

An 80 per cent employment rate

A new target

The Department for Work and Pensions (DWP) published its five year strategy, *Opportunity and Security Throughout Life*, in February this year. One notable feature of the strategy is the government's new 'aspiration' "to increase our 75 per cent employment rate to a record 80 per cent."¹ The strategy refers to this objective 14 times, and it has not been dropped post-election; if anything, ministers and officials seem keen to turn this aspiration into a formal target, with a timescale for achievement.

How times change. A decade ago, to argue that full employment should be a government objective was to invite accusations of hopeless naivety or of living in the past. Even when New Labour looked certain to win the 1997 election, its spokespeople would never promise more than a cut in unemployment.

Today, the UK employment rate has been steadily within half a percentage point of 75 per cent since the summer of 2002, and the South, South West and East of England (except London) are all enjoying employment rates of over 78 per cent. In the past five years the number of people in employment has risen by three-quarters of a million, and the number who are unemployed has fallen by more than three hundred thousand. There are regions such as the North East and London that fall short of this performance, and there is no guarantee that it will continue, but many parts of the country are currently at full employment.²

An aspiration to be welcomed

The first thing to say about the 80 per cent 'aspiration' is that the government should be praised for refusing to be complacent about these figures. The best possible response to the employment figures is to say that it wants to do even better. Unemployment is bad for physical and mental health and is a major cause of social exclusion.

The second point is that this is particularly important for all of us who care about poverty. Families with an adult in employment are much

The government wants to raise the UK employment rate to 80 per cent, which could make a real difference to the level of poverty in this country. The objective is ambitious but achievable, providing the government plans to achieve it over the long term, investing in high-quality support for those who need it most. But, warns Richard Exell, any attempt to rush things, or to put unfair pressure on disabled people and other disadvantaged claimants, would put the whole enterprise in a different light – and probably doom it to failure.



less likely to be poor and those with more than one adult in employment are even less likely to be poor.

Of course, it is also true that a majority of poor working age families have at least one member in employment,³ so we will have to continue campaigning against low pay whatever happens to the employment rate. However, it is hard to imagine there not being a reduction in poverty once the rate has reached 80 per cent.

Employment rates and pensions

There's a third positive result we could expect from such an improvement in the employment rate: the demographic squeeze on pensions

would be much easier to cope with. This problem is a serious one: as we live longer so the number of pensioners grows, without an equivalent increase in the number of workers. The ratio of people over 65 to the rest of the population was 1 in 20 a century ago, is around 1 in 6 today, and will rise to 1 in 4 by 2051. As the Pensions Commission has pointed out,⁴ this means that either people will retire later, or savings and taxes will rise, or more pensioners will live in poverty. Comparatively few people are volunteering to work longer or save more, so the impact on poverty could be severe.

But the 80 per cent employment target might make a real difference. If the number of people in employment was rising at the same rate as the number of pensioners, the 'dependency ratio' ought to stay much the same. Of course, things are never quite that simple (there will still be significant shifts in spending as our society has fewer children and more old people, for instance) but it would make a difference.

This seems to be the original reason why the government decided on this objective. As the DWP's *Five Year Strategy*⁵ puts it:

If we adopt the broadest measure possible – the ratio of non-workers to workers – an employment rate equivalent to 80 per cent of the working-age population would virtually fully offset the rise in the dependency ratio between now and 2050. (p26)

Elsewhere, the strategy puts more flesh on these bones, aiming to help into work:

- an extra 300,000 lone parents;
- a million disabled people, especially those on incapacity benefit;
- more older workers – while no figure is given, as the total increase in workers is estimated at 2.5 million this suggests somewhere around a million.

This is certainly a challenging target, but it is worth remembering that the government has achieved a great deal in the past eight years. More than half a million young people have gained jobs through the New Deal, 446,000 of them sustained,⁶ and long-term youth unemployment has been drastically reduced. A third of a million lone parents have gained jobs through the New Deal for Lone Parents (NDLP)⁷ – writing as someone who said in 1998 that the NDLP would be a tremendous success if it got 100,000 people into jobs, I find this last figure particularly impressive.

Realism and timescales

So it is reasonable to think that this is an objective that could be realised; but is there a realistic timetable and delivery plan for achieving it?

One way of thinking about the timescale is to look at the historical data. Table 1 below presents employment rates over the last 21 years. It shows that, since the start of the century, employment rates have been stable and high – only equalled in 1989 and 1990. It also shows just how significant a five percentage point increase in employment rates would be: it is the same distance as the increase between 1986 and today; an 18-year journey.

