Activation Policies in Great Britain

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Glossary

BA  Benefits Agency
CMP  Condition Management Programme
CTB  Council Tax Benefit
CTC  Child Tax Credit
DSS  Department of Social Security
DWP  Department of Work and Pensions
ECHR  European Convention of Human Rights
EMTR  Effective Marginal Tax Rate
ESA  Employment Support Allowance
ES  Employment Service
EZ  Employment Zone
GB  Great Britain
GDP  Gross Domestic Product
Hansard  Official Record of Parliamentary Proceedings, Written Answer from Minister
HB  Housing Benefit
HMT  Her Majesty’s Treasury
HRA  Human Rights Act
IAP  Intensive Activity Period
IB  Incapacity Benefit
IFS  Institute for Fiscal Studies
IS  Income Support
JCP  Jobcentre Plus
JSA  Jobseekers Allowance
JSAg  Jobseekers Agreement
LFS  Labour Force Survey
MSC  Manpower Services Commission
NAO  National Audit Office
NDDP  New Deal for Disabled People
NDLP  New Deal for Lone Parents
NDPA  New Deal Personal Adviser
NDYP  New Deal for Young People
ND25 plus  New Deal 25 Plus
NEP  National Employment Panel
NI  National Insurance
NMW  National Minimum Wage
OECD  Organisation for Economic Cooperation and Development
ONS  Office for National Statistics
PA  Personal Adviser
SSAC  Social Security Advisory Committee
UK  United Kingdom
WBLA  Work Based Learning for Adults
WFI  Work Focused Interview
WFTC  Working Families Tax Credit
WTC  Working Tax Credit
1 Introduction

Over the past decade there has been radical change in the British welfare state. The Government has introduced a new welfare contract where the ‘rights and responsibilities’ of working age adults receiving state benefits have been redefined to encourage, and increasingly require, their active participation in paid employment. This has involved a parallel ‘activation’ of entitlements and obligations and of the services delivered by welfare state institutions.

This chapter considers the new combinations of job search assistance, obligations and programmes; and ‘make work pay’ reforms, introduced in Great Britain (GB) since 1997. It assesses evidence on the impacts of the strategy and the challenges faced as activation requirements are extended to workless lone parents and people with health problems and disabilities.

The British case merits attention for several reasons. Firstly, New Labour has sought explicitly to synthesise ‘what works’ from both neo-liberal and social democratic welfare traditions with some analysts discerning the emergence of an “Anglo-social welfare model, incorporating and reconciling economic performance and flexibility with equality and social justice” (Dixon and Pearce, 2005, p. 81).

Secondly, the persistent high levels of unemployment that characterised Britain in the 1980s and early 1990s have been replaced by low levels of unemployment and high levels of labour force participation. Credit for the success of the British strategy has been attributed to labour market flexibility and adept macro economic management. This chapter more narrowly considers the particular contribution made by activation and redistribution through the tax and benefit system.

2 The legal foundation and governance of the British Welfare State

It is important to clarify some distinguishing characteristics of the British political, administrative and constitutional system that in part facilitated the early emergence of ‘activation’.

In contrast to most European countries GB has no single constitutional document. The British constitution consists of laws, customs and conventions, drawn from both legal and non-legal sources and its common law has developed with an emphasis on remedies rather than rights.

British social security law is based on legislation consisting of Acts of Parliament and statutory instruments. Individual Acts typically give Ministers the power to introduce secondary legislation in the form of detailed regulations. These statutory instruments

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2 Job search activity obligations and the benefit, tax and tax credit system are uniform throughout the four countries that make up the UK. The remit of DWP and Jobcentre Plus, which are responsible for the implementation of activation, extends only across GB and not Northern Ireland which has a different administrative architecture.
must be approved by Parliament but are not subject to the full process of Parliamentary debate and scrutiny applied to the initial primary legislation. Many detailed issues concerning job search requirements and social security entitlements are implemented and revised through such secondary legislation.

A second source of social security law derives from judicial decisions, made in this context principally by Social Security Commissioners who preside over appeal tribunals. These administrative tribunals were first created in 1911 to resolve disputes about benefit eligibility or sanctions independently from Ministers and outside the formal law courts. In the British social security (and the tax and tax credits) system there is a statutory right of appeal to a tribunal “against decisions on entitlement which turn on matters of fact, but no appeal against the use of discretion” (PAC, 2006, p.5). Judicial decisions by Social Security Commissioners provide binding interpretations of the legislation and must subsequently be followed by tribunals and local ‘decision makers’ in JCP. Both reported and unreported decisions of Commissioners are important sources of guidance on the interpretation and application of legislation.

The governance of the British benefit system is also highly centralised. In the absence of a written constitution and fewer restraints on the executive the Government has an enhanced capacity to redesign benefits, create organisations and mould institutions to meet its policy objectives. In contrast with other European countries the National Insurance (NI) system is controlled directly by the state, not the social partners, and there are no independent social insurance funds. The design and delivery of benefits for British citizens outside the insurance system is also largely centralised and unlike many European systems local municipalities play a limited role in the delivery of benefits and employment programmes. Ministers and senior civil servants control the main levers of economic and employment policy and control implementation through central Government Departments and since the late 1980s their respective Executive Agencies.

