

## **FROM WELFARE TO WORK IN WALES**

A short time ago the House of Commons Work and Pensions Select Committee visited Merthyr Tydfil. The purpose of the visit was to see, at first hand, what was being done to encourage long-term Incapacity Benefits claimants into employment. Why did the Committee choose Merthyr Tydfil? The answer is that Merthyr Tydfil has the highest percentage of male Incapacity Benefits claimants of anywhere in the United Kingdom.

But, in South Wales, Merthyr Tydfil is not isolated in this respect. Of the eight highest male Incapacity Benefit claimant areas in Britain, five are in South Wales – in addition to Merthyr, there is Blaenau Gwent, Neath Port Talbot, Rhondda Cynon Taff and Caerphilly. And within these local authority areas, the highest concentrations of Incapacity Benefits recipients are in the top ends of the Valleys. In some wards as many as one in four of the working age population are on Incapacity Benefits.

The reason for such a concentration of sickness benefits claimants is due to particular kinds of health problems. Muscular-skeletal problems, cardiac conditions and mental illnesses, including stress and depression, account for the vast majority of ill health. Evidence collected on a UK basis suggests that people on Incapacity Benefits tend to be on benefit far longer than those on other kinds of benefits and once a person has been on an Incapacity Benefit for a year, the likelihood is that they will still be claiming Benefit seven years later.

In addition, although unemployment levels in recent years have generally fallen in Wales, as across the UK, the numbers claiming Incapacity Benefits, particularly in the upper South Wales Valleys, have remained high and have even increased. The reasons for this are far from straightforward. Nevertheless, a couple of factors stand out. Firstly, the many older people on Incapacity Benefits. Nearly three-quarters of those between the age of fifty and state pension age on benefits are on Incapacity Benefits. Secondly, the significant number of former mining communities in the upper parts of the Valleys, which suffered because of the demise of the coal industry in the 1970s, and 80s, have large numbers of Incapacity Benefits claimants. Many of these communities are geographically isolated and thousands of former miners, who initially sought work, quickly lost touch with the labour market. Worryingly, as the government's Green Paper, Pathways to Work, pointed out, in such communities there is now a "cross-generational impact" with relatively high levels of younger people now claiming Incapacity Benefits.

Life on Incapacity Benefits is not easy and as large numbers of people move into what is, in effect, early retirement, their financial insecurity increases. But as well as stifling hope and extinguishing the prospect of economic well being, such high levels of dependency is one of the main reasons why West Wales and the Valleys have such a low Gross Domestic Product (GDP). This has qualified the area for European Union Objective 1 status.

At present the GDP of Wales is just over 80% of the UK average. The Welsh Assembly Government (WAG) has set itself the ambitious target of bringing the standard of living in

Wales up to the UK average within a generation. If this goal is to be achieved it is absolutely vital for economic inactivity to be successfully tackled and for large numbers of people to move from benefit dependency to productive employment.

For us to be confident that this will happen it will be necessary for a number of measures to be taken. Fresh impetus must be given to dynamic and innovative policies which will focus on economic inactivity. Until recently, central government has placed its emphasis in helping people out of 'unemployment' rather than 'inactivity'. This is now changing. The Government has created the Department for Work and Pensions (DWP) and has merged the former Benefits Agency with the Employment Service to create Job Centre Plus. This is a new work orientated service that is designed to increase individuals' chances of employment.

Following the publication of the Westminster Government's Green Paper, Pathways to Work, a number of pilot areas have been announced. One of these areas is in Bridgend, Rhondda, Cynon Taff and here, over the next few months, some of the proposals in the paper will be implemented.

Clients will receive individual 'support packages' to help them into work and these will include work-focused interviews and action plans. There will be access to a range of specialist programmes, including new rehabilitation services provided jointly by Job Centre Plus and the NHS. It is intended that greater financial incentives to work will be given and a new discretionary fund will be provided to help claimants find jobs.

At the same time, the New Deal is being extended to target inactivity, as well as unemployment, through for example the New Deal for Disabled People and the New Deal for the 50+. Moreover, the DWP has launched a number of pilot projects, one of the most significant being the designation of flexible Employment Zones. In areas like Caerphilly, Merthyr Tydfil and Blaenau Gwent, Action Teams for Jobs are also operating on a local basis and using innovative methods to encourage Benefit Claimants into employment and self-employment. Providing transport assistance and discretionary funding to help establish new businesses are just two examples of what is being done.

Significantly, some of the most successful approaches being adopted in disadvantaged and isolated communities are being pursued by the organisation Working Links. This is a public/private partnership which operates in local communities with impressive results. Because of its flexible approach, recognising the realities of Valley communities, not least the existence of a significant black economy, Working Links is pointing the way towards more radical ways of developing the capacity for enterprise among Valleys people.

