

The Government is committed to providing employment opportunity for all and tackling child and pensioner poverty. Since 1997, the Government has invested heavily in the modernisation of the welfare system, and the success of initiatives such as the New Deal has contributed to the strong performance of the labour market. As announced in Budget 2004, this ongoing modernisation process will enable the Department for Work and Pensions (DWP) to make ambitious efficiency gains over the 2004 Spending Review period, with the Department's overall expenditure being frozen in nominal terms and a net reduction of 30,000 posts being realised by 2008.

By completing the national roll out of Jobcentre Plus in 2006, thereby establishing a modern, work-focused, integrated employment and benefits service, the Department will be able to sustain and improve service levels provided to working age customers with fewer staff. The Pensions Transformation Programme will enable The Pension Service to deliver substantial improvements in its service for pensioners and significantly improved efficiency.

To make best use of its resources, DWP will:

- test new approaches to supporting those furthest from the labour market, and develop new ways of focusing resources on those most in need of support;
- develop and test a new framework for devolving more responsibility for the allocation of resources to managers at local level to help them make more efficient use of the funding available to tackle local and national priorities;
- make further progress on tackling child poverty in line with the PSA target jointly held with HM Treasury; and
- take forward a programme for empowering people to make real and informed choices on working and saving for their retirement.

TACKLING POVERTY AND ENSURING EMPLOYMENT OPPORTUNITY FOR ALL

19.1 The Department for Work and Pensions' key objectives are to provide employment opportunity for all and to tackle child and pensioner poverty. Reducing worklessness and poverty will not only improve living standards but also contribute to higher economic growth. In recent years the Government's welfare reform and modernisation policies have:

- contributed to record levels of employment, with over 1.8 million more people in work than in 1997 and unemployment rates at record lows. The New Deal has made a major contribution to this success, having helped over 1 million people into work;
- underpinned significant progress on tackling child poverty. The number of children in relative low-income households fell by around 500,000 between 1998-99 and 2002-03 and the Government is broadly on course to meet its 2004-05 PSA target to reduce the number of children in low-income households by a quarter;
- helped raise the incomes of the poorest pensioners and reward those on low and modest incomes for their saving. The Government established The Pension Service and in October 2003 successfully launched the Pension Credit, which is now being paid to 2.5 million pensioner households. As a result of the Pension Credit the poorest third of pensioners are now on average £600 a year better off than if the equivalent amount had been spent on raising the Basic State Pension; and

- delivered more effective support to help disabled people and those with health conditions realise their aspirations of moving into work. The Government launched its Pathways to Work pilots in October 2003 and, from early 2005, will extend a mandatory work-focused interview regime to some existing incapacity benefits customers alongside a job preparation premium in the pilot areas. The Government is improving rights and opportunities for disabled people through the Disability Discrimination Bill.

19.2 The Government has invested heavily in the modernisation of employment services since 1997, including £2.2 billion invested in the new Jobcentre Plus infrastructure. Jobcentre Plus offices have now been rolled out in over 500 locations and full national roll out will be completed in 2006. By completing the introduction of a modern, work-focused, integrated employment and benefits service the Department will be able to sustain and improve service levels with fewer staff and make further progress on its key objectives of providing employment opportunity for all and tackling child and pensioner poverty. The new DWP Public Service Agreement also sets a number of new, challenging targets.

Box 19.1: Key Public Service Agreement (PSA) targets

The 2004 Spending Review sets a number of challenging targets for DWP, which are set out in full in the Public Service Agreements White Paper published alongside this document.

Main features include:

- a commitment to halve the number of children living in relative low-income households by 2010-11 compared to 1998-99, on the way to eradicating child poverty by 2020. DWP's main contributions to this joint DWP and HM Treasury target are through reducing the number of children in workless households by 5 per cent between 2005 and 2008 and improving the performance of the Child Support Agency. The Government will also set a target as part of the next Spending Review to halve by 2010-11 the numbers of children suffering a combination of material deprivation and relative low income^a;
- continued commitment to raising employment rates, particularly of disadvantaged groups and in disadvantaged areas;
- increasing the number of pensioners in receipt of Pension Credit, while ensuring that it focuses on the poorest households;
- improving working age individuals' awareness of their retirement provision such that by 2007-08 15.4 million individuals are regularly issued a pension forecast and 60,000 successful pension traces are undertaken a year;
- demonstrating continued progress on improving rights and opportunities for disabled people, as well as improving their employment outcomes; and
- a new target to improve Housing Benefit administration as part of the Government's ongoing agenda of Housing Benefit reform.

