



House of Commons  
Work and Pensions Committee

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**Full employment and  
world class skills:  
Responding to the  
challenges:  
Government Response  
to the Committee's  
Eighth Report of  
Session 2006–07**

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**First Special Report of Session 2007–  
08**

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## The Work and Pensions Committee

The Work and Pensions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Work and Pensions and its associated public bodies.

### Current membership

Terry Rooney MP (*Labour, Bradford North*) (Chairman)  
Anne Begg MP (*Labour, Aberdeen South*)  
Harry Cohen MP (*Labour, Leyton and Wanstead*)  
Michael Jabez Foster MP (*Labour, Hastings and Rye*)  
Oliver Heald MP (*Conservative, Hertfordshire North East*)  
Joan Humble MP (*Labour, Blackpool North and Fleetwood*)  
Tom Levitt MP (*Labour, High Peak*)  
Greg Mulholland MP (*Liberal Democrat, Leeds North West*)  
John Penrose MP (*Conservative, Weston-Super-Mare*)  
Mark Pritchard MP (*Conservative, The Wrekin*)  
Jenny Willott MP (*Liberal Democrat, Cardiff Central*)

The following Members were also members of the Committee during the Parliament:

Philip Dunne MP (*Conservative, Ludlow*)  
Natascha Engel MP (*Labour, North East Derbyshire*)  
Justine Greening MP (*Conservative, Putney*)

### Powers

The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via [www.parliament.uk](http://www.parliament.uk).

### Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at [www.parliament.uk/parliamentary\\_committees/work\\_and\\_pensions\\_committee.cfm](http://www.parliament.uk/parliamentary_committees/work_and_pensions_committee.cfm). A list of Reports of the Committee in the present Parliament is at the back of this volume.

### Committee staff

The current staff of the Committee are James Rhys (Clerk), Emma Graham (Second Clerk), Amy Sweeney and Hanna Haas (Committee Specialists), Laura Humble (Committee Media Adviser), Louise Whitley (Committee Assistant), Emily Gregory (Committee Secretary) and John Kittle (Senior Office Clerk).

### Contacts

All correspondence should be addressed to the Clerk of the Work and Pensions Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5833; the Committee's email address is [workpencom@parliament.uk](mailto:workpencom@parliament.uk)

# First Special Report

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1. The Work and Pensions Committee agreed its Eighth Report of Session 2006-07, Full employment and world class skills: Responding to the challenges, on 24 October 2007. The Report was published on 30 October as House of Commons Paper No. 939. We have now received the Government's Response to this report in the form of a memorandum from the Minister of State for Employment and Welfare Reform, Caroline Flint MP. This memorandum is printed as an Appendix to this Special Report.

## Government response

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### Introduction

1. The Government welcomes the Eighth Report of the Work and Pensions Select Committee session 2006-07 on Full employment and world class skills: Responding to the challenges. The Department for Work and Pensions ('DWP' or 'the Department') shares the Committee's interest in, and commitment to, continuing to remove the barriers to employment that people face and extending the opportunity to work and progress in work to all. Since 1997 Britain has become a world leader in tackling inactivity and unemployment. The Government now wants to build on this record of success through the next stage of welfare reform.

2. Achieving an employment rate of 80 per cent will be challenging. We need to ensure that our workforce has the skills needed to compete in a global market place, while working with people who face many challenges to finding and keeping a job, ensuring they have the right level of support at the right time. The Department is extending, modernising and personalising the support it offers to help people get into work, stay in work and progress in work. This improved support will be matched with increased responsibilities for individuals.

3. Progress on the employment and skills agenda is key to achieving sustainable employment. The recently published Opportunity, Employment and Progress: making skills work, a joint DWP and Department for Innovation, Universities and Skills (DIUS) document, sets out how the Government plans to move forward in this area.

4. The Green Paper, 'In work, better off: next steps to full employment', published in July 2007, set out how we proposed to move towards 80 per cent employment and asked people to let us know what they thought of our proposals. We have now been able to consider all of the responses and the paper Ready for work: full employment in our generation published on the same day as this memorandum is sent to the Committee sets out how we intend to move towards full employment.

