cent of lone parents not in work. In contrast, just 3 per cent of lone parents with a degree level qualification are out of work.⁵⁷ According to a Government paper on economic inactivity, “poor qualifications appear to impact more on the employment opportunities of lone parents [than mothers in couples], as under a third of lone parents with no qualifications are in work compared to nearly half of mothers in couples with no qualifications.”⁵⁸

There are also noticeable differences between the employment rates of different categories of lone parent – single lone mothers are less likely to be working than those who are widowed, separated or divorced.⁵⁹

The employment rate of lone parents has increased in recent years and the Government have set a target of having 70 per cent of lone parents in work by the end of the decade.⁶⁰ In Autumn 2002, 51.9 per cent of lone parents were in work, compared with 45.5 per cent in Spring 1997.⁶¹ Ministers ascribe this shift to the impact of the New Deal for Lone Parents. For example, Nick Brown, the former

Minister for Work, has claimed the programme “has had substantial successes” and that “there is no alternative” to it.⁶²

The New Deal for Lone Parents is open to all non-working lone parents and is substantially different from the other main New Deal programmes. Participants are assigned a Personal Adviser to help devise an individual action plan, but there are no other distinctive characteristics to match the Options in the New Deal for Young People or the Employment Credit in the New Deal 50plus. Indeed, it is the poor relation of the other New Deal programmes.

Despite ministers’ claims, there is some important evidence that casts doubt on the impact of the programme. The employment rate of lone parents began to rise long before the New Deal went nationwide in April 1998: between Spring 1992 and Spring 1997, the proportion of lone parents in employment grew from 40.6 per cent to 45.5 per cent.⁶³ The fall in lone parent Income Support claimants actually slowed down after the programme was introduced: between May 1996 and May 1998 the number fell by 83,000, whereas it only fell by 51,000 in the following two years.⁶⁴

Moreover, formal evaluation of the New Deal for Lone Parents confirms the view that the scheme has had little impact on employment outcomes. New research shows that 31 per cent of participants who found work did so without any help from the programme and an additional 20 per cent had secured a job before meeting their adviser.⁶⁵ In addition, 38 per cent of people who leave the programme for a known destination simply remain on Income Support.⁶⁶ The scheme could even be counter-productive – research on the pilot phase found that a lower proportion of lone parents secured work in the areas with pilots than in the areas where the scheme was not running.⁶⁷

If the New Deal is so ineffective, why has there been a reduction in economic inactivity amongst lone parents? One important cause is the changing status of people entering lone parenthood. According to the Government, “Only 6 per cent of people who are not working when they enter lone parenthood have a job two years later. In contrast, over 75 per cent of those who are working when they became a lone parent remain in work two years later.”⁶⁸ In recent years, an increasing number of people have been in work when they have become lone parents and the average age of lone parents is going up.⁶⁹

In short, the New Deal does not seem able to counteract the varied and multiple reasons for the high rate of inactivity amongst lone parents. It is a blunt instrument to deal with families that are in very different circumstances: some need more proactive help than is currently available; others would be able to find a job through their own initiative. One particular group that could be targeted for support is economically inactive lone parents with older children. The last Conservative election manifesto proposed extending the actively seeking work rules to lone parents whose youngest child is at least 11. Not only is this policy in tune with public expectations,⁷⁰ it is also in the best interests of the children involved: “there is strong evidence that women who in their teens lived with lone mothers who were not in the labour force had the highest odds of having no qualifications in adulthood.”⁷¹

Changing the New Deal for Lone Parents (NDLP) and on-going demographic shifts alone are unlikely to enable ministers to hit their lone parent employment target. Some recent workshops among lone parent experts in London, Merseyside and Strathclyde – where lone parent employment rates are particularly low – have shown that

problems of benefit delivery are having an impact on the number of lone parents in work:

“Many of the points raised concerned the level of difficulty experienced by lone parents in arranging a new claim for housing benefit, to take account of their new financial circumstances. ... There was also some discussion of difficulties experienced with the receipt of Working Families Tax Credit (WFTC). Both lone parent representatives and NDLP advisers spoke of this and underlined particularly the length of time it took for some claims to be processed.”⁷²

Unfortunately, the enormous complexity of the new tax credit system, implemented in April 2003, and the shift towards paying all benefits direct into bank accounts are making the benefit delivery problems worse for many out of work lone parents.