^a The target will be met if there is an equivalent proportional reduction to that required on relative low-income between 2004-05 and 2010-11.

Focusing support on those most in need

19.3 The 2004 Spending Review builds on the modernisation of Jobcentre Plus by supporting the development of new ways of focusing resources more effectively on those most in need of support. These reforms will also support progress in tackling child poverty and wider deprivation, by helping parents and people from vulnerable groups into sustainable employment, along with steps being taken across Government to increase financial inclusion.

19.4 In *Building on New Deal*², the Government announced its plans for a new framework for devolving more responsibility for the allocation of resources to local managers, within a national framework of rights and responsibilities, to help them make more efficient use of the funding available to tackle local and national priorities. As part of its Spending Review settlement, DWP will be developing and testing this model in a number of prototype areas.

19.5 Over the 2004 Spending Review period DWP will be developing more effective support for people facing the greatest barriers to work, including through a comprehensive and rigorous evaluation of the Pathways to Work pilots and through:

- the rigorous testing of new approaches to supporting those further from the labour market, such as in-work credits and worksearch premiums, and measures to help people to enter, remain and progress in work including the Employment Retention and Advancement Demonstration project and the New Deal for skills; and
- steps to address the remaining structural and institutional factors that can act as barriers to labour market participation, including through reforms to Housing Benefit that will provide more consistency and continuity for people as they move into work.

Better pension provision **19.6** To tackle pensioner poverty and improve pension provision for all, the 2004 Spending Review will support:

- for today's pensioners, a commitment to increase the number of pensioner households receiving Pension Credit to at least 3.2 million by 2008 while continuing to focus on the poorest pensioners by ensuring that at least 2.2 million of these pensioner households receive the Guarantee Credit by the same time. This stretching commitment forms part of the Department's Public Service Agreement;
- empowering today's working age population to make informed choices about working and saving for their retirement by ensuring they have high-quality, accurate and timely information about their retirement income. In addition to a significant extension of the forecasting and tracing programmes, the Department will deliver a web-based retirement planner which will give people information about their pension from both state and private sources. Within this Spending Review period the Department will explore such ideas as automatic enrolment in pension schemes and commitments to save more in the future, and will take forward those measures that enable individuals to maximise opportunities to save through the workplace; and
- The Pension Service's plans to deliver substantial improvements in service for today's pensioners, and significantly improved efficiency through the Pensions Transformation Programme.

²*Building on New Deal: local solutions meeting individual needs*, DWP, June 2004

Box 19.2: Efficiency

Agreed target

DWP will realise total annual efficiency gains of at least £960 million by 2007-08, of which at least half will be cashable.

Implementation plan

As part of this programme of efficiencies DWP plans, by 2007-08, to:

- achieve a total reduction of 40,000 civil service posts, with redeployment of 10,000 of these posts to front-line roles, and ensure the relocation of at least 4,000 posts out of London and the South East;
- continue to modernise its transactional processes, such as benefit processing, in order to put more of the available resources into front-line services such as helping people into work and tackling child and pensioner poverty. Modernising transactional processes will deliver around a third of efficiency gains;
- continue to make substantial savings in procurement processes, generating around half of the required efficiency gains. For example, by moving people from paper-based methods of benefit payment to direct payments into bank accounts, the department is able both to provide a more effective service and to make substantial savings in the contracts and costs associated with cashing paper-based payments; and
- modernise and streamline the back office functions of finance and human resources shared service functions, delivering over 10 per cent of efficiency gains.

Table 19.1: Key figures

	£ million			
	2004-05	2005-06	2006-07	2007-08
Department for Work and Pensions				
Resource Budget	7,849	8,198	8,198	8,198
<i>Of which Administration Budget</i>	5,913	6,049	5,885	5,828
Capital Budget ²	435	358	155	50
Total Departmental Expenditure Limit¹	8,164	8,436	8,212	8,105

¹ Full resource budgeting basis, net of depreciation.

² 2005-06 Capital DEL includes Reserve allocation.