



Dear Colleagues,

**Paper [2/14]: Employment**

Since this Government came to office, there are 1.3 million more jobs. A record number of people now have the economic security of being in work and getting a regular pay packet. Unemployment is down 173,000 on the election.<sup>1</sup> Nearly 75 per cent of the rise in employment since the election has been in full-time jobs.<sup>2</sup> The independent Office for Budget Responsibility has revised up its forecast for employment and revised down its forecast for unemployment. This is all good news, and shows that our long term economic plan is working.

But there is always more to do. Supporting our flexible and competitive labour market so that businesses can go on creating jobs is an important part of our plan to secure Britain's future. The Government recognises that employers want it to be easy to grow and hire people.<sup>3</sup> That is why it is making Britain one of the most competitive places to start and grow a business. From cutting corporation tax and introducing the Employment Allowance to slashing red tape and making it easier to take people on, the Government is backing businesses as they employ more people.

Equally, those who are unemployed, especially young people, need the right support to get off benefits and into work. And the welfare system needs to reward work, not disincentivise it. That is why we are fixing the benefits system so that it always pays to work and why we are helping people, particularly young people, get onto the job ladder and into the workforce.

The Conservative Party is committed to building on our work in Government. We would welcome your views on how we can continue to do this in the next Parliament. The deadline for submissions is 31 March 2014.

Kind regards,

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and

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## **1. Cutting taxes.**

The Government believes that the best way to help businesses is by lowering the burden of tax. This is why the Government is cutting corporation tax from 28 per cent in 2010 to 20 per cent in 2015, and has cut tax for investors in small businesses. Business rate increases are being capped below inflation at 2 per cent in April, with targeted help for the high street.

The Employment Allowance will also cut the jobs tax by up to £2,000 for all businesses.<sup>45</sup> From April this year every business and charity will be entitled to a £2,000 Employment Allowance to reduce their employer National Insurance Contributions (NICs) bill. If a business or charity is meant to pay less in employer NICs than £2000 then they will pay no NICs at all. This will mean business can pay their first employee on a salary of up to £22,400 without paying any employer NICs at all.<sup>6</sup> Benefiting up to 1.25 million businesses, the Employment Allowance will result in around 450,000 businesses being taken out of paying NICs altogether.<sup>7</sup> This will free up money for these businesses allowing them to take on more employees and grow. The allowance will be of particular benefit to small businesses. Indeed, over 90% of the benefit of this allowance will go to small businesses with fewer than 50 employees.<sup>8</sup> The allowance is being legislated for in the National Insurance Contributions Bill currently going through Parliament.

## **2. Reducing red tape.**

Unnecessary and ineffective regulation stifles economic growth and job creation. Indeed, the annual cost of regulation in Labour's last year in office has been placed at between 10 and 12 percent of GDP.<sup>9</sup> Perhaps it is not surprising therefore that businesses, particularly small and medium sized businesses, frequently say that one of their biggest problems is the number of regulations they have to comply with. This Government has sought to ease this regulatory burden so that it is easier for these enterprises to grow and hire. As a result of our efforts, the country has seen the creation of 400,000 more businesses over the last three years to boost the jobs market. More specifically, there are now 4.9 million private sector businesses in the UK, up by more than 100,000 since last year. Small and medium-sized businesses – those employing fewer than 250 people – make up 99 per cent of the total number, employing 14.4 million people.<sup>10</sup>

One way the government has reduced the number of new regulations for businesses, is by operating a 'one-in, two-out' rule where when policymakers do need to introduce a new regulation, and where there is a cost to business when complying with that regulation, central government departments have to remove or modify existing regulation(s) to the value of £2 of savings for every pound of cost imposed. 'One-in, two-out' replaced a 'one-in, one-out' rule that applied from January 2011 to December

2012. The previous Labour Government meanwhile introduced the equivalent of six new regulations every working day.<sup>11</sup>

As part of 'one-in, two-out', twice a year the Government publishes a list of new UK and EU business regulations that will come into force in the next six months, existing regulations that will be removed or modified in the next six months, and an account of how departments are performing against the rule.<sup>12</sup>

