



## Remploy Employment Services

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Remploy Employment Services provided employment to 2,150 disabled people in 54 factories in 2011/12, producing a range of items including automotive parts and school furniture. Government subsidies to Remploy factories were withdrawn from March 2012, in line with recommendations made in the independent Sayce Review of specialist disability employment programmes. Consequently most factories have now closed, although six have been sold to new owners.

Remploy continues to provide employment support to disabled people through *Remploy Employment Services*. Remploy operates as a provider in the Government's Work Choice scheme and as a subcontractor in the Work Programme in different parts of the country.

The Government has [stated](#) that the budget for specialist disability employment support will remain unchanged over the Spending Review period, despite the withdrawal of subsidies from Remploy factories. The Government believes that moving money from Remploy to other schemes such as Access to Work is a more efficient use of public funds.

It was announced in March 2015 that Remploy will be established as a new company free from Government control in partnership with Remploy employees and MAXIMUS.

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## 1 Overview of Remploy and its businesses

Remploy is a Non-Departmental Public Body of the Department for Work and Pensions (DWP) and a public corporation. It operates as a commercial company and is funded through revenue generated from its commercial activities and grant-in-aid from government (£61.3 million in 2012/13, down from £78.9 million in 2011/12).<sup>1</sup> Remploy was established in 1945 under the *Disabled Persons (Employment) Act 1944* and originally provided employment opportunities in factories around the country to disabled ex-miners and soldiers returning from the Second World War.

Remploy factories, known officially as *Remploy Enterprise Businesses*, formerly produced a wide range of products such as school furniture, motor components, and chemical, biological and nuclear protection suits for police and military. All factories have now either closed or been sold to new owners, following a closure programme which ran from March 2012 to October 2013 (see section 2). In the financial year 2011/12 Remploy employed more than 2,150 disabled people in its factories, but made an operating loss of £49.5 million.<sup>2</sup>

Remploy also provides assistance to disabled people seeking mainstream employment through *Remploy Employment Services* (RES). RES offers face-to-face advice and support to disabled jobseekers through its 64 branches in city and town centres around the UK, as well as working with employers.<sup>3</sup> In 2012/13, Remploy found 17,835 jobs in mainstream employment for “disabled and disadvantaged people”, including 14,700 for disabled people.<sup>4</sup>

RES delivers the Government’s Work Choice programme at the national level (alongside other local Work Choice providers). Work Choice provides specialist employment support for disabled people whose needs cannot be met by other programmes such as the [Work Programme](#) or [Access to Work](#). Remploy was unsuccessful in its bid to become a prime contractor for the Work Programme, the Government’s main welfare-to-work scheme, although in some contract areas it operates as a subcontractor.<sup>5</sup>

## 2 Withdrawal of Government subsidies to Remploy factories

The then Minister for Disabled People, Maria Miller, announced on 7 March 2012 that the Government was withdrawing its subsidies to Remploy’s 54 factories. This was in line with recommendations in Liz Sayce’s independent review of specialist disability employment programmes for DWP (the *Sayce Review*, discussed in section 4 of this note). Consequently many Remploy factories that were dependent on government support had to close.

The Minister stated that the average cost of each employment place in Remploy factories was around £25,000 a year. She argued that funding was best moved from Remploy into other disability employment schemes “given the significant additional number of unemployed disabled people who could be supported to access the mainstream labour market, up to 8,000 people in this spending review.”<sup>6</sup>

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<sup>1</sup> Remploy, *Annual Report and Financial Statements 2013*, page 10

<sup>2</sup> *Ibid*, page 44

<sup>3</sup> Remploy website, [About us](#) [accessed 5 February 2013]

<sup>4</sup> Remploy, *Annual Report and Financial Statements 2013*, page 5

<sup>5</sup> Remploy, *Annual Report and Financial Statements 2011*, page 5

<sup>6</sup> [HC Deb 7 Mar 2012 c63-6WS](#)

## 2.1 Factory closures

The closure programme was carried out in two stages. Stage one focused on 36 of the 54 factories, considered by the Remploy Board to not be viable without government support. Stage two dealt with the remaining 18 factories deemed more likely to survive without government help.