There have also been serious problems with the compulsory work-focused interviews, which the Government are slowly rolling out to all lone parents on Income Support. (These should not be confused with the New Deal for Lone Parents Personal Adviser interviews, although they can act as a feeder for that programme.) During the pilot phase, only 17 per cent of lone parents due to have a mandatory interview received an invitation letter and only 14 per cent actually attended the interview.⁷³ The interviews that occurred “did not seem to have encouraged those few who attended them to get into work” and the proportion of lone parents in work 18 months after claiming benefit was lower in the pilot areas than elsewhere.⁷⁴

If the Government are still serious about meeting their 2010 target on lone parent employment, ministers will need to act quickly to

improve the support provided to those lone parents who are furthest from the labour market, to speed up the delivery of key in-work benefits and to clarify exactly what is expected from the regime for compulsory work-focused interviews.

5. People with Disabilities

A total of 7.2 million people aged between 16 and State Pension Age have either a current disability covered by the 1995 Disability Discrimination Act or a work-limiting disability (or both). This is around 19 per cent of both working age men and working age women.⁷⁵

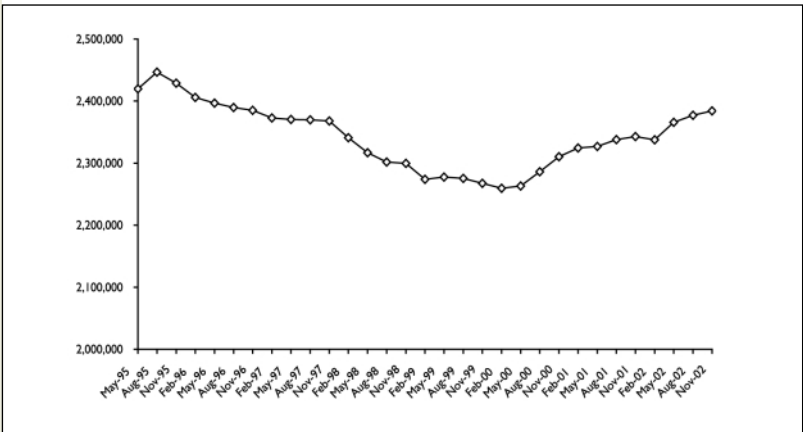
The chances of being disabled are closely related to age. Around 10 per cent of people aged between 16 and 19 are disabled (itself a surprising figure), whereas more than a third of working age people over 50 are.⁷⁶ Another important factor is the area of residence. In the south-east 16 per cent of working age people are disabled, compared with 24 per cent in the north-east.⁷⁷

Almost half (46.5 per cent) of all working age people with disabilities were economically inactive in Autumn 2002. Another 49.3 per cent were in employment, whilst fewer than one in twenty (4.3 per cent) counted as unemployed on the ILO measure.⁷⁸ Around a third of households with a disabled adult have no-one in work – more than three times the rate for households with no disabled adults.⁷⁹

Two-thirds of economically inactive people with disabilities do not want to work and many have conditions that make it impossible for them to do so. However, well over a million disabled people registered as inactive say they would like to work.⁸⁰ According to the Government, three-quarters of people who have been on Incapacity Benefit – the main benefit for out of work disabled people – for less than two years do not have severe conditions.⁸¹ This chapter focuses primarily on the many out of work disabled people who have both the potential and the desire to rejoin the labour market.