The Government has also introduced the Red Tape Challenge to get rid of ineffective existing regulations. The Red Tape Challenge is systematically examining some 6,500 substantive regulations that the Government inherited from the last Labour Government with the aim of scrapping or significantly reducing as many of them as possible. The Government announced in September 2012 that at least 3,000 of the regulations examined will be scrapped or reduced. Scrapping this red tape will save businesses £850 million year – helping free-up businesses to grow and create the jobs that provide people with the security of a regular pay packet.<sup>13</sup> As a result of our efforts, businesses have already saved an estimated £212 million a year.<sup>14</sup>

To further help small businesses the Government introduced a 3-year freeze on new UK regulation for businesses with fewer than 10 employees in April 2011. Known as the micro-business moratorium, the freeze applies to business regulations that come into force before 31 March 2014.<sup>15</sup> In June 2013, it was announced that this freeze would be extended to firms with up to 50 staff and will continue from 2014.

The new Small and Micro Business Assessment was also announced in June 2013. Under this new rigorous, cross-government assessment process firms will also be exempted from new regulations if there is any evidence that they will result in disproportionate burdens that could impede growth. More specifically, new proposals for regulation will first undergo an initial departmental impact assessment which will be considered by the independent Regulatory Policy Committee, before facing further challenge and scrutiny by the Reducing Regulation Committee, a sub-Committee of Cabinet.<sup>16</sup> If at any stage, unnecessary burdens on small businesses are identified, proposals will only be cleared if an exemption is granted to smaller businesses - or if disproportionate burdens on small businesses are fully mitigated.<sup>17</sup>

### **3. Reforming employment law.**

Employment laws under the previous Labour government were also overly burdensome and deterred businesses from hiring.<sup>18</sup> The Government believes that simpler, more flexible employment laws will make it easier for companies to hire and manage staff, while protecting workers' basic rights. This should further encourage employers to create new jobs, supporting enterprise and growth.<sup>19</sup>

This is why the Government undertook the Employment Law Review in 2011. The Review, which will run until 2015, has taken a systematic approach to testing our existing laws.<sup>20</sup> So far the Review has resulted in several changes to employment law<sup>21</sup>. This includes measures such as:

- Increasing the qualifying period for unfair dismissal from one to two years' continuous employment.<sup>22</sup>
- Abolishing the Default Retirement Age (DRA).
- Reducing the minimum period for collective redundancy consultations<sup>23</sup>
- Introducing employee shareholders.

#### **4. Helping people into work.**

Long-term unemployment is damaging to individuals and communities. This is why the Government is helping people into work and making sure that work always pays. The Government is ensuring the latter with the introduction of Universal Credit, a new single payment for working-age people who are in or out of work, replacing a number of complex benefits. Universal Credit will improve work incentives by allowing people to keep more of their income as they move into work.

The Government has also introduced a number of welfare-to-work reforms since 2010 which support the most vulnerable and help people break the cycle of benefit dependency. One of these reforms has been the Work Programme which is helping 1.36 million of the hardest hit to help find meaningful employment. Launched in 2011, the Work Programme replaced a range of employment schemes, pilots and projects introduced under the previous Labour government. It provides personalised support for claimants who need more help to find and stay in work.<sup>24</sup> More specifically, under the programme, unemployed people are referred by their local Jobcentre Plus onto a range of private, voluntary and public sector organisations who hold contracts with the government to run the programme in their contract package area. A person can only be referred to one of these providers after they have been receiving Jobseeker's Allowance (JSA) or Employment and Support Allowance (ESA) for a minimum amount of time (this is dependent on age group).<sup>25</sup> Participants then remain on the programme for up to two years.<sup>26</sup>

Under the scheme providers have the freedom to introduce and implement their own ideas and schemes to help unemployed participants referred to them find work. These prime providers are able to subcontract delivery to smaller, more specialised suppliers if these are better equipped to help participants find work. Crucially, providers are awarded payment at various stages rather than upfront, in order to reward providers for placing and keeping individuals in work. The harder it is to help an individual into work, the higher the total payment a provider can receive.<sup>27</sup>

#### **5. Increasing young people's participation.**

The Conservative Party wants the next generation to succeed in the global race, which is why we are making sure young people learn the vital skills they need for the workplace. In Government, the Conservative Party is working to ensure that all young people are able to get the skills they need to succeed in the labour market and make

a successful start in employment.<sup>28</sup> The Government's main initiatives since 2010 are outlined below.