The government's aspiration is a major task, and is better thought of as one to be achieved in the course of a generation, not a Parliament. This way of looking at things makes sense when

Table 1: Employment rates, United Kingdom, 1984–2005

Year	Rate (%)
1984	68.3
1985	69.2
1986	69.4
1987	70.1
1988	72.4
1989	74.2
1990	74.7
1991	73.0
1992	71.1
1993	70.2
1994	70.6
1995	71.1
1996	71.6
1997	72.6
1998	73.1
1999	73.6
2000	74.3
2001	74.6
2002	74.1
2003	74.5
2004	74.5
2005	74.8

Rates are for people of working age (16–59 for women, 16–64 for men). Figures are for the Spring Quarter (March–May) and not seasonally adjusted except for 2005, which is for Feb–Apr, seasonally adjusted.

1984–2000 figures are from National Statistics, *Labour Force Survey Historical Supplement*, ONS, 2000, table 2a.

2001–2004 figures are from table 2b of National Statistics, *Labour Force Survey Quarterly Supplement*, ONS, April 2002, April 2003, April 2004 and April 2005.

The 2005 figure is from National Statistics, *Labour Market Trends*, ONS, July 2005, table A1.

it comes to the objective of preventing a deterioration in the dependency ratio.

Currently there are just over 37 million people of working age, 27.56 million of whom are actually in employment, about 45.9 per cent of the total population.⁸ The Government Actuary's Department (GAD) expects the UK population in 2051 to be 66,787,000, 6.7 million more than at present, so we would need about 30.7 million workers to maintain the same proportion of the total population in employment. This is 3.14 million more than at present, and would amount to a working age employment rate of 78.98 per cent.⁹

The GAD projections show the total population rising throughout this period, the working age population peaking in 2046 and the child population fluctuating, so the employment rate and numbers needed to maintain the same percentage of the total population in employment would change over time. If we assume that what is needed is to maintain the same proportion of the population in employment, then the number of extra workers needed will be particularly significant in the next few years, but large increases in the employment rate are not needed till the mid-2020s (see Table 2 for more details).

Ready to deliver?

The timescale implied by the DWP's strategy is realistic, but are the policies in place to deliver on the aspiration? Here the picture is much more mixed. The government has a good record so far, but the plans for net cuts of 30,000 DWP jobs¹⁰ throw everything into confusion. There are plenty of indications that these cuts are having an impact on Jobcentre Plus's ability to help unemployed people. Visit the Jobcentre Plus website's 'Partners' section and you will find a notice on "Contracting Strategy" that makes clear the impact of the cuts:

As you will know, the Chancellor announced in Spring 2004 substantial reductions within DWP. This includes reductions to our current budgetary allocation and this reduction will continue year on year. ... There is only a finite amount of money available to buy provision for Jobcentre Plus customers. This means that in some circumstances difficult decisions will have to be taken and unfortunately not all of our customers will be able to access the provision that they want.¹¹

In May this year the Adviser Discretion Fund (ADF – which enables frontline staff to purchase items like work tools and clothes that will enable their clients to get jobs) was cut from £300 to

Table 2: Number of workers needed to maintain the same proportion of the population in employment, and resulting employment rate, 2005–2051

Year	Population ('000s)	Number of workers needed ('000s)	Working age population ('000s)	Employment rate needed (%)
2010	61,166	28,075	37,844	74.2
2015	62,370	28,628	38,947	73.5
2020	63,599	29,192	39,942	73.1
2025	64,707	29,701	39,868	74.5
2031	65,700	30,156	39,186	77.0
2041	66,543	30,543	38,836	78.6
2051	66,787	30,655	38,812	79.0

From 2003-based United Kingdom Population Projections, 2003-based principal projection, GAD, <http://www.gad.gov.uk/Population/2003/uk/wuk03cc.xls>, accessed on 27/05/2005

£100, and an item on the DWP intranet's pages for Jobcentre Plus Advisers clearly linked this decision to the efficiency reviews:

This decision has been made by Jobcentre Plus Finance ... Pressures on Jobcentre Plus programmes and budget, in addition to the requirement to allocate and monitor a finite budget for ADF, have prompted this decision. In real terms the ADF budget has taken a reduction of around 40 per cent.