The number of out of work people with disabilities claiming benefits rose significantly prior to 1995. However, the change from Invalidity Benefit to Incapacity Benefit in April of that year reversed this trend. As a consequence, the number of Incapacity Benefit beneficiaries fell by around 200,000 and expenditure on the benefit was reduced by an average of 5.9 per cent a year in real terms between 1995/96 and 1999/00.⁸²

Incapacity Benefit claimants, May 1995 to August 2002



Although the 1997 General Election came in the middle of this fall, the new Government made it clear that they wanted to see people leave Incapacity Benefit at a faster rate. As the Prime Minister told the House of Commons in November 1999:

*“we are reforming the welfare state, and in particular, we are reforming Incapacity Benefit. That is for a very simple reason. Over the last 20 years, the number of recipients of Incapacity Benefit has trebled. There are now more people claiming Incapacity Benefit than claiming unemployment benefit. That situation cannot possibly be sustained.”*⁸³

In contrast to this bold promise, since February 2000 the number of Incapacity Benefit beneficiaries has been rising. The caseload recently surpassed the level it was at in May 1997 and the trend is still upwards.⁸⁴ The Government have undoubtedly failed to meet their own ‘success measure’, as identified in the 1998 Green Paper on welfare reform, to secure “A reduction in spending on Incapacity Benefit as the number of claimants falls”.⁸⁵

When questioned on these figures, Andrew Smith, the Secretary of State for Work and Pensions, recently claimed, “We have already had action, which is why the annual inflow on to Incapacity Benefit fell by one quarter between 1997 and last year”.⁸⁶ However, that reduction has been matched by a similar fall in the number of people leaving the benefit, which is why the overall total is still rising so rapidly.⁸⁷ Once a person with a disability has been on Incapacity Benefit or Income Support for 12 months, the average duration of their claim will be 8 years.⁸⁸ It is very worrying that the average length of time that people are on Incapacity Benefit is now growing.

Labour's main policies aimed at encouraging people with disabilities to find work have been: to restrict the conditions for receiving Incapacity Benefit; to establish the New Deal for Disabled People; and to introduce compulsory work-focused interviews. The new rules for Incapacity Benefit have created new disincentives to work. The New Deal for Disabled People has had an almost imperceptible impact. And the work-focused interviews appear to have been counter-productive.

In their 1999 Welfare Reform Act, Labour made two important changes to Incapacity Benefit. First, they tightened the Incapacity Benefit rules to restrict entitlement to people who have paid a significant sum in National Insurance Contributions in one of the last three tax years, rather than in any previous year as had been the case in the past. This was predicted to reduce the number of claimants by 170,000 in the long-run and by 30,000 during 2001/02.⁸⁹

Secondly, they means-tested Incapacity Benefit for the first time ever. For new claims from people with an occupational pension, a personal pension or a permanent health insurance policy organised by their employer, entitlement to the benefit is now reduced by 50p for every £1 above £85 a week that they receive from one of these schemes.

The Act passed its final stages at the tail-end of 1999, just a few weeks before the number of Incapacity Benefit beneficiaries started to climb. This is not simply an unhappy co-incidence. Indeed, there is a close relationship between these Incapacity Benefit changes and the decline in the number of people leaving the benefit, and hence the total number of claimants. In the period 1995 to 1997, before the changes had been proposed, 165,000 Incapacity Benefit spells came to an end each quarter. By 2002, this had fallen by almost a third (48,000) to 117,000.

The history of the Incapacity Benefit changes

Date	Course of the Incapacity Benefit changes	Average number of Incapacity Benefit claims ending, per quarter
1995 to 1997	Changes not yet announced	165,000
1998	Changes first announced	154,000
1999	Legislation passed by Parliament	136,000
2000	Implementation date approaches	125,000
2001	Introductory year	118,000
2002	First full year	117,000

ONS DWP, Incapacity Benefit Quarterly Statistics, November 2002, Table A2. These figures do not include terminations that are a result of cases transferring on to the state pension or bereavement benefits

The changes to Incapacity Benefit have fallen foul of the law of unintended consequences. What appears to be happening in practice is that people who originally claimed the benefit under the old rules are more reluctant to accept work than they previously would have been. This is because if a job fails to work out, they generally have to make a fresh claim under the new, less generous, rules. According to the Shaw Trust, “The biggest single barrier to moving into work [for people with disabilities] is expressed as a fear of losing benefit.”⁹⁰

The savings from the means-testing of Incapacity Benefit in 2001/02 were just £10 million out of a total budget of £6.7 billion.⁹¹ In short, Labour’s attempt to reduce the Incapacity Benefit caseload by means-testing it and by tightening up the contribution conditions has in practice discouraged people from leaving the benefit.