5. This memorandum focuses on responding to the specific recommendations made by the Work and Pensions Select Committee in their report.

## Conclusions and Recommendations

**1. We were told by a DWP Minister repeatedly in oral evidence that the Green Paper In work, better off: next steps to full employment would include a response from the Government to David Freud's proposals for benefits reform. It does not, which means that a key opportunity to consult on these proposals has been lost. We ask the DWP why the Committee was given misleading information, and what changed between Mr Plaskitt giving evidence to us on 18 June and the publication of the Green Paper on 18 July. (Paragraph 11)**

6. When appearing before the Select Committee on 18 June, James Plaskitt said that the issue of a single working-age benefit or family of benefits would be discussed as part of the Government's response to David Freud's proposals.

7. When Caroline Flint appeared before the Committee on 23 July she explained that the Green Paper In work, better off: next steps to full employment was neither just a response to David Freud's proposals nor a complete response to everything he proposed. On the specific issue of why proposals for a single benefit were not included in the Green Paper Caroline Flint explained that, while the Department was not ruling it out, Ministers felt that they needed more time to consider Freud's proposals alongside other proposals such as the IPPR proposals and the proposals from the Work and Pensions Select Committee's own inquiry.

8. The welfare reform paper Ready for work: full employment in our generation published on the same day as this memorandum says the Government will continue to look further at the idea of a single system of benefits for all people below pension age. In doing so, the Government will take account of the models proposed by the Committee and others that separate income-replacement from extra costs as a way of streamlining the system and minimising barriers to work. The Government is not yet convinced that this particular approach is feasible or affordable. However, this is a debate that it is important to have and the Government wants to continue a dialogue on how to meet our shared goal.

**2. We welcome the Minister's offer to provide a 12-18 month timeline for the proposals outlined in the Green Paper and how they sit alongside existing initiatives. We recommend that the Government makes this additional document available before the consultation process ends on 31 October 2007. (Paragraph 14)**

9. The Department did not feel that it would be appropriate to publish an implementation timetable for measures that were still subject to a consultation exercise. The welfare reform paper Ready for work: full employment in our generation published on the same day as this memorandum sets out the Government's plans for the coming years. Milestones for implementation are set out in Annex B of that paper.

**3. We feel that the Government has yet to prove that increasing conditionality for lone parents is the best way to help them to get back into the labour market. We therefore recommend that DWP sets out the evidence base for its proposals, demonstrating the significantly positive impact this policy will have on the lone parent employment rate and on lone parents themselves, and explaining on what grounds the age of seven has been chosen. (Paragraph 24)**

10. David Freud's report recommended that now is the right time for the Government to consider increasing the obligations of lone parents . Lisa Harker's report had also maintained that if a strong package of support was in place for lone parents there would be grounds for strengthening lone parents' obligations to look for work as the logical next step. These reports echoed an earlier international review by the OECD which recommended that, with the right support in place, the UK should consider further extending work tests for lone parents .

11. The only conditionality that has been applied to lone parents in the past in the UK is attendance at Mandatory Work Focussed Interviews. These have proved successful in helping lone parents move nearer to the labour market and have had a positive effect in encouraging lone parents to take up help available through the New Deal for Lone Parents as well as benefit exit rates and job entry rates.

12. Based on this evidence, the Government believes that moving the emphasis from a voluntary to a mandatory intervention regime for lone parents of older children will help more of them to move into work.

13. The Government has decided to move gradually to a threshold of a youngest child aged 7 years old because it was felt that by this age the family will have established a routine of the child going to school and thus causing little disruption if their parent entered work. The Government has also made a commitment to the delivery of universal affordable childcare for 3 to 14 year olds: by 2010 there will be a childcare place for all children aged between 3 and 14, between the hours of 8am to 6pm each weekday.