The most worrying development has been the fate of Building on New Deal (BoND). BoND is the next generation New Deal, empowering staff and personalising and localising support to enable Jobcentre Plus to help the unemployed people who need it most, those with the greatest disadvantages and the most serious obstacles to employment. BoND is currently only offered in 11 pilot areas, but there was at first an assumption that it would be expanded rapidly: this was certainly the premise for the design of other new Jobcentre Plus proposals, such as the DWP refugee employment strategy¹² and the *progress2work-plus* programme for ex-offenders, homeless people and drug and alcohol addicts.¹³

BoND has not been cancelled, but no plans for extension have been announced – and Jobcentre Plus staff are increasingly reticent on the subject.

The future for lone parents

The worry for many of us is that a government with a very ambitious target but a question mark about the resources for achieving it may try to square the circle by putting extra pressure on claimants.

The contrast between the current situation and an ambitious target is clearest in the case of lone parents. Currently just under 55 per cent of

lone parents are in employment, but the government's target is 70 per cent by 2010.¹⁴ The government has achieved a great deal here – the employment rate for lone parents increased by nine percentage points between 1997 and 2004¹⁵ – but reaching the target would require progress at twice this rate for the next five years. Hitting the 70 per cent target would get the 300,000 lone parents into jobs that is implied by the 80 per cent aspiration,¹⁶ but doing this by 2010 seems unlikely.

Lone parents have faced new obligations, with the introduction of the requirement to attend a work-focused interview as a condition of getting benefit, but the departmental approach has so far been mainly supportive – emphasising extra childcare, and pilots of a work search premium and an in work credit, paying lone parents who look for and get jobs.¹⁷ Some tightening of conditionality is on the horizon: from October lone parents will be required to agree an Action Plan at their work-focused interview, but there is a very welcome recognition of the fact that the supportive approach has worked well so far, and that abandoning it “would be expensive, unfair and ineffectual.”¹⁸

The future for disabled people

The situation facing disabled people is much less clear. Incapacity benefit (IB), the main income replacement benefit for sick and disabled people, has faced attacks in the media for over a year, with persistent talk of a forthcoming ‘crackdown.’

“Sick note culture takes off under Blair”
(*Telegraph*, 30 June 2005)

“SCROUNGER Kevin Edgerton claimed £10,000 in benefits after claiming he could not work – while holding down FIVE jobs”
(*Sun*, 3 June 2005)

“OUR NATION OF SKIVERS” (*Express*, 18 May 2005)

The underlying story is that ‘incapacity’ benefit is too easy to get, is far too generous, and thousands (or perhaps millions) of people who should be working are having an easy time on IB. That is why the number of people who get IB has ‘rocketed’ under the current government, and what we need is a get-tough policy.

Far from being too generous, the average amount of IB paid to beneficiaries is £83.86.¹⁹ Admittedly, this is more than the £56.35 average paid to jobseeker’s allowance beneficiaries,²⁰ but this tells us more about the inadequacy of benefits for adults than the generosity of IB. Expressed in terms of average pay,

these two figures are equal to ten and seven hours respectively.²¹

As for the other numbers game – the number of people getting IB – there is so much confusion that it is hard to blame journalists for misreading the picture. The reality is that there has been a long-term increase in the number of people claiming benefits for incapacity, taking a generation to build up, mainly between 1979 and 1997 when the numbers rose by more than 1.6 million.²² The figures are complex, but the record since 1997 is much better: the number of people who get income support with a disability premium has risen by up to 300,000²³ but the number who get IB or severe disablement allowance has fallen by more than this.²⁴

So two planks of the media story are misleading – benefits for incapacity are actually very low, and the government is not allowing the numbers to soar. In fact, the government has an extremely successful policy for helping people on IB into jobs. Since October 2003 the DWP has been running an innovative ‘Pathways to Work’ pilot project. There is an element of compulsion – mandatory work focused interviews – but the emphasis is on helping claimants, not harassing them. The programme’s supportive measures include a £40 a week return to work credit for up to a year for IB beneficiaries who get jobs and a set of ‘condition management’ rehabilitation programmes.

And the early results are very good indeed. In the pilot areas more people are leaving benefit, the rate at which people move into jobs has doubled and the number of people volunteering for programmes like the New Deal for disabled people has increased fivefold. More than one in ten of the people attending work-focused interviews in these areas have volunteered for them.²⁵

Despite all this, the media has not stopped seeing the IB story as being about skivers and scroungers, and unsourced stories continue to promise that the government has decided that this time it’s ‘no more Mr Nice Guy’. Campaigners have worried that the DWP’s *Five Year Strategy*, which promised a supportive reform agenda, building on Pathways to Work, seems no longer to be the basis of policy for the future. The strategy promised that “building on the extension of *Pathways*, we will reform the benefit,”²⁶ but it now seems clear that the DWP cuts mean that there is little chance of Pathways being extended to all IB claimants throughout the country.