**Abolishing employer National Insurance Contributions for under-21s.** In the Autumn Statement 2013, the Chancellor announced that the Government would abolish the jobs tax on young people under the age of 21. This means employer National Insurance contributions for under-21 year olds on earnings up to £813 per week would be abolished from April 2015.<sup>29</sup> This will make it cheaper for businesses to employ young people. The change will be legislated for in the National Insurance Contributions Bill currently before Parliament.

**Apprenticeships.** Apprenticeships play a vital role in equipping young people with the skills they need to succeed in the labour market and build a rewarding career. Since 2010 the Government has introduced a range of policies to encourage people to take up apprenticeships, ensure the quality of apprenticeships and encourage businesses to take on more apprentices. As a result of these initiatives, 1.5 million apprenticeships have been started between 2010/11 and 2012/13.<sup>30</sup>

The Government's reforms have included:

- **Education Act 2011.** The Education Act 2011 included a provision which places a new duty on the government to fund an apprenticeship for young people who have already secured an apprenticeship place.
- **Minimum standards.** The National Apprenticeship Service published the Statement on Apprenticeship Quality in May 2012 which summarised the various aspects of apprenticeships which are subject to minimum standards. Under these standards: all apprenticeships must be a minimum of 12 months; all apprentices must spend at least 280 hours in 'guided learning', during the first 12 months of their apprenticeship; all apprentices must be employed for a minimum of 30 hours per week; and all apprentices must sign an Apprenticeship Agreement with their employer. An updated statement was published in 2013 by the NAS to position the statement in the context of the Apprenticeship reform programme outlined in the Government's implementation plan on the future of apprenticeships in England (see below).<sup>31</sup>
- **Implementation plan.** Following the Richard Review on apprenticeships, the Government published an implementation plan on the future of apprenticeships in England in October 2013. Under this plan, the purpose of an apprenticeship will be to train those aged 16 and above to achieve the Apprenticeship standard as set by employers so that they can perform a skilled role effectively. These new employer-led standards will be short, easy to understand documents. Further to this, new assessment criteria will be introduced which will test the apprentice's competence at the end of their apprenticeship<sup>32</sup>. In addition, certain elements of an apprenticeship have become mandatory. More specifically, apprenticeships will be required to last at least 12 months with no exceptions, off-the-job training will continue to be a requirement of all apprenticeships and English and maths requirements will rise gradually.<sup>33</sup>

- **Autumn Statement 2013.** Autumn Statement 2013 announced that the government will invest around £10 million a year in Jobcentre Plus support for 16 and 17 year olds who want help to find apprenticeships and traineeships, to be delivered in partnership with local authorities.<sup>34</sup> The Autumn Statement also announced that the Government will provide a further £40 million to deliver an additional 20,000 higher apprenticeships over the next two years. Furthermore, the Government will develop a model which uses HMRC systems to route apprenticeship funding direct to employers. The government will consult on the technical details of the system in early 2014.

**Traineeships.** The Government has developed a new traineeships programme that will support young people to develop the skills they need to secure and succeed in employment, including apprenticeships. Available from August 2013, traineeships, which are a partnership between employers and education and training providers, are available for 16 to 23-year-olds and young people with learning difficulty assessments up to academic age 25.<sup>35</sup> Traineeships fit within broader study programmes for 16 to 19-year-olds. The programme was developed in response to feedback from employers saying that young people often lack the right skills and attitudes when they apply for an apprenticeship or other employment. Traineeships, therefore, offer these young people the opportunity to undertake a substantial work placement and work skills training, alongside support to improve their English and maths.<sup>36,37</sup> The duration of the work placement within a traineeship should be at least six weeks, but no more than five months.<sup>38</sup> Alongside this, the government pledged in Autumn Statement 2013 to exempt those undertaking a traineeship from the rule which prevents Jobseeker's Allowance (JSA) claimants from doing more than 16 hours of study per week.<sup>39</sup> This exemption will make sure that benefit rules do not impede the take-up and effectiveness of traineeships.

