

EMPLOYMENT PLAN 2014
UNITED KINGDOM



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The British labour market

The UK labour market is flexible and dynamic, with over 10 million people moving between unemployment, employment and inactivity each year. Around one in five of the workforce move into a job each year, and a similar proportion leave a job. Even in recessions most of these movements into and out of work are voluntary.

The employment rate is high by international standards, at 73 per cent. Currently the employment rate for males is 77.9 per cent and 68.1 per cent for females. There is a record number of people in employment; 30.76 million¹. With population growth and migration, this is expected to continue.

Rationale for State Intervention

The overall role of the UK Government in the labour market is to encourage flexibility, efficiency and fairness. The Department for Business, Innovation and Skills works to promote growth and ensure the UK is a business-friendly and internationally competitive environment working with business and the Devolved Administrations to strengthen the skills base. Her Majesty's Treasury controls overall macroeconomic policy to deliver growth and employment. The Department for Work and Pensions' focus is to increase the number of people in employment and speed up labour market matches, providing extra support to disadvantaged individuals who are less able to help themselves.

The UK's strategic labour market objectives are to:

- Facilitate the smooth and effective functioning of the labour market, speeding up job matches, addressing mismatches in supply and demand and promoting social justice;
- Tackle worklessness and out of work poverty, reducing inactivity and promoting sustained employment;
- Reduce in-work poverty, promoting social mobility, reducing individual dependence and state expenditure on benefits through more or better work.

Labour Market Interventions

To achieve these objectives, we intervene in the labour market in a number of different ways. These can be grouped into four main areas:

1. **Passive Labour Market policies** involve using the design of working age benefits to avoid distorting labour market behaviour. These:
 - **Make work incentives as strong as possible**, whilst maintaining appropriate levels of income protection, through withdrawing benefit at a constant rate as earnings are increased;
 - **Discourage individual inflexibility, including wage reservation.**
2. **Activation Strategies** aim to maximise labour supply by drawing people closer to the labour market as a condition of benefit. This may involve work-availability and work-search requirements, backed up by sanctions for non-compliance. These:
 - Shift people from inactive to active benefits to increase overall focus on moving into work;
 - Make benefit payment conditional on activity to **maintain labour market attachment**, and ensure this is clearly understood by claimants;
 - Encourage an on-going focus on seeking and taking-up employment including through regular contact, such as Fortnightly Jobsearch Reviews;

¹ Source – UK Office for National Statistics



- Hold people close to the labour market and avoid pushing them back into inactivity;
 - Promote “work-first” as the right approach for most people in the short-term.
3. **The Public Employment Service** (JobCentre Plus) provides free at point of delivery **job-brokering** support for **employers and jobseekers** in line with Treaty of Rome obligations. This should:
- **Improve transparency and speed-up matches**, for instance using Universal Jobmatch to make opportunities visible and get employers and employees together as quickly as possible.
 - **Increase mobility and flexibility** through encouraging wider geographical search, adoption of varied working patterns and understanding of employer needs and recruitment practices.
4. **Active labour market policies** are publicly funded **interventions** to improve the employability of selected groups within the labour market. These include:
- **Linking-up supply and demand** and helping to even out opportunities, including for disadvantaged groups, by providing work-focussed skills provision and employability support to equip individuals to compete and take up available opportunities, for example use of wage incentives or support for enterprise.
 - **Overcoming significant barriers**, by providing extra support, such as workplace adjustments for disabled people, work experience for those detached from the labour market, intensive Adviser support for those less able to help themselves back into work, and supporting progression and independence from the state.
 - **Carefully targeting policies in order to avoid paying for deadweight**, which is the amount of time individuals would have spent off-benefit without our support.
 - **Avoid lock-in** -people staying on provision causing a delay to their move into work.

A Personalised/Tailored Regime

As a consequence of the dynamism of the UK labour market, a large number of individuals receive out of work benefits for short durations, maintaining sufficient labour market attachment to return quickly to employment. The majority have left benefits by 6 months and 90% by 12 months into a Jobseeker’s Allowance (JSA) claim. In a typical cohort month, less than 10,000 JSA claimants are still on benefits at two years (96% off-flow rate) and less than 5,000 at four years (98% off flow). The design of the regime recognises that many claimants are able, with light touch support, to take their own effective steps back into the labour market. However, fortnightly jobsearch reviews are highly cost effective in reducing claim duration for this group.

It would not be cost-effective to provide more intensive support to all claimants at day one. Instead, active labour market measures (employment support) are targeted selectively by Advisers at those at greatest risk of becoming long term unemployed to try to avoid associated ‘scarring’, resulting in wider social costs and adverse inter-generational effects.

Regime Modernisation

The following drivers of regime modernisation have been identified:

- **Digitisation**: both understanding and intervening effectively within an increasingly digitised labour market and developing our use of our own channels to maximise regime effectiveness.
- **Refining ‘who gets what’ through improved resource allocation**: improving how we target support, building on development of segmentation techniques, and improving adviser effectiveness, including through the application of behaviour change techniques.
- **Refining ‘who delivers what’**: to make best use of internal and external capacity (including joining-up locally), and incentive structures, to optimise performance within funding parameters.



1. Employment and labour market outlook

Table 1: Economic and labour market conditions, 2008 (LHS) and 2013 (RHS)								
	Real GDP growth		GDP per capita (USD terms)		Employment growth		Employment to population ratio	
UK	-0.8	1.9	34,471	32,819	0.8	1.3	59.3	58.1
G20 median	1.4	1.9	\$25,339	\$26,243	1.1	0.9	57.7	57.1
	Unemployment rate		Incidence of long-term unemployment		Youth unemployment rate		Youth unemployment to population ratio	
UK	5.6	7.5	24.1	36.2	16.9	19.9	9.2	12.0
G20 median	6.3	6.1	24.1	31.0	n/a	n/a	6.9	7.8
	Participation rate		Female participation rate		Working age (15 to 64 years) participation rate		Collective bargaining coverage	
UK	62.8	62.8	56.0	56.9	75.8	76.6	-	31.2 (2011)
G20 median	60.2	60.3	50.0	51.8	70.4	71.2	-	28.8
	Informal employment rate		Minimum wage (Per cent of average wage)		Gini coefficient		Year 12 attained (20-24)	
UK	-	-	37.8	38.8	0.342	0.344	78.2	81.9
G20 median	n/a	42.2	34.9	34.9	0.341	0.376	76.5	78.9
	Year 12 attained (25-64)		Literacy rate					
UK	71.6	78.1	n/a	n/a				
G20 median	69.8	74.2	n/a	n/a				

Note: Percentage figures, except in the case of GDP per capita and the Gini coefficient.
Sources: ILO and OECD calculations.