### **Stage one**

The Minister's statement of 7 March 2012 was followed by a ninety-day consultation on the proposed closure of factories in stage one with Remploy's trade unions and management forums. Remploy also launched a commercial process to seek possible buyers for the factories. In order to incentivise eligible bids, the Government and Remploy offered support including a three-year tapering wage subsidy of up to £6,400 for each disabled member of staff and up to £10,000 for professional advice for employee-led bids. Remploy received 65 business plans from outside organisations seeking to acquire factories.<sup>7</sup>

Remploy announced on 10 July 2012 that 27 of the 36 factories would close by the end of 2012 as no viable business plan had been put forward. The other nine would proceed to a "best and final offer stage", but would close in the absence of any viable formal bids.<sup>8</sup> At the end of October 2013, two factories in stage one had been sold to new owners (the healthcare factory in Chesterfield and the filters factory in Barrow) but the other stage one factories had been closed (these are listed in full in the appendix to this note).

1,752 people, including 1,518 disabled people, were employed in stage one factories.<sup>9</sup>

### **Stage two**

The then Minister for Disabled People, Esther McVey, announced on 6 December 2012 that 10 factories in stage two were considered to be "not commercially viable (and) have little realistic prospect of being sold". The remaining 8 factories in stage two were to be placed on the open market (although in five of these staff were still considered at risk of redundancy). The proposals meant that 875 employees, of which 682 were disabled, were placed at risk of compulsory redundancy.<sup>10</sup>

At December 2013, four stage two factories had been sold to new owners and the others had been closed (these are listed in the appendix).

## 2.2 Opportunities and outcomes for staff affected by closures

In her statement on 7 March 2012, the Minister outlined an £8 million package of support for employees affected by factory closures (this applied both to factories in stage one and to those in stage two). The package included:<sup>11</sup>

- The Jobcentre Plus Rapid Response Service which will be available to deliver individual support to all those affected by redundancy including non-disabled employees
- Individual tailored support for every disabled employee through a Personal Case Worker for up to 18 months.

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<sup>7</sup> [HC Deb 10 July 2012 c167-9W](#)

<sup>8</sup> Remploy, [Company Statement, 10 July 2012](#)

<sup>9</sup> [HC Deb 7 Mar 2012 c63-6WS](#)

<sup>10</sup> [HC Deb 6 Dec 2012 c84-6W](#)

<sup>11</sup> Remploy, [Company Statement 10 Jul 2012](#)

- Personal Budgets - £4 million has been made available for disabled employees to purchase individual back to work support.
- Community Support Fund - £1.5 million has been allocated to support local disabled people's organisations in providing support to displaced Remploy workers.
- Working closely with Employers Forum on Disability (EFD) to give ex-Remploy employees access to job opportunities with their member employers.

In total, 2,000 disabled former Remploy workers were made redundant as a result of factory closures, of whom 1,530 have engaged with personal case workers to find jobs. At 7 February 2014, 691 former workers who had taken up the Government's support package were in work, while 839 were receiving Jobseeker's Allowance (JSA) or Employment and Support Allowance (ESA). Information on the activity of those who have not engaged with DWP is not available.<sup>12</sup>

DWP have pointed out that some of the factories which closed having failed to attract commercial interest have since re-opened as social enterprises or new businesses. As of 4 July 2013, nine sites had been sold on this basis, which "has resulted in employment opportunities for original employees".<sup>13</sup>

### **3 Commercial process**

On 22 July, the Minister for Employment announced that the DWP would be launching a "commercial process" for Remploy Employment Services.