Ministers were warned about these sorts of effects when the Welfare Reform Bill was being debated. David Willetts, for example, predicted in the House of Commons that the changes would have “a long-term effect on behaviour that will be perverse and damaging.”⁹²

The figures above are the first evidence to show that such warnings were correct. Labour's changes have undoubtedly made the disincentives to work faced by Incapacity Benefit claimants worse and have led to an increase in the total caseload.

The New Deal for Disabled People began in 1998 and was rolled out nationally from July 2001. The programme has been subjected to a number of changes since it began and it is more diverse than the other New Deals. It is a voluntary scheme in which disabled people refer themselves to a Job Broker, who then seeks to help them move closer to the labour market.

The scheme has been plagued with problems from the very beginning. During the pilot phase, just 3 per cent of people invited to join did so⁹³ and the rate at which participants moved off benefit was lower in the pilot areas than for a similar group in the rest of the country.⁹⁴ There were then complaints about the tendering process for the national phase⁹⁵ and outrage at the proposal to bar one in five applicants from taking part for research purposes.⁹⁶

Since the national scheme began, the number of participants has been so small that the Government has not published regular statistical bulletins along the lines of those for the other New Deal schemes. We do know, however, that only 2,330 people with disabilities found sustained employment through the scheme between July 2001 and December 2002.⁹⁷ We also know that there are large disparities in the success rates of different Job Brokers across the country and that, even in areas where there has been relative success, people with certain conditions – such as learning disabilities – are less well served than people with mental illnesses or neck and back problems.⁹⁸ Indeed, the participants who have found work appear to be those with relatively mild impairments – in many

cases, the employer has not even been aware that the person they have hired is disabled.⁹⁹ In short, the New Deal for Disabled People is having little impact on a total Incapacity Benefit caseload of 2.4 million people.

In October 2001, compulsory work-focused interviews were introduced for people making a new or repeat claim to Incapacity Benefit in areas covered by Jobcentre Plus. These interviews had been piloted in places covered by the ONE programme, the forerunner of Jobcentre Plus which first tried out the idea of putting the Benefits Agency and Employment Service functions in one building. They were not a success:

“In practice, Personal Advisers felt that the ONE pilots were driven by placement targets. Rather than being able to help all clients in their move towards the labour market, the main priority was to meet given targets for placing clients on Jobseeker’s Allowance into jobs. ... Other targets, particularly for the number of new claims processed, put further pressure on any scope for working with clients on Incapacity Benefit.”¹⁰⁰

The Government’s own research based on administrative benefit records concluded that “The evidence does not suggest that ONE has changed the probability of leaving benefit for sick and disabled clients in any of the delivery models.”¹⁰¹

So far, Jobcentre Plus has had a similarly limited impact. Whilst 85 per cent of Jobseeker’s Allowance claimants discuss suitable job opportunities in their work-focused interviews, only 36 per cent of other benefit claimants do so. The main problem is that Personal Advisers (PAs) are not trained adequately. There is a “lack of confi-

dence among PAs in dealing with sick and disabled clients; and lack of knowledge of the help and services available.”¹⁰²

The Government have recently announced they will pilot an alternative approach to managing Incapacity Benefit claims that will involve additional support from Jobcentre Plus offices, some rehabilitative help and a return-to-work credit.¹⁰³ Although the precise details are vague, these prototypes are a tacit admission that the current strategy is failing. The pilots are unlikely to have a dramatic impact on the number of claimants, however, as they will only cover six areas, will not be fully introduced until 2007 and will largely affect new claimants, rather than existing ones.

It is clear that people with disabilities who wish to work have not been well served by the Incapacity Benefit changes, by the New Deal for Disabled People or by the ONE/Jobcentre Plus experiment. In the short-term, people with disabilities need to be given a much higher priority in the new Jobcentre Plus offices to counteract this.