Table 2: Labour market forecasts for 2014			
Employment growth	Unemployment rate	Participation rate	GDP growth
+1.7%	6.8%	N/A	+2.7%

Employment growth, unemployment rate and GDP growth forecasts source – Office for Budget Responsibility 'Economic and Fiscal Outlook March 2014' <http://cdn.budgetresponsibility.org.uk/37839-OBR-Cm-8820-accessible-web-v2.pdf>

2. Employment challenges for the United Kingdom

The key challenge and most important opportunity facing the United Kingdom is the comprehensive reform programme of the social welfare and employment system. A range of pre-existing benefits, targeting both the unemployed and those in work, are being combined into one new benefit – Universal Credit. The principle that underpins Universal Credit is that work is always the best route out of poverty. Universal Credit therefore provides a clear incentive for an individual to try to find work and to increase their earnings – the amount of benefit received reduces as earnings are increased, but at a slower rate, and therefore increasing the amount earned by even £1 becomes financially attractive. Additionally the new system removes the distinction between out-of-work and in-work benefits, which had the potential to create perverse incentives against increasing earnings. The new combined system provides for a smooth transfer from unemployment, to increased earnings, right up to finding full time work, underpinned by a system that guarantees support for those in need.

In the United Kingdom **the public employment service, Jobcentre Plus, is fully integrated with the delivery of benefits and the application of active labour market policies. The key employment challenges, especially those around youth and long-term unemployment, are addressed through both benefit delivery and targeted personalised interventions directed by an employment adviser in Jobcentre Plus.** Receipt of benefit for an unemployed person is one half of a contract that requires them to pursue measures designed according to their needs and abilities to find employment. These measures can range from simply attending a certain number of job interviews or submitting applications, to pursuing skills training in literacy or numeracy all the way to the most intensive interventions for those furthest from the labour market.

The UK Government is also committed to **boosting the participation of women in the work place**; Universal Credit will provide better incentives and reward for increased hours (especially for taking up part-time work) to women who must structure their employment around the demands of childcare. Moreover the Government is also implementing measures to broaden the availability and reduce the price of childcare, especially targeted at women on the lowest incomes – these measures will allow these women to expand their working hours, increase their income and ensure the early development of the child. The Government believes that a G20-wide collective commitment to close the gender participation gap by, for example, 25% by 2025 would be a stretching but achievable goal that reflects the UK's drive to improving employment opportunities for women. The participation gap stood at 10.9 percentage points in August 2014 – 83.3% for men and 72.4% for women (Source – UK Office for National Statistics).

The Government is successfully **reducing unemployment among young people** through a strategy for equipping them with education and skills relevant to the labour market, **supporting them to take up existing labour market opportunities and creating new opportunities by enabling business.** A comprehensive programme of short, medium and long term measures gives effect to this strategy. These include work experience and employer incentives under the Youth Contract, the tailored support available under the mainstream activation schemes Jobcentre Plus and the Work Programme, special measures to engage young people who are NEET, a step-up in apprenticeships and considerable extra skills provision through the traineeships programme.

Finally the **disadvantaged position of many disabled people in the labour market** is a key concern for the UK Government. The Government is providing intensive support to disabled people themselves to improve employability and find work that is suitable and achievable for those with health conditions. The Government is also working with employers to demonstrate to them that hiring workers with disabilities is not a burden, but on the contrary is an opportunity, and to help change attitudes towards workers with disabilities in order to empower them to find fulfilling employment.

CHALLENGE: GETTING BRITAIN WORKING AND BOOSTING THE PARTICIPATION OF WOMEN

The primary aim is to strengthen work incentives whilst maintaining appropriate levels of income protection by withdrawing benefit at a transparent, constant rate as earnings are increased. The improving British economy means that jobs are being created, but the Government is committed to ensuring that job growth is matched by improving

the level of skills and in particular is harnessed to tackle problems of long-term unemployment. This requires a two-pronged approach. The first part of this focuses on the obligations placed on those in receipt of benefit. The Government is improving this system by increasing the job search expectations of the unemployed and implementing a clear system of sanctions for those that do not fulfil their obligations. This is mirrored by the second aspect of the Government's approach, a clear offer to job seekers that the Public Employment Service will provide advice, support, opportunities to undertake training and skills development and will actively intervene to give an unemployed person the best chance of finding a job.

The Government is also implementing active labour market policies to improve the employment prospects of disadvantaged groups, and providing increased support for female employment. Women are disproportionately represented among low earners, and the flagship welfare reform programme will radically restructure the way the welfare system supports those in the lowest earning brackets, by providing clear work incentives and rewarding those who increase their earnings. Expanded help with the cost of childcare for low earners will also improve the ability of low-earning women to find work without being penalised for the need to care for children. The female employment rate has increased by 2.5% over the last 4 years, and the Government is committed to consolidating and building on this progress.

CHALLENGE: HELPING YOUNG PEOPLE INTO EMPLOYMENT

The Government's policies focus on giving young people education, skills and experience relevant to the labour market, supporting them to secure existing job opportunities and promoting job creation and entrepreneurship. From a high of 21.5% the youth unemployment rate has, in the last 2 years, fallen to 16.0%. This represents good progress, but there is still more work to do and the UK Government's new policy commitments for young people will ensure economic recovery is matched by ever-increasing youth employment. There is a clear strategy for supporting young people into work based on five priorities:

- Raising attainment and ensuring that young people have the skills to compete in a global economy, including through quality vocational education/training.
- Helping young people at risk of falling through the net, by supporting local partners to provide effective, co-ordinated services.
- Encouraging employer sectors to inspire young people and to offer more work experience, internships and apprenticeships to young people.
- Promoting personal responsibility by ensuring that work pays and that those on out-of-work benefits who can work prepare and search for work effectively.
- Creating the wider conditions for balanced, sustainable growth, including through protecting and extending flexibilities of the UK labour market.