The Minister said that the process would allow an investor or partner to take on a "significant stake in Remploy Employment Services and invest in its continued growth and development". The result of this process would be the creation of a joint venture in which employees will hold an interest in the operation of the business.<sup>14</sup>

It was announced in March 2015 that Remploy would be established as a new company free from Government control in partnership with Remploy's employees and MAXIMUS.

30% of the company's shares will be held in an Employee Benefit Trust and employees will be given the opportunity to influence the board and there will also be an employee council. Remploy's delivery of Work Choice and other Departmental contracts and agreements will be transferred to the new company. It is expected that the new company will become fully operational during April 2015.<sup>15</sup>

### **4 Reaction to closures**

The Labour Party agreed on the need for change but the then Shadow Secretary of State for Work and Pensions, Liam Byrne, criticised factory closures as "mismanaged":<sup>16</sup>

We all know that Remploy has to change – that is the point I would make to Conservative Members – but this Government have decided to press ahead, closing these factories at breakneck speed. These factories are in constituencies where twice as many people as the national average are chasing every single job. How can it be

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<sup>12</sup> DWP, personal communication

<sup>13</sup> [HC Deb 4 Jul 2013 c1079-81](#)

<sup>14</sup> [HC Deb 22 Jul 2014 c126-7](#)

<sup>15</sup> [Remploy Employment Services: Written statement - HCWS373](#), 12 March 2015

<sup>16</sup> [HC Deb 20 Jun 2012 c889](#)

right to say to these factories that they have until Monday to complete a business plan that, if it is not successful, will see the closure of factories in communities that need jobs and cannot afford to lose them?

In response to the Minister's Statement of 10 July 2012 on factories in stage one, the Shadow Minister for Disabled People, Anne McGuire, criticised the 90-day consultation period as too short. She argued a longer timeframe would have permitted more factories to access the necessary expertise to prepare a viable business proposal. She referred to the suggestion in the Sayce Review that factory employees and management "should be given a sufficient window (for instance, six months) to put forward a business plan." The Shadow Minister also criticised the decision to close the factories in the "harsh economic climate".<sup>17</sup>

#### **4.1 Industrial action in July 2012**

Prior to the closure of factories in stage one being officially announced, Remploy employees voted to take part in two days of industrial action in July 2012.<sup>18</sup> The GMB union claimed the "decision to force the close of Remploy means that thousands of disabled people and their families will be put into poverty and their health is bound to suffer".<sup>19</sup>

The first of the strikes took place on 19 July. Remploy reported that almost 40% of its 54 factories were working during the strike; at ten sites all employees reported for work and at least 50% of employees attended work at another fourteen sites. The company warned that "strike action will do nothing to secure the future jobs of Remploy staff", and could "deter prospective buyers" for the stage one factories proceeding to the best and final offer stage.<sup>20</sup>

## **5 Sayce Review**

The withdrawal of Government subsidies for Remploy factories followed an independent review of specialist employment support for disabled people, conducted by Liz Sayce, chief executive of disability organisation RADAR. Liz Sayce's report was published in June 2011, having been announced in December 2010.<sup>21</sup>

The central principle of Liz Sayce's report is that funding should follow individuals rather than go towards facilities (like Remploy factories). It recommended that unless Remploy businesses can be shown to operate without government subsidy, they should be closed with extensive transitional arrangements in place to support individuals who would as a result lose their jobs. However, existing employees should have the opportunity and expert support to "develop businesses into independent enterprises, where viable", which could include social enterprises, mutuals, co-operatives or other structures. It also recommended the withdrawal of Government subsidy from Remploy Employment Services, which should "in future secure Government funds only by competing for contracts like other providers."<sup>22</sup>

The report stated that Remploy factories were unsustainable in their current form and pointed out all fifteen factory business sectors were loss making in 2009/10. In some cases,

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<sup>17</sup> [HC Deb 10 Jul 2012 c169-71](#)