**4. In 2005-06 40,300 lone parents were sanctioned for not attending a work focused interview (WFI). We are concerned that so many lone parents are failing to attend, particularly when conditionality is only attached to attending the WFI rather than on finding employment. We recommend that the Government undertakes close analysis of why such high numbers of lone parents are prepared to face sanctions rather than attend a work focused interview. (Paragraph 25)**

14. The Department agrees with the Committee that it is important to understand the effect of the sanctions regime on lone parents.

15. A follow-up study of those lone parents sanctioned during 2005-06 estimated that 56% went on to attend a WFI within 6 months and had their sanction removed. 27% took the sanction for more than 6 months rather than attend a short interview with Jobcentre Plus – a very modest ask in return for ongoing financial support. Where there is a suspicion that a lone parent may have undisclosed income or support these will be investigated on an individual basis.

16. To understand the reasons someone would not take remedial action and attend Jobcentre Plus, the Department is currently undertaking a qualitative research project with Northumbria University. This research is exploring the issue of sanctions, using interviews and focus groups with lone parents who have experienced a sanction and with Jobcentre Plus staff. Early findings from the research are expected to be available in the New Year and the final report is expected in spring 2008.

17. The Government believes there is a balance between providing strong safeguards to ensure lone parents facing difficult times are not penalised, and making sure that people on benefits who can work cannot opt out. This will be managed by:

- skilled Jobcentre Plus staff working with individual lone parents so they understand and recognise their individual circumstance
- Jobcentre Plus Adviser discretion around the flexibilities built into Jobseeker's Allowance
- amending regulations so that Jobcentre Plus advisers will have extra discretion so that a lone parent who is claiming or receiving Jobseeker's Allowance will not be penalised if they leave a job, or fail to take up a job, because appropriate, affordable childcare is genuinely not available; and
- ensuring that, for all parents on Jobseeker's Allowance, claimants have a reasonable chance to show good cause for non-attendance. There will be at least one attempt at contact by telephone on the day from which the penalty will apply, and if contact is not made, a letter will be sent to the parent's home address telling them that if they do not contact Jobcentre Plus within five working days their entitlement to benefit will end. This will ensure that if the claimant can show good cause for non-attendance, there will be no break in the payment of benefit, while at the same time not delaying closing a claim where appropriate.

**5. We welcome the DWP's emphasis on ensuring that lone parents going back to work are better off than they were on benefits. It is not right – and it is ultimately unsustainable - to push people off benefits but leave them mired in poverty. However, to translate this laudable aim into reality lone parents must know how much they need to earn to ensure that they are better off in employment. If the Government is to follow the Australian model where lone parents are only obliged to accept an offer of employment which makes them financially better off working, the number of Better-Off Calculations conducted must be increased and DWP must make the necessary resources available to Jobcentre Plus for this. (Paragraph 29)**

18. The Department agrees with the Committee that demonstrating the benefits of work is a key element in encouraging people to make the move from benefits into work.

19. A study of Better-Off calculations performed for lone parents throughout 2006/2007 has shown a significant and consistent increase in the percentage of calculations being conducted at the appropriate time. The Better-Off Calculator is undergoing a major refresh aimed at delivering significant improvements in terms of simplification and reducing completion times. Technical adjustments have already been made during 2007 to speed up completion times.

20. In 2008 Jobcentre Plus plans to provide on-line access to better off calculations. This facility will be delivered in two stages. The first stage will enable customers to check their entitlement to a range of benefits; the second stage will provide access to the in-work calculation and comparison elements of the Better-Off Calculator.

21. The Government has already introduced a wide range of measures to ensure lone parents are able to remain and progress in work as well as ensure they are better off in work than on benefits. These measures have been built on through the further announcements made in Ready for work: full employment in our generation.

22. Going even further, the Government has now announced that a better off in work credit will be introduced in 2009: ensuring that lone parents (and customers on Jobseekers Allowance and Incapacity Benefit) who have been on benefits for more than 6 months and who move into employment of 16 hours per week or more will receive an in-work income, including in-work benefits, which will be at least £25 per week higher than it was from their out-of work benefits.