CHALLENGE: BOOSTING THE PARTICIPATION OF PEOPLE WITH DISABILITIES AND LONG-TERM HEALTH CONDITIONS

The employment rate for disabled people is 45%, much lower than that of the total working age population. We aim to engage employers, integrate health and employment services and aid the transition from education to work for young disabled people.

'Fulfilling Potential', the Government's Disability Strategy, sets out to enable disabled people of all ages and backgrounds to fulfill their potential and play a full role in society. This Strategy will help make a reality of the aspirations set out in the United Nations Convention on the Rights of Disabled People. The Government believes disabled people, as well as the people and organisations that support them, should be partners in developing and delivering the Government's Disability Strategy. 'Fulfilling Potential - Making it Happen' which sets out the Government's approach to enabling disabled people to achieve their aspirations, was published on 2 July 2013. It emphasises the need for innovative cross-sector partnership working with disabled people and their organisations, to

bring about the changes needed to have a real and lasting effect on the day-to-day lives of disabled people. It also shows how disabled people are seeing improvements in many key areas. It includes the Fulfilling Potential Action Plan which lists more than 80 planned and current activities across Government.



3. Current policy settings and new commitments

The Government aims to improve overall employment rates, sustainability, retention and progression into more and better work. The Government continues to maintain the environment for enterprise and economic growth to help create sustained jobs and businesses. The overall aim of the Government in the labour market is to encourage flexibility, efficiency and fairness, with measures to help the unemployed quickly into work and to address longer-term detachment from the labour market, tackling barriers to getting, keeping and progressing in a job for all groups. The Government's key goal is to maintain a dynamic and resilient labour market. Low levels of taxation and a carefully balanced approach to labour market regulation mean that firms can adapt to change and have incentives to create new jobs alongside new business opportunities while protecting workers. In addition, employers can offer flexible working arrangements to workers, which help with recruitment and retention, particularly for women and people with disabilities, as well as improving productivity for the company.

Overall the approach of the UK Government is focused on tailored, flexible support to those who are unemployed and those who would seek to increase their working hours. This approach hinges on demonstrating that receiving public support comes with responsibilities on the part of the individual, but that the Government will do everything it can to help individuals overcome barriers to work, whether they be skills gaps, caring obligations, health conditions or any other factor.

Universal Credit, the flagship welfare reform programme, is the principle tool with which to tackle the key employment challenges. The primary challenge is to get Britain working. Through the clear work incentives described earlier Universal Credit is rooted in the principle that work is the best route out of poverty, and to enable this work should always benefit an individual more than remaining on welfare. This means ensuring the welfare system provides the necessary safety net for the most vulnerable, but avoids creating a low-pay or benefits trap wherein it does not reward an individual to find work and to increase their earnings.

This is achieved through both expectations and incentives. On the one hand the benefits regime is rooted in clear requirements of an individual who is drawing benefits – if they are able, they should be attempting to find work and once in work, if their circumstances allow, they should be attempting to increase the amount they work. This is underpinned by clear incentives – benefit is withdrawn as earnings increase, but at a slower rate. The welfare system therefore tops up earnings and rewards an increase in working hours by making sure an individual has more money to take home.

Universal Credit is also a key part of measures designed to help women participate in the labour market – the childcare component of Universal Credit provides help with up to 70% of childcare costs, which will increase to 85% in 2016. This targeting of childcare costs for the lowest earners is complemented by an offer of tax-free childcare support, covering 20% of childcare costs (with a cap of £2000) from the Government for low and medium earning families.

The UK Government has accepted the Low Pay Commission's (LPC) recommendations for increases in the **National Minimum Wage (NMW)**, thereby providing positive incentives towards working, and Budget 2014 has announced that the adult NMW rate will increase by 3% to £6.50 from October 2014, representing the largest cash increase since 2008 and the first real terms increase since 2007. There will also be increases of 2% for the youth and apprentice NMW rates from October 2014. As a result, over a million people will see a pay increase.² The increase in the minimum wage will help the lowest-waged in the economy, providing a boost to spending power for a significant proportion of the population. Almost 60% of workers in receipt of the National Minimum Wage have seen a real-terms increase in their take-home pay, and this coupled with the increased Income Tax Personal Allowance will put more money in the pockets of working people and create more spending power in the economy.

In order to support youth employment, Autumn Statement 2013 announced the **abolition of employer National Insurance contributions for under-21 year old employees** earning less than £813 a week from April 2015, making it

² 'National Minimum Wage 2014 Report', LPC, March 2014.

cheaper for businesses to employ young people. As a result an employer will save over £500 for an under 21 year old employee earning £12,000, and over £1,000 for one earning £16,000. This policy will help to support jobs for almost 1.5 million young people currently in employment, with an average saving to employers of £320 per employee each year. Young people bore the brunt of the economic crisis, and the abolition of employer NICs for under-21s will provide a significant incentive to hiring them. Ensuring that young people are orientated towards the labour market and able to find employment as soon as possible will put them in the best position to continue in employment in the future. Youth unemployment can be a significant contributory factor to slow or minimal growth, and the Government is committed to ensuring that youth employment can be a motor of growth. This measure will in particular have a positive impact on SMEs, encouraging them to take on young workers and grow their businesses.