This change alone, however, is unlikely to enable the Government to meet their Public Service Agreement to “significantly reduce”¹⁰⁴ the difference between the employment rate of people with disabilities and the overall rate. If the number of disabled benefit claimants who want to work is to be substantially reduced, more action needs to be taken to increase the number of people leaving Incapacity Benefit. This means making it easier for individuals to move from disability benefits into work.

Since 1998, there has been a 52 week linking rule which allows people who were claiming Incapacity Benefit and Severe Disablement Allowance and who have found work or training to return to their old benefit level if they become incapable of work again within the first year. This acts as an incentive for people to find

employment and provides insurance against being unable to continue work on medical grounds.

Unfortunately, the scheme has been bedevilled by problems and has failed to encourage people to move into work. It is not well understood, very complicated and has low take-up. To participate, people must register an interest within a month of leaving benefit (often long before any problems are evident), before passing some paperwork onto their new employer and then relying on Benefits Agency staff to record their claim accurately on a central computer. Finally, before any benefit can be re-claimed, a new medical certificate must be produced.

People trying to negotiate this system have been surprised to find the re-claiming process can take three months and some cases have been blocked because of errors by Benefits Agency staff. A Government report concluded: “knowing about the 52 week linking rule can influence decisions to move into work; ... the incentive effect is currently reduced by lack of awareness of the rule; the incentive effect is also reduced by anxiety that the rule will be hard to access, and some people’s experience that this is indeed the case; ... some people for whom the rule was designed do not get access”¹⁰⁵.

An effective linking rule is more important than ever before as claimants are deterred from working by the new, stricter rules on Incapacity Benefit entitlement. One sensible change would be to end the need to register for the scheme in advance and instead to make everyone leaving Incapacity Benefit automatically eligible for it. This would be unlikely to have a cost – any additional re-claims should be more than covered by the fall in the total caseload as the incentives to work become clearer. The idea has already won the support of the

Select Committee for Work and Pensions.¹⁰⁶ It is now time for this uncontroversial measure to be introduced.

People in Britain have a much lower chance of returning to work after a serious accident than in many other countries. A paraplegic injured through work stands a 50 per cent chance of returning to work in Scandinavia but only a 15 per cent chance in Britain.¹⁰⁷ The main barriers include a lack of early intervention, an uneven spread of rehabilitation services and “a highly fragmented and disjointed approach to the organisation of rehabilitation within Government.”¹⁰⁸ The experience of commercial insurers shows the effectiveness of timely rehabilitation – AIG Europe, for example, have shown how a focus on rehabilitation can massively improve quality of life for people injured at work without increasing commercial costs.¹⁰⁹

Whilst there are always likely to be differences between the facilities that a commercial insurer can provide and those available from a state-funded national system, it is clear that the Government needs to do much more to provide rehabilitative support. One way to do this would be through an Incapacity Benefit fundholder that could both administer the benefit and provide rehabilitative help, such as physiotherapy and medical aids. Such focused support would be likely to serve the interests of out of work disabled people more effectively than the current Jobcentre Plus model.

6. Conclusion

Many people have been pleasantly surprised that, despite the economic slowdown, the number of people who are unemployed, according to both the claimant count and the ILO survey measure, has barely increased in recent months. But we have looked behind these statistics to show that the reality is different. After six years of steady economic growth, the total number of people of working age who are economically inactive – in other words, who are neither working nor actively seeking work – has gone up by over 100,000 and now totals more than 7.7 million people. As the Treasury themselves have acknowledged, recent growth in the workforce is partly explained by migration and not by bringing economically inactive people into work.¹¹⁰

A measure of the problem we face is the ratio between the number of people who are economically inactive and the number of people who are unemployed. Back in 1984, there were 2.3 economically inactive people of working age for every one unemployed person. In Spring 1997 the figure was 3.8 economically inactive people for every one unemployed person. Now the figure is 5.2.

It is neither desirable nor possible to force all people of working age into economic activity. Many people are economically inactive for good reasons: some care for other family members; others have severe disabilities or other health problems; and some have freely chosen early retirement after a long and prosperous working life. However, we have looked at four groups where the loss of contact with the labour market is often involuntary and where many potential workers are to be found.