23. If on returning to work such a person feels that their in-work income is not enough to meet this level they will be able to apply to Jobcentre Plus for a top-up payment lasting up to 26 weeks that would ensure they are at least £25 better off in-work.

**6. The Green Paper does not explore how the Government's proposals will impact upon lone parents with disabled children but does seek views on this as part of the consultation process. We urge the Government to assess fully the impact of increased conditionality on lone parents with disabled children and ensure that appropriate and flexible employment support and opportunities are developed for them. (Paragraph 38)**

24. If a lone parent has a child for whom the middle or highest rate care component of Disability Living Allowance (DLA) is payable or the lone parent claims Carers Allowance, they will continue to be eligible to claim Income Support even when their youngest child reaches 12 (and in future 10 then 7). This eligibility to Income Support does not apply to lone parents caring for a child not receiving DLA or in receipt of the lowest rate care component of DLA or either rate of the DLA mobility component as a person receiving those benefits does not, by definition, require an amount of care that precludes the carer from working.

25. The Department agrees with the Committee that it is important to offer the tailored and flexible support lone parents need to enter employment, including those lone parents who have a disabled child. The Department will continue to evaluate and develop its programmes to ensure that they are providing appropriate support for all lone parents.

**7. We urge the Government to ensure that local employment strategies include appropriate support for those from ethnic minorities who are not in work to access labour market opportunities, ensure that work is done with local employers to achieve this, and include specific targets for achieving this objective. It is important that the successes of the Ethnic Minority Outreach Programme are sustained in broader local strategies. (Paragraph 43)**

26. The Department agrees with the Committee and continues to be committed to improving employment opportunities for people from an ethnic minority group. This is reflected in the Department's PSA target to increase the employment rate of ethnic minorities, and significantly reduce the difference between the employment rate of this group and the overall rate, which it is on target to hit over the SR04 period and which continues in the CSR07 period.

27. The Department has a range of initiatives to support local employment strategies including the city strategy and the Deprived Areas Fund (DAF). Both of these build on key lessons from the Ethnic Minority Outreach programme which ended in September 2006 and are continuing to work towards improved outcomes for people from an ethnic minority. Drawing on the lesson form Ethnic Minority Outreach, Partners' Outreach for Ethnic Minorities pilots also started in Birmingham, Bradford/Leeds, Leicester, London and Manchester in Spring 2007.

28. Funding from DAF is allocated to 903 wards which have the lowest employment rates, and 272 wards which have high proportions of ethnic minority groups – after overlap the funding covers 1043 wards, and is therefore available in all wards previously targeted by Ethnic Minority Outreach.

29. Around half of the overall DAF fund falls in areas that are covered by the City Strategy pathfinders. Where the ethnic minority population constitutes a significant proportion of the disadvantaged community the City Strategy pathfinders have targeted their efforts accordingly. The Department will monitor progress as part of the evaluation of the pathfinders.

30. From 2008-09, the recently announced Working Neighbourhoods Fund will be available in some of the most deprived areas of England including those where many workless ethnic minority people live. This new fund will replace Communities and Local Government's Neighbourhood Renewal Fund and incorporate DWP's DAF to create a single fund at the local level.

**8. We agree with the Minister that the DWP needs to explore ways to assist disabled people, particularly those with mental health difficulties, to find and sustain work. We agree that local partnership working is vital and ask DWP to clarify its role and responsibilities in brokering local relationships, and set out which Department is taking the lead in the various cross-government initiatives which are underway. (Paragraph 46)**

31. The Health, Work and Well-being Strategy is a cross-government programme focused on improving the health of working age people and helping more people to find and importantly to remain in work. The Strategy is led by DWP, the Department of Health (DH) and the Health and Safety Executive (HSE), along with the Scottish Executive and Welsh Assembly Government.

32. The programme of work supporting the Strategy includes Pathways to Work and a range of initiatives to educate and support healthcare professionals in DWP; the Improving Access to Psychological Therapies, NHS Plus and Action on Stigma initiatives in DH; the Workplace Health Connect pilots and Management Standards for Work-Related Stress in HSE; the Welsh Backs and Healthy Minds at Work initiatives in Wales; and the Scottish Centre for Healthy Working Lives in Scotland.