The UK has done away with one-size-fits-all employment programmes. The Government has chosen to implement a programme of tailored support to young people, based on their needs. The Government has a 3 part strategy to reduce youth unemployment: Equipping young people with labour market relevant education and skills; supporting young people to secure existing labour market opportunities; and creating new opportunities for young people by supporting new job creation. The measures for youth also reflect the policy approach that underpins Universal Credit, a mixture of requirements and incentives. Through the Youth Contract the Government offers young people a wide range of options to help them improve skills and find a job – these range from training courses to address basic skills gaps to work experience and apprenticeships, designed in partnership with business and funded through employers. The Government has also instituted a range of measures to increase the attractiveness of hiring young people – the Government is bringing in programmes to fund 100% of training costs for apprentices 16-18 years old, and 50% for those aged 19-24. The Government has also introduced, from 2015, the complete abolition of National Insurance contributions from employers when hiring under 21s who earn up to £813 per week – this equates to a salary of just over £42,000 per annum, which covers the vast majority of young people.

The theme of increasing employability is also at the heart of measures for people with disabilities and long-term health conditions. Tackling very low employment rates (45%) among disabled people is a real challenge, but the Government is committed to promoting a new understanding of disabilities and long-term health conditions that recognises that conditions are often fluctuating and that with proper support it is both possible and empowering for many disabled people to be able to work. Specialist support therefore falls into two categories – that targeted at disabled people themselves, offering them support, training and specialist equipment to enable them to work, and that targeted at employers, demonstrating the benefits of employing disabled people and overcoming the myths surrounding disability employment.

BROAD ECONOMIC SETTINGS

In order to safeguard the economy for the long-term and build a stronger, more competitive economy and a fairer society, the UK's economic strategy is focused on taking decisive action through:

- **monetary policy and credit easing:** stimulating demand, maintaining price stability and supporting the flow of credit in the economy;
- **deficit reduction:** returning the public finances to a sustainable position and ensuring that sound public finances and fiscal credibility underpin low long-term interest rates, in line with the medium-term fiscal strategy presented at the St Petersburg Summit;
- **reform of the financial system:** improving the regulatory framework to reduce risks to the taxpayer and build resilience of the system, with financial stability providing a strong basis for positive spillovers to the global economy; and
- **a comprehensive package of structural reforms:** rebalancing and strengthening the UK economy for the future – playing a significant role in reducing imbalances while ensuring sustainable growth – this includes measures to strengthen investment, employment and competition.



Macroeconomic policy

The UK's fiscal policy setting remains broadly in line with the fiscal strategy set out at the St Petersburg Summit and the clear, credible and specific medium-term consolidation plans set out by the UK Government in 2010: the UK remains committed to reducing the deficit and to restoring debt to a sustainable, downward path. Public sector net borrowing (the UK's measure of the fiscal deficit) as a percentage of GDP has fallen by more than a third over the four years from its 2009-10 peak – the largest deficit in post-war history – and by next year is forecast to fall by a half. Reflecting the UK Government's commitment to responsible fiscal policy, both Autumn Statement 2013 and Budget 2014 have set out fiscally neutral responses with improvements in the fiscal forecasts (the result of improvements in the economic outlook) helping to return the public finances to a sustainable position and reduce debt. Within such fiscally neutral responses, the UK Government is continuing to take action in the areas of investment and infrastructure, employment, competition and trade (including those measures set out below). This includes refocusing the composition of public spending towards long-term growth-enhancing public investment and Budget 2014 highlights that the UK Government will continue to prioritise capital investment over the medium term and that public sector gross investment will grow in line with GDP from 2018-19.

Regulation, finance, incentives, investment and entrepreneurialism

Since the establishment of Infrastructure UK (IUK) – a dedicated unit in HM Treasury that provides a stronger focus on the UK's long-term infrastructure priorities – the UK Government has been developing a National Infrastructure Plan for the UK. The latest version of the National Infrastructure Plan 2013 (NIP 2013), published alongside Autumn Statement 2013, provides an outline of the UK Government's strategy across the energy, transport, flood defence, waste, water and communications infrastructure sectors up to 2030 and beyond.

Also published by IUK, the Infrastructure Pipeline presents the most comprehensive overview of planned and potential UK infrastructure investment that has ever been produced, containing information on over £375 billion of planned public and private sector infrastructure investment. The UK continues to catalyse private sector participation in infrastructure investment projects by taking forward its new approach to Public Private Partnerships – Private Finance Two (PF2). The first PF2 programme is the £700 million privately financed element of the Priority Schools Building Programme with all schools due to be opened by the end of 2017. The UK Government, through the UK Guarantees Scheme (UKGS), is continuing to provide guarantees aimed at critical infrastructure projects that may have stalled because of adverse credit conditions, rather than due to their commercial or economic viability. The Mersey Gateway Bridge is the fourth guarantee – an announcement from Budget 2014 – to be issued, with construction of the project beginning imminently. The UK insurance growth action plan, published alongside Autumn Statement 2013, includes a commitment by UK insurers to work alongside partners with the aim of delivering at least £25 billion of investment in UK infrastructure, including but not restricted to projects in the published Infrastructure Pipeline, over the next 5 years.

The UK continues to take decisive steps to ease the flow of credit to SMEs, through the Funding for Lending Scheme, the Business Finance Partnership (BFP) and the creation of the Business Bank. The Government is also supporting entrepreneurship through the New Enterprise Allowance and Start-Up Loans. Recent falling unemployment figures have been driven by an expansion in self-employment, and the Government is keen to support these new businesses to drive growth. The New Enterprise Allowance (NEA) helps unemployed people aged 18 and over who want to start their own business, offering mentoring and financial support. To be eligible an unemployed individual has to demonstrate they have a viable business idea, with growth potential. Financial support consisting of a weekly allowance for 26 weeks, worth up to £1,274, helps them to establish their business and cash flow, and mentoring helps equip them with the knowledge and skills to manage their business effectively. The scheme reached its target of 40,000 business starts by Jan 2014, and latest funding announcements have made an additional 60,000 places available, extending the scheme to 2015-2016. This scheme combines with Start-Up Loans, provided by the Department for Business, Innovation and Skills; a new business can apply for an unsecured loan through this scheme to provide them with the start-up capital they need. These two schemes combine to help tackle unemployment by promoting entrepreneurialism and growth.