**Youth Contract.** The Youth Contract, which was launched in April 2012, is a package of schemes aimed at helping young people into sustained employment. The contract includes the following measures:

- **Wage incentives.** A subsidy of up to £2,275 for employers who take on young people (aged 18 to 24) who have been claiming JSA for more than six months. By May 2013, payments had been made for 2,070 individuals for completing 26 weeks on the wage incentive scheme.<sup>40</sup>
- **Apprenticeship Grant for Employers of 16-24 year olds (AGE16-24).** AGE 16-24 is a wage incentive scheme under which payments of £1,500 are available to employers with less than 1,000 employees that take on young apprentices.<sup>41</sup>
- **Support for 16 and 17 year old NEETs.** Payments of £2,200 are made to providers who take on 16 and 17 year olds who are not in education, employment or training (NEETs) and who have low or no qualifications, and those from other disadvantaged backgrounds.<sup>42</sup>

- **Work experience.** Under the work experience scheme, placements are available for 16 to 24 year olds through Jobcentre Plus who have been claiming JSA for at least 13 weeks.<sup>43</sup>
- **Sector-based work academies.** Some 18 to 24 old JSA claimants will be offered a mixture of training, work experience, and a job interview at a local firm through Jobcentre Plus before being placed in the Work Programme.<sup>44</sup>
- **Extra support at Jobcentre Plus.** Since April 2012, 18 to 24 year old JSA claimants have been offered weekly rather than fortnightly signing-on meetings at Jobcentre Plus.<sup>45</sup>
- **Money for new local policies.** In July 2013, the Government announced that eight 'core' English cities, outside of London, would be able to bid for a share of £50 million to help young people into work through the Youth Contract. The cities are able to design their own schemes to target local young unemployed people and help them into local businesses.<sup>46</sup> The bidding took place over summer 2013.<sup>47</sup>

**Careers guidance.** The Government has introduced a statutory duty for schools to secure access to independent and impartial careers guidance on the full range of education and training options, including apprenticeships. This was initially introduced in September 2012 for year 9 to 11 pupils, but was extended to years 8 to 13 in September 2013.<sup>48</sup> Furthermore, in its response to Ofsted's review of careers guidance in September 2013, the Government committed to revise the statutory guidance for schools on their duty to secure independent and impartial careers guidance.<sup>49</sup>

### **What next? Questions for discussion**

1. In your opinion, what more could be done to support businesses looking at taking on more staff?
2. What measures do you propose which would further the Government's aim of making the labour market more "efficient, flexible and fair"?
3. What should the Government's priorities be when looking at welfare reform in relation to the labour market and supporting people into work?
4. What further steps can the Government take to make Apprenticeships the "new norm" for school leavers who decide not to go to university?

### **Endnotes**

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<sup>1</sup> ONS, *Labour Market Statistics*, 22 January 2014, [link](#)

<sup>2</sup> ONS, *Labour Market Statistics*, 22 January 2014, [link](#)

<sup>3</sup> Department for Business, Innovation and Skills, *Employment Law 2013: Progress on reform*, March 2013, [link](#)

<sup>4</sup> HM Treasury, *Budget 2013*, 20 March 2013

<sup>5</sup> HM Treasury, *Autumn Statement 2013*, December 2013, [link](#)

<sup>6</sup> HM Treasury infographic, *The NICs Employment Allowance*, [link](#)

<sup>7</sup> HM Treasury press release, *Employment Allowance boost for business - bill introduced to Parliament*, October 2014, [link](#)

<sup>8</sup> HM Treasury infographic, *The NICs Employment Allowance*, [link](#)

<sup>9</sup> David Arculus, *The Arculus Review*, May 2009

<sup>10</sup> BIS, *Business Population Estimates 2013*, 23 October 2013, [link](#)

<sup>11</sup> British Chambers of Commerce, *Burdens Barometer*, July 2009

<sup>12</sup> Department for Business, Innovation and Skills press release, *‘One-in, two-out’: Government to go further and faster to reduce burdens on business and help Britain compete in the global race*, November 2012, [link](#)

<sup>13</sup> *Number Ten Press Release*, 27 January 2014, [link](#); *BIS Press Release*, 1 October 2013, [link](#)

<sup>14</sup> *Number Ten Press Release*, 27 January 2014, [link](#); *BIS Press Release*, 1 October 2013, [link](#)

<sup>15</sup> Department for Business, Innovation and Skills, *Reducing the impact of regulation on business*, July 2013, [link](#)