<sup>18</sup> GMB Union, [Remploy vote for strike action](#), 4 July 2012

<sup>19</sup> GMB Union, [Remploy strike](#), 18 July 2012

<sup>20</sup> Remploy press release, [Strike Update](#), 20 Jul 2012

<sup>21</sup> DWP, [Getting in, staying in and getting on: Disability employment support fit for the future](#), Cm 8081, June

<sup>22</sup> *Ibid*, pages 22-3

businesses are operating “in manufacturing sectors that ... do not prepare disabled people well for the economy of today and tomorrow.”<sup>23</sup>

Some of the problems identified by the report in the Remploy business model included a lack of focus in its factory business sectors; burdens presented by central costs; and restrictions imposed by being under government control. The report noted that among the disability charities and disabled people’s organisations who submitted evidence to the review, “there has been a unanimous view that [the Enterprise Business model] is not the model for the 21<sup>st</sup> century”.<sup>24</sup> However the report also noted the job satisfaction, supportive and accessible environment, and sense of community that Remploy factories can offer their employees.

The report highlighted programmes such as Access to Work (which helps disabled people to enter and remain in mainstream employment) as a more cost-effective means of support. It proposed that funding released by reforming Remploy should be used to increase funding for Access to Work.<sup>25</sup>

### **5.1 Reaction to Sayce review**

In a public consultation on the Sayce Review’s recommendations, the proposed changes to Remploy funding were opposed by a large number of Remploy employees who responded, as well as the majority of trade unions, the Welsh Government and some MPs. The Government’s response to the consultation notes that responses from many local authorities and third sector organisations on the other hand were “broadly supportive of proposed changes to the model” while emphasising that any changes must be introduced carefully and sensitively. However, “widespread concern” was expressed regarding future employment prospects for Remploy workers:<sup>26</sup>

Many organisations and individuals alike acknowledged the rationale behind the closure of the factories, but there was overwhelming concern about how the Remploy (ex-) employees would manage to find future employment in competition with non-disabled people who are unemployed and seeking work in the current economic climate.

## **6 Previous modernisation plan, 2008-2013**

In November 2007, the then Secretary of State for Work and Pensions, Peter Hain, initiated a modernisation programme for Remploy. The programme resulted in the closure of 18 factories and the merger of a further 11 factories.<sup>27</sup> The number of factories fell from 83 to 54 with the number employed falling from 5,000 to 2,900.<sup>28</sup> The plan also included the objective of quadrupling the number of disabled people Remploy helps into mainstream employment each year, to 20,000 by 2012.<sup>29</sup>

The modernisation plan was supported by a government subsidy of £555 million over five years, compared to £750 million funding that would have been required in the absence of

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<sup>23</sup> Ibid, page 106

<sup>24</sup> Ibid, pages 98-100

<sup>25</sup> Ibid, page 16

<sup>26</sup> DWP, *Disability employment support: fulfilling potential – Government’s response to the consultation on the recommendations in Liz Sayce’s Independent review*, Cm 8312, March 2012, page 31

<sup>27</sup> Remploy press release, *Remploy Modernisation Plan approved by Peter Hain*, 29 Nov 2007

<sup>28</sup> HC Deb 19 Nov 2008 c131-3WH

<sup>29</sup> HC Deb 29 Nov 2007 c447-9

any changes.<sup>30</sup> In a statement to the House of Commons on 29 November 2007, Peter Hain set out the rationale behind the plan:<sup>31</sup>

Low-wage, low-skill competition from countries like China and the EU accession states has put Remploy factories under enormous pressure. In turn, Remploy has failed to move adequately into higher-value, higher-skill work. Losses have spiralled, and Remploy's ability to support disabled people has been put at risk. [...]

The reality is that without modernisation Remploy deficits would obliterate our other programmes to help disabled people into mainstream work. With no change, in five years' time Remploy would require £171 million a year on current trends. That would be £60 million over the £111 million funding envelope[.]