Conclusion

A new Green Paper is due in October, setting out the government's plans for the reform of disability and sickness benefits. This may be our first chance to see how the government is going to go about making a reality of the 80 per cent employment rate aspiration. Will it build on a very good record, adopt a realistic timescale and continue the supportive approach that has worked so well with lone parents and in the Pathways pilots? Or will it try to sprint a marathon, with all the risks of failure that implies? ■

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- 20 National Statistics, *Job Seeker's Allowance Quarterly Statistical Enquiry*, DWP, February 2005, table 6.2
- 21 In spring 2005, median earnings stood at £8.52 an hour. National Statistics, *Labour Force Survey Historical Quarterly Supplement*, ONS, 2005, table 38
- 22 See note 1, p43
- 23 Five out of every six people listed in the IB statistics as 'NI Credits only' receive this benefit, and the number in this category rose from 628,100 in May 1997 to 930,500 by February 2005; National Statistics, *Incapacity Benefit and Severe Disablement Allowance Quarterly Summary of Statistics*, DWP, 2005, table IB1.3. The number of people claiming income support with a disability premium has increased from 827,000 in May 1997 to 1,124,000 in February 2005; National Statistics, *Income Support Quarterly Statistical Enquiry: February 2005*, DWP, table IS2.7.
- 24 National Statistics, *Incapacity Benefit and Severe Disablement Allowance Quarterly Summary of Statistics*, DWP, 2005, tables IB1.1 and SDA1.1
- 25 See note 1, p46
- 26 See note 1, p47

- 1 Department for Work and Pensions, *Department for Work and Pensions Five Year Strategy: Opportunity and Security Throughout Life*, DWP, 2005, p4. The objective was also announced by the Chancellor in his Budget speech.
- 2 *Labour Force Survey* data, taken from National Statistics, *Labour Market Statistics*, ONS, various editions, available at <http://www.statistics.gov.uk>
- 3 Taken from National Statistics, *Households Below Average Income, 1994/5-2003/04*, DWP, 2005, table 5.4 (AHC) – if we limit ourselves to working age households, and define poverty as being below 60 per cent of the median (equivalised) income, then 43 per cent of poor families are workless and 56 per cent have either one or more adults in employment
- 4 Pensions Commission, *Pensions: Challenges and Choices*, The Stationery Office, 2004, p12
- 5 See note 1
- 6 National Statistics, *New Deal for Young People and Long-Term Unemployed People aged 25+ – Statistics up to March 2005*, DWP, table 6
- 7 332,000 lone parents had moved into jobs by the end of March. National Statistics, *New Deal for Lone Parents – Statistics up to March 2005*, DWP, table 2a
- 8 Calculated from National Statistics, *Labour Market Statistics*, ONS, May 2005, table 1. In the labour market statistics the figure given for the level of employment is for everyone in employment, whatever their age; the employment rate is calculated for those of working age. There is a difference of about one million between the total number in employment and the total number of people of working age in employment. Tables 5 and 6 use the total number of people in employment, but this table simplifies calculations by assuming that the ratio of employees over state pension age to those under it is maintained at a constant level.
- 9 *2003-based United Kingdom Population Projections, 2003-based principal projection*, GAD, <http://www.gad.gov.uk/Population/2003/uk/wuk03cc.xls>, accessed on 27/05/2005. GAD makes a number of projections: this is the projection used by the DWP when adopting the 80 per cent aspiration in *Opportunity and Security Throughout Life* (p26).
- 10 Gross cuts are 40,000 jobs. *2004 Spending Review*, HM Treasury, table 2.2. The 2005 DWP *Departmental Report* gives the cut in full-time equivalents between 2002/03 and 2007/08 as 26,756 (table 6).
- 11 <http://www.jobcentreplus.gov.uk/cms.asp?Page=/Home/Partners/NoticetoPartnerOrganisations/2971> accessed on 01/08/2005
- 12 Department for Work and Pensions, *Working to Rebuild Lives*, DWP, 2005
- 13 According to the Jobcentre Plus specification for providers, "Contracts for progress2work-plus will be available in BoND prototype districts only." (para 1.5)
- 14 *Budget 2005*, HM Treasury, para 4.27
- 15 Department for Work and Pensions, *Opportunity for All*, DWP, 2004, p180
- 16 See note 1, p36
- 17 See note 1, pp37-8
- 18 See note 1, p38
- 19 National Statistics, *Incapacity Benefit and Severe Disablement Allowance Quarterly Summary Statistics*, DWP, February 2005, table IB2.5