<sup>16</sup> Department for Business, Innovation and Skills press release, *Fallon: Red tape freeze extended to more small businesses*, June 2013, [link](#)

<sup>17</sup> Department for Business, Innovation and Skills press release, *Fallon: Red tape freeze extended to more small businesses*, June 2013, [link](#)

<sup>18</sup> Department for Business, Innovation and Skills policy page, *Making the labour market more flexible, efficient and fair*, October 2013, [link](#)

<sup>19</sup> Department for Business, Innovation and Skills policy page, *Making the labour market more flexible, efficient and fair*, October 2013, [link](#)

<sup>20</sup> Department for Business, Innovation and Skills, *Employment Law 2013: Progress on reform*, March 2013, [link](#)

<sup>21</sup> For further information on the reforms to employment law the Government has introduced please see: House of Commons Library Standard Note, *Employment Law Reform*, July 2013, [link](#)

<sup>22</sup> House of Commons Library Standard Note, *Employment Law Reform*, July 2013, [link](#)

<sup>23</sup> House of Commons Library Standard Note, *Employment Law Reform*, July 2013, [link](#)

<sup>24</sup> Department for Business, Innovation and Skills policy page, *Helping People to find and stay in work*, 12 December 2013, [link](#)

<sup>25</sup> Department for Work and Pensions, *The Work Programme: The First Year*, November 2012, [link](#)

<sup>26</sup> House of Commons Library Standard Note, *Work Programme*, September 2013, [link](#)

<sup>27</sup> House of Commons Library Standard Note, *Work Programme*, September 2013, [link](#)

<sup>28</sup> Department for Business, Innovation and Skills, *Employment Law 2013: Progress on reform*, March 2013, [link](#)

<sup>29</sup> HM Treasury, *Autumn Statement 2013*, December 2013, [link](#)

<sup>30</sup> Data Service, *Apprenticeship starts*, 24 October 2013, [link](#)

<sup>31</sup> National Apprenticeships Service, *Statement on Apprenticeship Quality 2013*, December 2013, [link](#)

<sup>32</sup> HM Government, *The Future of Apprenticeships in England: Implementation Plan*, October 2013, [link](#)

<sup>33</sup> HM Government, *The Future of Apprenticeships in England: Implementation Plan*, October 2013, [link](#)

<sup>34</sup> HM Treasury, *Autumn Statement 2013*, December 2013, [link](#)

<sup>35</sup> Department for Education and Department for Business, Innovation and Skills, *Traineeships: Supporting young people to develop the skills for apprenticeships and sustainable employment – Framework for delivery*, July 2013, [link](#)

<sup>36</sup> Department for Education general article, *Traineeships*, September 2013, [link](#)

<sup>37</sup> Department for Education and Department for Business, Innovation and Skills, *Traineeships: Supporting young people to develop the skills for apprenticeships and sustainable employment – Framework for delivery*, July 2013, [link](#)

<sup>38</sup> Department for Education and Department for Business, Innovation and Skills, *Traineeships: Supporting young people to develop the skills for apprenticeships and sustainable employment – Framework for delivery*, July 2013, [link](#)

<sup>39</sup> HM Treasury, *Autumn Statement 2013*, December 2013, [link](#)

<sup>40</sup> House of Commons Library Standard Note, *Youth Contract*, July 2013, [link](#)

<sup>41</sup> House of Commons Library Standard Note, *Youth Contract*, July 2013, [link](#)

<sup>42</sup> House of Commons Library Standard Note, *Youth Contract*, July 2013, [link](#)

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<sup>43</sup> House of Commons Library Standard Note, *Youth Contract*, July 2013, [link](#)

<sup>44</sup> House of Commons Library Standard Note, *Youth Contract*, July 2013, [link](#)

<sup>45</sup> House of Commons Library Standard Note, *Youth Contract*, July 2013, [link](#)

<sup>46</sup> House of Commons Library Standard Note, *Youth Contract*, July 2013, [link](#)

<sup>47</sup> House of Commons Library Standard Note, *Youth Contract*, July 2013, [link](#)

<sup>48</sup> Department for Education and Department for Business, Innovation and Skills press release, *Government calls for culture change in careers guidance*, September 2013, [link](#)

<sup>49</sup> Department for Education and Department for Business, Innovation and Skills, *Careers Guidance Action Plan*, September 2013, [link](#)