The Coalition Government stated in January 2011 that it would leave funding for the five year modernisation plan unchanged.<sup>32</sup>

### **6.1 2011 Voluntary redundancy programme**

In its 2010/11 annual report, Remploy stated that factories were being negatively affected by the weak economic environment and cheaper global competition, with the result that “on average, half of our factory employees have little or no work on most days of the week” and an overspend of £40 million was anticipated by the end of the modernisation plan period in March 2013. To help address these problems, Remploy introduced a voluntary redundancy scheme, for which 669 applications were accepted. The scheme did not involve the closure of any factories.<sup>33</sup>

Remploy said the voluntary redundancies would “make a significant contribution to a reduction in overall costs and ensure that more of our employees who remain have fulfilling work”. The GMB union on the other hand said that voluntary redundancy was “not the answer to the real problems facing factory based supported employment in Remploy.” It argued that Remploy was “top heavy with senior managers” and could save money by reducing its management structures.<sup>34</sup>

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<sup>30</sup> Deposited Paper 2007-0340, Remploy, *Equality impact assessment: modernisation plans*, September 2007

<sup>31</sup> [HC Deb 29 Nov 2007 c447-9](#)

<sup>32</sup> [HC Deb 26 Jan 2011 c389W](#)

<sup>33</sup> Remploy, *Annual Report and Financial Statements 2011*, pages 5-6

<sup>34</sup> Work and Pensions Committee, *Remploy – oral and written evidence: written evidence submitted by GMB*, HC 1034, 28 June 2011, Ev 29

## Appendix: Remploy's 54 factories

### Stage One factories closed

Factory	Constituency located in
Aberdare	Cynon Valley
Aberdeen	Aberdeen North
Abertillery	Blaenau Gwent
Acton	Ealing Central and Acton
Ashington	Wansbeck
Barking	Barking
Birkenhead	Wallasey
Bolton	Bolton South East
Bridgend	Bridgend
Bristol	Bristol West
Cleator Moor	Copeland
Cook with care business	
Croespenmaen	Islwyn
Edinburgh	Edinburgh West
Gateshead	Gateshead
Lanarkshire (Motherwell)	Motherwell and Wishaw
Leeds	Leeds Central
Leicester	Leicester West
Manchester	Wythenshawe and Sale East
Merthyr Tydfil	Merthyr Tydfil and Rhymney
Newcastle	North Tyneside
North London (Holloway)	Tottenham
North Staffs	Stoke-on-Trent South
Oldham	Oldham West and Royton
Operations at Boston Spa	
Penzance	St Ives
Pontefract	Normanton, Pontefract and Castleford
Poole	Bournemouth West
Preston	Preston
Southampton	Southampton, Itchen
Spennymoor	Bishop Auckland
Springburn	Glasgow North East
Swansea	Swansea West
Wigan	Wigan
Worksop	Bassetlaw
Wrexham	Wrexham

### Stage Two factories closed

Factory	Constituency located in
Blackburn	Blackburn
Burnley	Burnley
Clydebank	West Dunbartonshire
Cowdenbeath	Kirkcaldy and Cowdenbeath
Dundee	Dundee West
Heywood	Heywood and Middleton
Huddersfield	Huddersfield
Leven	Glenrothes
Neath	Aberavon
Norwich	Norwich South
Portsmouth	Portsmouth South
Sheffield	Sheffield, Brightside and Hillsborough
Stirling	Stirling
Sunderland	Sunderland Central

### Stage One factories sold to new owners

Factory	Constituency located in
Barrow	Barrow and Furness
Chesterfield	Chesterfield

### Stage Two factories sold to new owners

Factory	Constituency located in
Porth	Rhondda
Birmingham	Birmingham, Yardley
Coventry	Coventry South
Derby	Derby South

Data on factories closed correct as of 31 October 2013.

Sale of Remploy Automotive business, based at sites in Birmingham, Coventry and Derby, was completed 13 December 2013.