33. The Government also announced on 27 November its intention to develop a new national strategy for mental health and employment. The Strategy will be focused on ensuring that there is a coordinated approach across government to meeting the specific challenges faced by people suffering from mental health conditions and that health and employment services are more joined up.

34. The Department is keen to work with local partners - including employers and health organisations - to support more people to move into and remain in work, particularly those from disadvantaged groups. This includes engaging fully in the new local partnership arrangements created by the Local Government And Involvement in Public Health Act 2007, and promoting the use of employment related indicators within those arrangements. In particular, both Jobcentre Plus and HSE will continue to support and encourage more local working in their roles as statutory partners to Local Strategic Partnerships.

**9. We welcome the introduction of the personalised New Deal, as advocated by this Committee in a number of our reports, particularly given that this programme will incorporate the principles of Building on New Deal, the flexible employment support programme that, despite initial intentions, was never piloted. (Paragraph 50)**

**10. We welcome the introduction of the personalised New Deal but we urge the Government to ensure that the rationalisation of existing programmes is carefully planned, ensuring that there are no gaps or overlaps. (Paragraph 53)**

35. The then Minister for Employment and Welfare Reform wrote to the Committee on 20 June 2006 to explain that Building on New Deal (BoND) pilot areas would not proceed as proposed originally. However, the evidence, analysis and conclusions that went into the BoND proposals has now been taken forward in other areas. The Department's commitment to the principles of customisation, localisation and flexibility is demonstrated in the City Strategy and the development of the flexible New Deal.

36. As set out in Ready for work: full employment in our generation the New Deal will be modernised to ensure that support is flexible and personalised. The flexible New Deal will combine the current mandatory New Deals: New Deal 25 Plus and New Deal for Young People. The New Deal for Musicians will be subsumed within it, too as will New Deal 50 Plus. Other, voluntary programmes, such as the New Deal for Lone Parents, will continue to be available to appropriate customers.

**11. We are concerned that there remain a number of unanswered questions about what will happen to existing contracts for the New Deal programmes. We ask the Government to clarify the transitional arrangements and how they will impact upon customers, contractors and Jobcentre Plus staff as a matter of urgency, particularly given DWP's troubled history in this area. We reiterate the importance of ensuring that contracting procedures are transparent and encourage efficiency and accountability amongst programme providers. (Paragraph 54)**

**12. We welcome a focus on retention and progression in the Government's welfare-to-work policy but there is little evidence that the DWP has considered in any detail how this will be reflected in providers' contracts or in the type of support available on employment programmes. There are no consultation questions in the Green Paper on this issue and we believe that the Government has missed a key opportunity to canvass the views of experts and stakeholders. (Paragraph 58)**

37. On 27 November the Department published an interim report on its commissioning strategy that takes into account views expressed by stakeholders in response to the Green Paper. The report sets out seven key messages and the principles on which the Department proposes going forward. There remain a number of areas for further exploration which are

included as further questions. The Department makes clear that engagement with stakeholders is continuing and has published the interim report in order to promote transparency and sharing of best practice.

38. The Green Paper, within the body of the text, asked what the Department should do to ensure that it incentivises and pays for sustainable jobs. As part of the development activity on the commissioning strategy, the Department has commissioned external research into the impacts of different funding and contracting models on a variety of different business models.

39. The flexible New Deal will be the first programme to be implemented under the strategy. The interim report proposes that one of the principles of the commissioning strategy will be to base payments more on sustainable job outcomes (it is expected that six months will be the minimum and over time this may increase). Further work is under way to understand the impact of different measures in the flexible New Deal on sustainability and their impact upon jobseekers achieving long-term employment outcomes. This will inform the way in which the principle of sustainability will be realised.

40. The Department has asked stakeholders about transition from the current programmes to flexible New Deal and is currently working on those details so that its intentions can be communicated clearly with both current programme providers and potential flexible New Deal providers.