LABOUR MARKETS AND SOCIAL PROTECTION

Labour market regulation

The UK Government vision is for a labour market that is **Flexible, Effective** and **Fair**. The Government promotes flexibility by ensuring **employment law regulation is light-touch** and consistent. The regulatory framework encourages people and businesses to do deals that best meet their needs, allowing people to get the type of work they want and allowing businesses to structure their workforce in the way they need to.

The Government is reforming employment law to minimise complexity and regulatory burdens, remove perverse incentives and encourage job creation, support individuals to retain their labour market position through events such as pregnancy, childcare, long-term illness or study periods, and to ensure there is fairness embedded in the employment relationship which is enforced properly.

Key reforms delivered include:

- Early Conciliation came into force 6 April 2014.
- Changes to TUPE – Transfer of Undertakings (Protection of Employment) - regulations from January 31st 2014.
- Held a consultation on Zero Hours contracts from December 2013-March 2014.
- Ran a call for evidence into Whistleblowing from July – November 2013.
- Made changes to Whistleblowing legislation to include all MPs as prescribed persons for the purpose of reporting wrongdoing.
- Introducing shared parental leave in 2015 and extending the right to request flexible working to all employees by 30 June 2014.
- An online tool called "Employing staff for the first time" to help make it easier for businesses taking on their first member of staff.
- Removed the Default Retirement Age.
- Increased the qualifying period in April 2012 for Unfair Dismissal from one to two years, and improvements in Employment Tribunals such as judges sitting alone in unfair dismissal cases.
- Introduced a pay based cap to run alongside the overall Unfair Dismissal compensatory cap.
- Revised Employment Tribunal rules of procedure, following the review by Lord Justice Underhill including the introduction of fees.
- Introduced Settlement Agreements from July 2013 as a mutually beneficial way of ending the employment relationship without the cost and stress associated with an Employment Tribunal.
- Published an improved Employer's Charter in March 2012 to give confidence to employers about what they can already do to deal with staff issues.
- Reformed the Collective Redundancy rules, including reducing the period before the first dismissal can take place from 90 to 45 days.
- Introduced a new 'employee shareholder' employment status through the Growth and Infrastructure Act which came into effect on 1 September.
- Working jointly with Acas, produced an online guide to the disciplinary process aimed at small businesses.

The **National Minimum Wage** is set by Government after consultation with the independent **Low Pay Commission**. This body is made of 9 commissioners, drawn from a mixture of academic, employer and employee backgrounds, and submits a report every February advising the Government on the level at which the National Minimum Wage (NMW)



should be set. The NMW is set at different rates for 16-17 years olds, 18-21 year olds and those aged over 21. The Low Pay Commission's report is based on:

- extensive research and consultation, and commissioned research projects
- analysing relevant data and actively encouraging the Office of National Statistics to establish better estimates of the incidence of low pay
- carrying out surveys of firms in low-paying sectors
- consulting with employers, workers and their representatives and taking written and oral evidence from a wide range of organisations
- making fact-finding visits throughout the UK to meet employers, employees and representative organisations

Exceptions to NMW coverage include apprenticeships, internships, the self-employed and others not considered employees.

Budget 2014 has announced that the adult NMW rate will increase by 3% to £6.50 from October 2014, representing the largest cash increase since 2008 and the first real terms increase since 2007. There will also be increases of 2% for the youth and apprentice NMW rates from October 2014. As a result, over a million people will see a pay increase

Occupational Safety & Health

The foundation of the current health and safety system was established by the Health and Safety at Work Act 1974. One simple but enduring principle – that those who create risk are best placed to control that risk, whether employers, employees or manufacturers of articles or substances for use at work – has led to one of the best combined health and safety records in the world.

Work is currently underway to further modernise and simplify the health and safety system, to ease the burden on business and encourage growth through ensuring the health and safety system enables employers to make sensible and proportionate decisions about managing genuine workplace risks. The legislative and guidance framework is now simpler, clearer, more accessible and relevant; over eighty per cent of health and safety regulations have been improved or removed without reducing worker protection.

Interventions, such as by HSE inspectors, are proportionate and targeted so that the highest risks and most serious offences attract the firmest enforcement action. Enforcement action is taken proportionate to the risk created, targeted on the most serious risks or where hazards are least well-controlled.

Social protection

As part of the government's long-term economic plan, the UK is fixing the welfare and pensions systems so they are fair and affordable, to ensure that it pays to work. The Government is committed to making certain that the most vulnerable – disabled people and pensioners – are protected, and are supported to lead independent lives. The Government is encouraging people to save for retirement, and making the pensions system simpler and more transparent. Underpinning all this is a key aim on the part of Government to ensure that public spending is put on a more sustainable footing.

The Government has made it clear that employment and personal responsibility are fundamentally important in reducing poverty. The introduction of Universal Credit is a vital reform, ensuring that the UK has a welfare system that makes work pay, and is designed to help improve incentives for individuals to enter work, in particular people who work less than 16 hours a week, by making any work pay. The introduction of Universal Credit will make work pay and improve the lives of some of the poorest families, making around 3 million households better off. Universal Credit will replace existing benefits with a simpler monthly payment to claimants who are out of work or on a low income.

The Government has introduced a number of initiatives to support families, including those on low incomes:



- The largest ever increases in the income tax personal allowance, saving a typical taxpayer £805 per year compared to 2010;
- Successive council tax freezes, which will save an average household £1,100 during this parliament; and
- Support with childcare costs, which is essential to improving children's life chances and supporting parents who want to get back into work.

Welfare Reform

Under Universal Credit, the Government expects claimants to undertake a wider range of jobsearch activities. A Claimant Commitment will record what individuals are expected to do in return for benefits and support, and what will happen if they fail to comply. For the first time it will be possible to work with claimants who are in work to help them stay in employment and progress. The Government is committed to testing and piloting new approaches before any national roll-out of in work support. The Government's approach to helping claimants is based on a growing evidence base about what works. The Government evaluates its programmes and is constantly testing new approaches.

Active labour market programmes – tailored support for each jobseeker

The Jobcentre Plus approach

Jobseekers that are ready to work, and want to get on in life, get all the support they need. They are offered tailored help by Jobcentre Plus to get back to work quickly.