For some time the Westminster government has been making changes to the benefit system to 'make work pay'. The recent increases in the minimum wage and the new working tax credit, the significant changes to housing benefit, alongside other benefit changes, will make the move from welfare to work more attractive for claimants.

Tackling economic inactivity must be about breaking down barriers to work and providing often individually tailored transitions to employment. Economic inactivity will not be significantly reduced if we rely merely on traditional job and training opportunities; often people who have been out of employment for long periods of time have to be given a wide range of social and personal support before they are in a position to take up the opportunities available. Intermediate Labour Markets (ILMs), to use the jargon, providing waged work in

specially created temporary jobs, have enormous potential. A recent Joseph Rowntree Foundation study of ILMs has argued convincingly that such measures already have a proven track record in producing “more sustained progression from welfare to work” than many other previously tried methods.

Welfare to Work is regarded primarily as the agenda of central government. This should not be the case. It should be one of the main themes of the WAG’s social and economic strategy. This is important because many of the policy areas needed to make Welfare to Work a reality are in the hands of the National Assembly. It is also essential to recognise that many of the Assembly’s goals depend on tackling this issue successfully.

During the Assembly election, Labour’s main election pledge was to abolish all prescription charges in Wales. The main rationale for the pledge was that it would help to remove the disincentive for people on benefit gaining employment. In other words, it would help to ‘make work pay’. While this deliberate linkage is to be welcomed, we should recognise that it can only be a modest contribution to the joint agenda. Other, more radical, measures are needed.

Take Intermediate Labour Markets. These have already been mentioned and the Welsh Assembly is well placed to play a key role in developing such initiatives. This is a very practical way for the Assembly to contribute to the agenda. To date, there are good examples of how the WAG’s Communities First initiative is mobilising communities on a bottom up basis. And yet Communities First is not really making a significant contribution to the employability agenda. If Communities First were to play a role in encouraging ILM activity, then it would make the essential link between community regeneration and the entry of Benefit claimants into the labour market.

Another area in which the Assembly could complement the Welfare to Work agenda is through its Health strategy. As mentioned above, ill health is the single biggest reason for high levels of economic inactivity. Through the work of Professor Peter Townsend, the Assembly has identified a clear correlation between ill health, social deprivation and long-term unemployment and economic inactivity. What is needed now is a concerted effort to shift resources into preventative health care, health education and healthy eating and living programmes. In addition, GPs should be encouraged to play a more pro-active role in encouraging people to rehabilitate and be able to take up employment and training opportunities.

Disability, as opposed to illness, is also an issue which demands more attention. A recent study by the charity SCOPE has shown that disabled people, irrespective of their abilities, are at least five times more likely to be without work. One of the main reasons for this is employers’ inaccurate assumptions about disabled people. Myths about disabled people’s abilities, aspirations and potential, need to be countered and a genuine equality of opportunity created for disabled people. All tiers of government have a role to play in such a project.

A third area of Assembly involvement in this agenda is ELWa. Recent studies have shown that in England the inactivity rate among men without qualifications is 30%; in Wales it is significantly worse, with around half of the economically inactive having no educational qualifications. Furthermore, it is clear that in today’s labour market unskilled workers are increasingly finding themselves at a huge disadvantage. It is vital therefore to consistently

underline the importance of education and basic skill levels in our most deprived Valley communities.

Today, there is a very wide range of educational and training initiatives available. The philosophical and practical approach outlined in the Assembly's *Learning Country* is supported widely. Another initiative or pilot project targeting this or that community or group is not what is required; what is needed is a comprehensive main-streaming and prioritisation of work with inactive people. This should apply comprehensively, whether we are referring to FE Colleges, CCETs or local education authorities and other providers.

This takes me to my final point. If we are to reduce the numbers of economically inactive people in the Valleys we have to recognise there is no easy policy waiting to be adopted. Economic inactivity is a complicated issue which can only be tackled successfully by a multi-agency approach. The situation is further complicated by the myriad of programmes and agencies which have an actual or potential role, some of which I have referred to above.

Greater co-ordination is needed right across the board, so that dovetailing and complementarity bring about the greatest possible synergy. To allow this to happen consideration should be given to the creation of a distinct all-Wales "umbrella" body which can bring together new ideas and best practice from all departments and levels of government, and the voluntary sector. However, the single biggest challenge is the formation of an on-going, strategic co-operation between central government, through the DWP, and the Welsh Assembly Government. Some time ago, the Assembly's Economic Development Minister identified the key role which the Assembly can play in this area in the fulfilment of both Welsh Assembly and central government objectives. The task now is to make such an aspiration real. Greater debate and dialogue between Labour Members in Westminster and the National Assembly would be a good catalyst for helping to bring this about.

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