**13. We welcome the Government's commitment to co-ordinating employment and skills strategies. We repeat the conclusion in our report on the Government's Employment Strategy that assisting people who are out of work and have low skills to undertake education or training is crucial to improving their ability to sustain employment in a competitive labour market. (Paragraph 61)**

41. The Government agrees with the Committee that skills are an important factor in sustaining employment in a competitive labour market. DWP published a joint paper with DIUS "Opportunity, Employment and Progression: Making Skills Work" on 26th November 2007. The paper gave details of measures which will give individuals the opportunities they need to develop their skills in order to engage with, and compete effectively in, the labour market. For example, subject to adviser discretion, customers who have been claiming JSA for six months or more will be able to undertake training full-time, as long as it is work-focused, designed to meet employer needs and not exceeding 8 weeks in length.

42. The two Departments are actively looking at ways they can support people to participate in the training needed to get them job ready and to help people sustain and progress in their careers. The Departments are also working collaboratively with partners and stakeholders to ensure that relevant and flexible training is available to achieve these aims and building effective links with employers to ensure that individuals can continue to learn once in work, aiding sustainability and progression.

**14. We welcome the introduction of an adult careers service to support jobseekers in returning to the labour market. We recommend that the Government ensures that this service adds value to the role of Jobcentre Plus Personal Advisers and that joint**

**working strategies are developed early so that customers have easy access to high quality careers and employment advice. (Paragraph 64)**

43. DWP is working closely with DIUS to introduce an integrated professional employment and skills service, offering a seamless customer experience. Jobcentre Plus personal advisers will work closely with adult advancement and careers service advisers to support people in understanding and addressing their skills needs, having regard to the person's potential and aspirations as well as the requirements of the local labour market. The two Departments believe that effective and close relationships between the two advisers locally will be crucial in supporting people effectively and are working together to ensure that this is achieved.

**15. We ask the Government to set out the specific measures it plans to introduce to tackle the issue that disabled people account for a third of all those without formal qualifications; and to explain why this was not covered in its response to the Leitch review. (Paragraph 67)**

44. The Department and DIUS set out in their recent joint command paper Opportunity, Employment and Progression: making skills work their commitment to helping people realise their potential by supporting them in getting the skills they need to secure sustainable employment and to progress where they can. We will extend the employment and skills approach to all incapacity benefit customers over time, helping them to identify and address their skills needs through ongoing access to information and support from Jobcentre Plus and the new adult advancement and careers service.

45. The Government's aim is to include equality and diversity considerations within mainstream policy development and delivery. By focusing investment on people with no or low qualifications the Government's response to the Leitch review aims to help the most disadvantaged people, regardless of their individual characteristics. As adults with a disability are less likely to have Level 2 qualifications, they are more likely to benefit from this approach. The high-profile 'Big Skills' promotional campaign intended to encourage low-skilled people into learning is also being monitored to ensure it reaches all parts of its target group, including people with disabilities.

46. In June 2007 a cross government strategy, 'Progression through Partnership' was launched and sets out the direction of provision for learners with learning difficulties and /or disabilities over the next five years. A joint programme of action between DIUS, DWP, the Department for Children, Schools and Families, and the Department for Health is being devised and there are twenty areas of action designed to raise standards of provision and create better partnerships at government and local level to improve the outcomes for learners. Actions will include improved access, better recognition of achievement through the introduction of the Foundation Learning Tier from September 2008 and greater emphasis on the improvement of the quality of learning provision. The introduction of such programmes as Train to Gain and Skills Accounts will enhance access to tailored learning provision which will increase the availability of better skilled adults in the labour market.

47. DIUS will safeguard learning provision for adults with disabilities and has also protected the Personal and Community Development Learning budget of £210 million per

year and prioritised learning for adults with learning difficulties and/or learning disabilities within this. The Government recognises the importance of first steps in return to learning and wants to ensure that people with disabilities can access courses, as much an issue of social justice as anything else. These important first steps can lead to greater commitment and enthusiasm for learning and are key in helping people address their learning needs and skills.