- Jobcentre Plus advisers can offer a variety of support to individuals including help with: job search; careers advice; boosting literacy, numeracy and language skills; other skills training; work experience; and setting up a business. This support can be provided by a range of organisations.
- The Government has given more responsibility to its Jobcentre Plus Work Coaches and managers on the ground. The Government is reducing bureaucracy by encouraging a focus on delivering outcomes rather than completing activity and processes. Jobcentre Plus Work Coaches have the power to judge which work search interviews will best meet the needs of the individual and deliver these to encourage a return to employment. If claimants are at risk of long term unemployment, they will be referred to the Work Programme at the appropriate point for them.
- Where individuals need to improve their skills to get a job they can be referred to extra provision. Attending skills training and completing it can be made mandatory, as a condition of receiving benefit.
- Where Jobcentre Plus District Managers identify gaps in skills or other provision they have discretion to purchase extra support to meet particular needs using their Flexible Support Fund.
- Anyone receiving benefits and able to work has a responsibility to do their best to find work and take up a job. Under tough new rules jobseekers who repeatedly refuse to do so face losing benefits for three years.
- Some jobseekers benefit from a short period of Mandatory Work Activity to gain valuable work-related disciplines, like regular attendance and working with supervision. This can increase confidence and refocus job search.

Tailored services

- The Government works with local partners who are involved in stimulating economic growth to advise on and support plans for investment in skills and employment. The Government uses freedoms and flexibilities to tailor the Government's offer to particular localities.
- The **Universal Jobmatch** service provides claimants and employers with a free, easy to operate, job matching service. It is quicker to apply for a job and record job search activity, and paves the way for managing online accounts under Universal Credit.

The Work Programme

- Through the Work Programme those at risk of long-term unemployment are given personalised support to find and stay in work. Providers are paid by results and get more for supporting the hardest to help.
- Claimants referred to the Work Programme stay on it for up to two years. Providers can innovate and design support to meet the needs of individual claimants to help them find work and keep them in sustained employment.
- Autumn Statement 2013 confirms that the government will invest £700 million over 4 years in a **new Help to Work scheme** – a package of support aimed at the very long-term unemployed. This will require all Jobseeker’s Allowance claimants who are still unemployed after 2 years on the **Work Programme** to undertake intensive, often daily, activity to improve their employment prospects, or put something back into their community, with swift and severe sanctions for those who fail to comply. Help to Work will provide the long-term unemployed with the experience and motivation they need to move back into work, and will particularly benefit those at the bottom of the income distribution.

Claimant groups with particular needs

- To prevent a generation growing up in a culture of worklessness, the Youth Contract gives young people access to work experience and training, and cash incentives for employers to take on new recruits and Apprentices.
- Lone parents are encouraged to increase their contact with Jobcentre Plus as their children get older. From early next year the Government will be asking lone parents with a child aged 3 or 4 to undertake mandatory work-related activity to help prepare them for the move to full time job seeking when their child turns 5.
- Jobcentre Plus services are complemented by disability employment programmes to enable disabled people to find and keep a job. Disabled people can access specialist advice and receive financial assistance for changes to their workplace, equipment and support.

Policy measures targeting labour market segments, including those at a disadvantage

In the UK’s key employment challenges three groups in the labour market are identifiable – women, young people and those with a disability. The Government’s approaches to all these groups contain common foundations. In particular, policies to target these groups aim to increase their employability and skills, while providing help with aspects of their individual circumstances that are a barrier to entering the labour market.

Women

- Under Universal Credit, the Government will meet 70% of the cost of childcare for working families, increasing to 85% in 2016.
- A new tax-break in childcare costs for working families worth up to 20% of the cost of childcare (up to £2000), to be introduced in 2015.
- Increased free early education for three and four year olds, up to 15 hours per week. This will be extended in Autumn 2014 for 260,000 two years olds from lower income families.
- The right to request flexible working is being extended to all in June 2014.
- A new system of shared parental leave will be introduced by April 2015.
- 5000 new mentors specifically for female entrepreneurs.
- A broad range of outreach programmes, co-ordinated by the Department for Business, Innovation and Skills, to encourage more women to enter the STEM workforce.



Young People

- The Youth Contract Offer: Wage incentives to recruit 18-24 year-olds, extra work experience places, extra adviser support and assistance for the most disengaged 16 and 17 year olds to help them into sustained learning, an apprenticeship or a job with training.
- Wage incentives worth up to £2,275 each for businesses that take on an 18-24 year old from the Work Programme.
- An extra 250,000 work experience places are being made available over the next three years – this will come with an offer of a work experience placement for any 18 to 24 year old at risk of long-term unemployment who wants one, before they enter the Work Programme.
- Autumn Statement 2013 announced the **abolition of employer National Insurance contributions for under-21 year old employees** earning less than £813 a week from April 2015, making it cheaper for businesses to employ young people.
- Extra incentive payments worth £1500 each for employers to take on young people as apprentices. Budget 2014 announced that the **Apprenticeship Grants for Employers scheme**, will provide an extra £85 million in both 2014-15 and 2015-16 for over 100,000 grants to employers.
- Extra adviser support through Jobcentre Plus for all 18 to 24 year olds, including a referral to a careers interview with the National Careers Service within the first three months of a claim for unemployment benefit.
- Supporting entrepreneurship through the New Enterprise Allowance and Start-Up Loans.

People with disabilities and long-term health conditions

- The Work Programme and specialist disability employment programmes support disabled people to find work.
- Specialist Disability Employment Programmes –
 - Access to Work, which provides financial support to enable disabled people to have the specialist equipment they need to work.
 - Work Choice, which provides skills training, interview coaching and confidence building to address the barriers felt by disabled people when trying to enter the workforce.
 - Residential Training Colleges.
 - The Work Programme for disabled people – in partnership with private and third sector providers, who design and give training, experience and support to increase the employability of disabled people. Providers are paid on the basis of the results they achieve.
- Disability employment advisers in Jobcentre Plus.
- The new Health and Work Service, targeting employees at risk of long-term absence from work through sickness or a developing health condition.
- The Disability Confident Campaign, working with employers to increase the visibility of disability employment and overcome the myths and perceived difficulties around employing disabled people.