First, young people aged 16 to 24. Approximately 650,000 of them are economically inactive and nearly as many again are unemployed, so around 1.2 million of the 6.5 million young people are not working, nor studying, nor in training. They are Britain's Generation X. This is a major social problem and no real progress has been made in tackling it in the past six years. The New Deal for Young People has had little effect – three of the four Options reduce someone's chances of leaving Jobseeker's Allowance – and the scheme may have driven some people out of the system altogether so that they are even more difficult to help.

The number of people aged between 50 and State Pension Age who are out of touch with the labour market has increased slightly from 2,518,000 to 2,535,000 since 1997. Much of this is involuntary retirement, which is an appalling waste. The Office of National Statistics has forecast that “in the absence of other factors, increasing levels of economic inactivity [amongst older men] are likely to continue with each cohort.”¹¹¹ Although this may be partly offset by a reduction in inactivity amongst women aged over 50, the overall picture is dispiriting.

There is good news about lone parents. The upward trend in the number of lone parents who are in the workforce has continued

throughout the 1990s and the number of economically inactive lone parents has fallen from 713,000 to 688,000 over the past six years. Back in 1992, 40.6 per cent of lone parents were in work. In 1997, that had increased to 45.5 per cent. By 2002, it had reached 51.9 per cent. This is welcome news. However, it has little to do with any of the welfare to work schemes, the main one of which was shown in pilot projects to reduce the prospects for a lone parent finding work compared with what would have happened had the programme not existed. More women are working before they become a lone parent and this increases their chances of finding work after giving birth. In addition, the age at which people become lone parents is going up, which also tends to reduce the proportion of lone parents who are outside the labour market. So there are prospects for the good news to continue, but this appears to be independent of Government policy and is unlikely to be at a rate sufficient to meet the objective of having 70 per cent of lone parents in work by 2010.

The picture for people with disabilities is perhaps the most dismal of all. After Incapacity Benefit was introduced in 1995, the number of claimants fell steadily for five years. It has been rising since then and now stands at almost 2.4 million, higher than when Labour came to office in 1997. We offer in this pamphlet the first clear evidence to support the warnings which were given when eligibility to Incapacity Benefit was restricted back in 1999. People with disabilities are deterred from entering work because they fear that if they lose their job they will fall back into the new means-tested regime and lose benefit as a result.

If there is a general lesson, it is that Government help for people who are out of work has been spread too thinly. People who would have been able to find work through their own abilities have been

treated in the same manner as those who need more support and even those who are not currently in a position to join the labour force. For example, the results of the New Deal 50plus suggest that the programme is largely used by people who would have entered work anyway and that it does little to help participants who are further away from finding a job. Similarly, the New Deal for Lone Parents takes little account of the characteristics of individual lone parents, even though these can be critical to their chances of finding work.

Millions of people are left out and left behind. The New Deal has not worked. The time has come for a radical new approach.

Annex

	All of working age	Young people (under 25)	Older people (over 50) to SPA	Lone parents*	People with disabilities*
Number economically active, Winter 2002/2003	28,376,000	4,601,000	6,348,000	977,000	3,847,000
Number economically inactive, Winter 2002/2003	7,722,000	1,938,000	2,535,000	688,000	3,338,000
Number employed, Winter 2002/2003	26,901,000	4,029,000	6,123,000	865,000	3,540,000
Number unemployed on the ILO measure, Winter 2002/2003	1,475,000	572,000	225,000	112,000	307,000
The main welfare-to-work scheme		New Deal for Young People	New Deal 50 plus	New Deal for Lone Parents	New Deal for Disabled People
Cost of the main welfare-to-work scheme, 1997/1998–2002/2003		£1,347 million	£40 million†	£139 million	£45 million

Labour Force Survey; Hansard, 9 December 2002, column 140W *Autumn 2002, not seasonally adjusted and not adjusted for the 2001 Census results †Does not include the cost of the Employment Credit

Young people (under 25)

Problems with the main welfare-to-work scheme

- i) It only helps Jobseeker's Allowance claimants;
- ii) the majority of clients do not find sustained unsubsidised work;
- iii) 3 of the 4 Options reduce the chance of leaving unemployment.