SKILLS DEVELOPMENT

Individuals with lower qualifications are less likely to be in employment. This has been true for more than a decade. 60 per cent of people with no qualifications who are aged 16 to 64 years do not work. A lack of qualifications has a greater impact on young people. People who are 16 to 24 years old who have no or low qualifications have an



unemployment rate that is, on average, more than double that of people in older age groups with a similar level of skills.

16 & 17 year olds

The Government recognises the need to intervene early and support 16-17 year old NEETs to help avoid the scarring effects associated with being NEET and the correlation with longer term worklessness. For the first time, the Department for Work and Pensions, in partnership with Local authorities, will provide 16-17 year olds who are NEET and not in receipt of an income based benefit with access to personalised jobs advice and support through JobCentre Plus. Young people will be able to discuss their options with a work coach - who where appropriate will be co-located in the local authority youth service/hub - who can provide information about different schemes like apprenticeships and traineeships, and help them apply for employment or training.

- As part of the Youth Contract, the Government is investing £126m in England over three years to support the most disadvantaged and disengaged 16-17 year olds. This support aims to get them back into education, into an apprenticeship or into a job with training.
- The Apprenticeship Grant for Employers (AGE) supports small business to take on apprentices from the age of 16 to 24. The Budget 2014 made available £170 million additional funding over 2014-16. This will fund over 100,000 additional incentive payments. This builds on the figures on apprenticeship starts for under 19s in 2012 /2013, which stood at 114,500, and at 165,000 for 19-24 year olds.
- Apprenticeships are an all-age programme, involving real jobs with training. The locations and sectors where apprenticeships are available are determined by employers offering apprenticeships and recruiting apprentices. In 2012/2013 there were 510,200 apprenticeship starts.
- Traineeships are a type of study programme for young people whose employment or career goals include progression to an apprenticeship or job relatively quickly. For 16/17 year olds, study programmes ensure that every young person undertakes a programme of qualification and other activity focused on employment, and sets career goals that reflect their ambitions and capabilities. For some this will mean taking one or more substantial academic or vocational qualifications; but for others a traineeship, work experience placement or other employment focused training opportunity will be more appropriate.
- The Innovation Fund has made available up to £30m to support social investment projects aimed at the most disadvantaged young people, with a particular focus on ages 14 up.
- To ensure access to higher education, Autumn Statement 2013 announced that the UK Government will **remove the cap on student numbers at publicly-funded higher education institutions in England by 2015-16**. This will enable institutions to expand their provision to meet demand from an estimated 60,000 young people a year who have the grades to enter higher education but cannot currently secure a place.

Adults

The ability to get and keep a job and progress in work is the best route out of poverty. Improving skills can be one way to achieve this. The Government has established a simplified skills system in England, in which provision for unemployed people is funded through the mainstream skills budget enabling a more flexible, needs-led approach. Training providers now have greater freedom to tailor training to the needs of the local community and economy. DWP is playing an important role in influencing the local training offer, engaging with employers, colleges and providers. Skills and training policy in Scotland, Wales and Northern Ireland is the responsibility of the devolved administrations.

- In 2013-2014, the Government made available £4.1bn for adult further education and skills. This supports over 3 million learners aged 19 and over. All adults aged 19 and over are eligible for fully funded basic literacy and numeracy provision.



- The Government made available £1.5bn funding for apprenticeships in the 2013-2014 financial year. Budget 2014 announced an extra £85 million in both 2014-15 and 2015-16 for over 100,000 grants to employers, building on the success of the **Apprenticeship Grants for Employers scheme**.
- The Budget 2014 made £20m funding available over the next two years to support employer investment in apprenticeship up to postgraduate level. This complements the £40m funding available over the same period for Higher Apprenticeships, more than doubling current volumes.
- In line with the Government's commitment to give employers more control over apprenticeships, a new funding mechanism will be put in place by 2016 that routes apprenticeship money through employers. This will go hand in hand with new, industry-based quality standards for apprenticeships that should be put in place by 2017-2018.
- The Government is driving up the quality of apprenticeships by insisting that all apprenticeships must be real, paid jobs, must last for at least 12 months and must involve meaningful on-the-job training as well as English and mathematics for young people who haven't yet achieved good GCSEs (school-leaving examinations taken at age 16) in those subjects.
- Already, thousands of apprenticeships which didn't meet tough new benchmarks have been scrapped. In all, since 2010/11, 172,000 short duration apprenticeships and 14,000 'programme-led' apprenticeships that didn't meet quality standards have been brought to a close.
- Apprenticeships are growing in skilled occupations. Advanced Apprenticeships – equivalent to A Levels – more than doubled between 2009/10 and 2012/13, from 186,000 to 377,000. Higher Apprenticeships - the equivalent of a university degree, up to Masters level - rose from 2,000 to 13,000 in the same period.
- More than 400 employers and professional bodies have signed up as 'Apprenticeship Trailblazers', collaborating with the Government to design the new quality apprenticeship standards.
- The Government is increasing the number of Higher Education places available in publicly-funded institutions in England by 30,000 in 2014-2015, as a precursor to the complete abolition of the cap on HE places in 2015-2016.



4. Monitoring of commitments

This section reports on the implementation of the United Kingdom's commitments made under recent G20 presidencies, including the Los Cabos Jobs and Growth Plan and the St Petersburg Action Plan. It highlights the major measures the Government has taken to address the UK's commitments, as well as identifying the steps taken to follow through on recommendations made to G20 Labour and Employment Ministers.

The Los Cabos action plan and St Petersburg declarations stressed the need to tackle high unemployment, especially among targeted groups such as young people and those with disabilities. These should be underpinned by reforms to the welfare system that ensure it is sustainable and provides the right incentives and rewards for finding work, and go hand in hand with efforts to increase skills through, in particular, apprenticeship provision. The 2012 G20 Strategies for Youth Employment and Labour and Employment Ministers' Conclusions stressed the importance of tackling youth unemployment through promoting apprenticeships, internships, work experience and youth entrepreneurship.