A better approach

- i) Improve the educational opportunities for disadvantaged young people;
- ii) reform or abolish the New Deal and enable more involvement by the voluntary and private sectors;
- iii) establish a comprehensive research project to discover more about inactive young people.

Older people (over 50)

Problems with the main welfare-to-work scheme

- i) Few inactive older people take part;
- ii) the most successful participants are the easy cases;
- iii) people who do not find employment quickly tend to stay out of work.

A better approach

- i) Reform the help offered to older people so that it is focused on those most in need;
- ii) re-visit the *Winning the Generation Game* report;
- iii) at the earliest opportunity, allow people to claim a pension whilst working for the same employer.

Lone parents

Problems with the main welfare-to-work scheme

- i) During the pilot phase, more lone parents found work in non-pilot areas;
- ii) participants that do find work tend to do so on their own;
- iii) many leavers remain on Income Support.

A better approach

- i) Make the help provided to lone parents more responsive to those who are furthest from the labour market;
- ii) improve the delivery of in-work benefits;
- iii) clarify what is expected from the new Jobcentre Plus compulsory work-focused interviews.

People with disabilities

Problems with the main welfare-to-work scheme

- i) So few people take part that no regular statistics are available;
- ii) the pilots failed to help people leave benefit;
- iii) companies found the tendering process had various problems.

A better approach

- i) Give people with disabilities a higher priority in Jobcentre Plus;
- ii) improve the linking rules for disabled people who have been on benefit;
- iii) provide disabled benefit claimants with rehabilitative help, possibly through an Incapacity Benefit fundholder.

Notes

- 1 Throughout this paper, Spring refers to May to March and Winter refers to December to February
- 2 See the dossier at www.davidwilletts.org.uk/level4.jsp?sitearea=frontbench&type=news&ID=59
- 3 Labour Party, *Ambitions for Britain*, 2001, p.26
- 4 The ILO unemployment measure includes people who are out of work, want a job, have actively sought work in the previous four weeks and are available to start work within the next fortnight; or who are out of work and have accepted a job that they are waiting to start in the next fortnight
- 5 Labour Force Survey; *Labour Market Statistics*, 16 April 2003, Tables 9(1) and 11(1)
- 6 Craig Lindsay, 'Labour Market Assessment', *Labour Market Trends*, May 2003, p.219
- 7 Christina Beatty, Stephen Fothergill, Tony Gore and Anne Green, *The Real Level of Unemployment*, October 2002, Table 5
- 8 Hansard, 4 July 2001, column 261
- 9 *New Deal for Communities*, Birmingham
- 10 ONS, *Work and worklessness among households*, 22 January 2003, Table 1
- 11 Labour Force Survey
- 12 Catherine Barham, 'Economic inactivity and the labour market', *Labour Market Trends*, February 2002, p.69
- 13 Labour Force Survey
- 14 The economically inactive group includes both employed people and those who count as unemployed under the ILO measure
- 15 Eurostat, 'Euro-zone unemployment up to 8.7%', 6 May 2003
- 16 Guy Weir, 'The economically inactive who look after the family or home', *Labour Market Trends*, November 2002, Figures 3 and 4
- 17 gapyear.com

- 18 DfES, Youth Cohort Study: The Activities and Experiences of 16 Year Olds: England and Wales 2002, 20 February 2003
- 19 DfES, National Curriculum Assessments for Key Stage 3 (Revised), GCSE/GNVQ Examination Results (Provisional) and Associated Value Added Measures, for Young People in England 2001/02, 22 January 2003; Joseph Rowntree Foundation and the New Policy Institute, Monitoring Poverty and Social Exclusion 2002, 2002, p.40
- 20 DfES, Vocational Qualifications in the UK: 2000/01, 31 May 2002, p.4. GNVQs/VCEs/GSVQs are General National Vocational Qualifications, Advanced Vocational certificates of Education and General Scottish Vocational Qualifications
- 21 DfES, Key DfES Statistics for Local Education Authorities, 4 December 2002
- 22 Hansard, 12 June 2002, column 862
- 23 Labour Market Statistics, 15 May 2002, Table 11(1)
- 24 By the end of December 2002, there had been 908,600 New Deal for Young People starts and 324,800 leavers are known to have joined sustained unsubsidised employment (ONS, New Deal for Young People and Long-Term Unemployed People aged 25+: Statistics to December 2002, 27 February 2002, Tables 1 and 12)
- 25 Nicholas Brown, Hansard, 3 February 2003, column 129W
- 26 Up to September 2002, 696,878 different individuals had started the New Deal for Young People of whom 123,978 (18 per cent) had entered the programme more than once. (Letter from Richard Caborn MP to Graham Brady MP, 25 January 2003)
- 27 Employment Service, New Deal for Young People: National Survey of Participants: Stage 2, March 2001, p.75; also see Hansard, 27 January 2003, columns 659W-661W
- 28 Adult Learning Inspectorate, Annual Report of the Chief Inspector, 2001-02, July 2002, p.8
- 29 Work and Pensions Committee, The Government's Employment Strategy, 31 July 2002, p.5
- 30 State Pension Age is currently 65 for men and 60 for women
- 31 Catherine Barham, 'Patterns of economic inactivity among older men', Labour Market Trends, June 2002, p.304
- 32 Catherine Barham, 'Patterns of economic inactivity among older men', Labour Market Trends, June 2002, p.305
- 33 Labour Market Trends, August 2002, p.398
- 34 ONS/Department for Work and Pensions [henceforth DWP], Incapacity Benefit and Severe Disablement Allowance Quarterly Summary Statistics, November 2002, Table A7
- 35 Merthyr Tydfil (Christina Beatty and Stephen Fothergill, Moving older people into jobs: Jobcentre Plus, New Deal and the job shortfall for the over 50s, October 2002, p.13)
- 36 Catherine Barham, 'Patterns of economic inactivity among older men', Labour Market Trends, June 2002, p.304
- 37 Catherine Barham, 'Economic inactivity and the labour market', Labour Market Trends, February 2002, p.69
- 38 Catherine Barham, 'Patterns of economic inactivity among older men', Labour Market Trends, June 2002, Table 2b

- 39 36.2 per cent of men and 35.7 per cent of women who retire early do so for 'individual-instigated' reasons (Richard Disney, Emily Grundy and Paul Johnson (eds), *The Dynamics of Retirement: Analyses of the Retirement Surveys, 1997*, Table 2.20)
- 40 Jenny Kodz and Judith Eccles, *Evaluation of New Deal 50 Plus Qualitative Evidence from Clients: Second Phase, March 2001*, p.41
- 41 John Atkinson, *Evaluation of the New Deal 50plus: Research with Individuals (Wave 2), September 2001*, Figure 5.3
- 42 John Atkinson, 'New Deal 50-plus: evidence from client surveys', *Labour Market Trends*, November 2001, p.524
- 43 John Atkinson, 'New Deal 50-plus: evidence from client surveys', *Labour Market Trends*, November 2001, p.524
- 44 John Atkinson, *Evaluation of the New Deal 50plus: Research with Individuals (Wave 2), September 2001*, p.32
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Falling unemployment figures do not necessarily mean that the Government's employment policies have been effective. There are 7.7 million people of working age in Britain who are neither working nor registered as unemployed – and their number is rising.

By focusing on people who are relatively easy to help, many of whom would have found jobs anyway, the Government's New Deal programmes have failed those who need the most support.

The authors examine the impact of Government policy on four groups of economically inactive people: young people; people aged between 50 and State Pension Age; lone parents; and people with disabilities. They analyse the reasons why the New Deals have not delivered what was promised and suggest ways in which policy might be improved.

Bringing more economically inactive people into employment is not just in Britain's economic interest. It is the duty of everyone who believes that no-one should be left out of the country's growing prosperity.

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