The United Kingdom has made significant progress against all these aims – the roll out of Universal Credit and the Work Programme, while at a slower pace than initially envisaged, are repositioning the benefits system to provide clear work incentives as well as a safety net for the vulnerable. The Government has undertaken significant reforms to tackle the low levels of employment amongst people with disabilities, all of which focus on providing the support needed by disabled people and employers to allow them to live and work independently.

The United Kingdom has introduced a wide range of measures targeting young people, and youth unemployment figures from summer 2013 onwards show youth unemployment is in decline, although still a significant challenge. The Government is therefore confident that measures to offer young people skills training, work experience and extra support through the public employment service are having an effect, and efforts are being directed not simply at finding jobs for young people, but also to raise the level of basic and advanced skills and through expanding measures such as apprenticeships, ensuring that the skills young people are being equipped with are best suited to the labour market.

The United Kingdom holds measures in this area to be of the utmost importance, and has introduced a wide programme of reform to tackle youth unemployment not only through helping to find jobs, but also to develop industry-relevant skills through an expanding apprenticeship programme with close links to employers through funding mechanisms and course design. Traineeships have also been implemented and expanded for those school leavers with low levels of basic skills. A flagship part of the programme for youth targets the lack of experience of the world of work that often hinders the employability of young people. Young unemployed people are offered the opportunity of a work experience placement, an experience that surveys have found to be viewed as extremely valuable by the vast majority of young people who have taken part, and which has been very successful in helping these young people to find permanent work. The whole tranche of youth unemployment measures, and the offer we make to young people, is centred on improving skills and experience. The Government is making sure that employers can offer jobs to young people by both incentivising hiring young people, through for example the abolition of employee National Insurance contributions from employers for under-21s, and ensuring young people are equipped with skills that allow them to respond to the demands of the labour market.



APPENDIX: LIST OF RECENT COUNTRY-SPECIFIC COMMITMENTS AND OTHER KEY DOCUMENTS FROM THE G20 EMPLOYMENT AGENDA

SAINT PETERSBURG ACTION PLAN

Structural reforms

Investing in infrastructure, including road, rail and energy (Argentina, Brazil, Canada, India, Indonesia, Saudi Arabia, United Kingdom, United States).

Measures to strengthen service industries (China, Italy).

Reducing labour costs through tax credits (France).

Boosting foreign direct investment through tax and regulatory reform (Japan, Korea).

Reforms to streamline business regulation (Russia, South Africa, Spain).

Tax reforms to reduce the burden on business (China, United Kingdom).

A new disability insurance scheme (Australia).

Reforms to improve skills development through schools and tertiary education (Australia, Brazil, India, Korea, South Africa, United States).

Strengthening active labour market programs to create jobs (Canada, Italy).

Labour market reform to encourage jobs and growth (France, Mexico).

Implementation of the Youth Employment Initiative (European Union).

Reforming welfare and pensions to encourage growth and jobs (France, United Kingdom)

Reducing informality through incentives for SMEs (Indonesia)

Reducing the tax wedge (Italy)

Expanding childcare to encourage women to enter the workforce (Japan, Korea)

Increasing women's participation in the workforce (Turkey)

Implementing stronger financial regulations to increase the resilience of national financial systems (Brazil, France, Germany, European Union, Japan, Korea, Mexico, South Africa, United Kingdom, United States)

Measures to strengthen financial literacy and consumer protection in the finance sector (Russia, Saudi Arabia, Turkey)

Link: <http://www.g20.utoronto.ca/2013/2013-0906-plan.html>



LOS CABOS JOBS AND GROWTH ACTION PLAN

Promoting investments in infrastructure to increase productivity and living standards in the medium term by addressing bottlenecks (Argentina, Australia, Brazil, India, Indonesia, Mexico, Saudi Arabia, South Africa, UK).

Promoting green and sustainable growth (Australia, Korea, Germany, Mexico).

Encouraging formal sector employment through better education or skill development (Brazil, Indonesia, Mexico, South Africa).

Improving employment opportunities for targeted groups such as youth and persons with disabilities (Canada, Korea, UK).

Encouraging the participation of younger workers through apprenticeships (UK).

Retraining of long-term unemployed (US).

Increasing wage flexibility, such as decentralized wage setting (Italy).

Reducing labour tax wedges (Brazil, Italy).

Unemployment insurance reforms to make it more effective and efficient in supporting job creation (Canada).

Tax and benefit reforms to enhance productivity and improve incentives to work (Australia, Germany, Italy, UK).

Skills development (Spain).

Enhancing education, training and skills development (Australia, Canada, France, Germany, Italy, Turkey, South Africa).

Providing targeted support for the poor or strengthening social safety nets (India, Indonesia, China, Mexico, Saudi Arabia, South Africa).

Encouraging the participation of females in the labour force through, for example, reforming benefit systems and providing affordable child care services (Australia, Germany, Japan, Korea).

Link: <http://www.g20.utoronto.ca/2012/2012-0619-loscabos-actionplan.pdf>

OTHER KEY DOCUMENTS

G20 Strategies for Youth Employment through the G20 Labour and Employment Ministers Conclusions (17-18 July 2012) (<http://www.g20.utoronto.ca/2012/2012-0518-labour.pdf>)

'Key Elements of Quality Apprenticeships' (2012) (http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---ifp_skills/documents/publication/wcms_218209.pdf)

'A Skilled Workforce for Strong, Sustainable and Balanced Growth: A G20 Training Strategy' (2010) (http://www.ilo.org/wcmsp5/groups/public/---dgreports/--integration/documents/publication/wcms_151966.pdf)

G20 Labour and Employment Ministers' Declaration, Moscow, 18-19 July 2013 (<http://en.g20russia.ru/load/781649316>)

The G20 Labour and Employment and Finance Ministers' Communiqué, Moscow, 19 July 2013 (<http://en.g20russia.ru/load/781652947>)