3. The Benefit System for Working Age People

In 1911 the British Government was the first to introduce a nationally regulated system of unemployment insurance jointly funded by workers and employers (Price, 2000). This was intended to free important sections of the labour force from recourse to traditional Poor Law ‘relief’ and through local ‘labour exchanges’ facilitate the placement and filling of job vacancies. There was, however, concern about the impact that unemployment benefits would have on labour discipline leading to the parallel introduction of strict rules and procedures to deter people from leaving jobs and for testing their availability for work. The way in which benefit entitlements and obligations were subsequently institutionalised, underpinned the “resilience of liberal values” in the British system explaining the relative ease with which such values were to come to prominence again in the 1980s (King, 1995, p. xiv).

3.1 Main Cash Benefits for People of Working Age
The structure of the British benefit system was first modernised following the Beveridge Report of 1942. This led to the introduction of a NI system made up mainly of employer and employee contributions paying flat-rate benefits, covering risks such as unemployment, invalidity from work and retirement. The system also contributed towards an, in principle, universal and free National Health Service. A residual means-tested National Assistance system was designed to provide for those who did not qualify for insurance benefits. Family allowances were introduced also to ensure, amongst other things, that the costs of rearing children would not discourage people from taking up low paid jobs. Finally, in this period Government accepted a responsibility to maintain full employment through Keynesian demand-oriented policies.

The British social security system has since been characterised by a two track system of benefits: one contributory scheme for the insured and a parallel means tested scheme for those who exhaust or never attain entitlement. Contributory insurance benefits cover the traditional risks of unemployment, sickness, pregnancy, invalidity, industrial injuries (i.e. accidents at work) and occupational disease, old age and death. Currently they include contribution-based Jobseeker’s Allowance (JSA), Incapacity Benefit (IB), Maternity Allowance, Industrial Injuries Benefits, and Old Age Pension. Entitlement to each of these benefits depends upon satisfying the relevant tests governing payment of NI contributions.

Means-tested benefits are available to people whose income falls below a certain level, which varies according to their family circumstances. Entitlement also depends upon the level of the person’s assets. Currently the most significant include Income Support (IS), income-based JSA, Housing Benefit (HB), Council Tax Benefit (CTB), Working Tax Credit (WTC) and Child Tax Credit (CTC). Legal entitlement depends on presence, and, in the case of some means-tested benefits, habitual residence. Other non-contributory benefits are designed for the risk of old age and death, and for specific categories of people who are not covered by the insurance system. They include Attendance Allowance, Disability Living Allowance and non-contributory retirement pensions.

The design of individual benefits and the determination of their eligibility rules are governed through detailed regulations. The level and duration of benefits are set annually by central Government and increases are based on price indexation rather than average earnings.

Figure 1 gives a brief description of the main working age benefits in 2007.

**Figure 1: Cash Benefits for Workless People in Britain**

| Jobseekers Allowance: JSA | JSA is a benefit for unemployed people aged under state pension age and who are capable of, available for and actively seeking work of at least 40 hours per week. It may be claimed by people working less than 16 hours a week who are looking for full time work. There are two types of JSA. Contribution based JSA is a flat rate cash benefit paid for six months to individuals who have been employed and paid enough NI contributions in the preceding two years. There are different levels of cash payment for young people aged under 25 and an additional payment for a domestic partner. Income based JSA is available for low income unemployed people and their families if they satisfy the same income and assets test applied to |
|---------------------------|----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|

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those who claim IS.

**Income Support:** An income related cash benefit that can be claimed by people normally aged 18 and over who have insufficient income to meet their needs and savings below £16,000. IS comprises a personal allowance for the claimant, partner and any children; premiums for families with children, people with disabilities, and carers; plus help with some housing costs such as mortgage interest payments. In February 2006, 2.13 million people received IS. Roughly 56% were disabled and 36% lone parents.

**Incapacity Benefit:** A contribution based cash payment paid to people who are incapable of work who have paid, or been credited with, sufficient NI contributions. It may also be claimed by people who become incapable of work in their youth. An employed person is entitled to at least ‘Statutory Sick Pay’ for the first 28 weeks of their incapacity for work after which they may claim IB. Incapacity is assessed through an ‘Own Occupation Test’ and ‘Personal Capability Assessment’. There are three levels of cash payment, increasing in value with time on benefit. Generally IB it is not affected by savings or other income. If someone has not paid enough NI contributions to qualify for IB they may, if eligible, claim IS and receive a disability premium.

**Housing Benefit and Council Tax Benefit:** HB was introduced in 1980 following deregulation of the housing market and removal of rent controls. Council Tax is a tax on domestic property values and the main source of revenue income for Local Authorities. Each dwelling is allocated to one of eight valuation bands, based on its capital value. Both HB and CTB are paid to qualifying low income people whether or not the claimant is available for or in full-time work and are administered and paid by 408 Local Authorities. The rules are, however, determined by central Government. HB and CTB are subject to the same detailed rules and payments vary by family size, income and savings. In 2006 just over 4 million people in GB were in receipt of HB and 5.8 million households received CTB (Hansard, , 8 May 2007, col. 178W).

**National Insurance Credits:** NI ‘Credits’ are awarded to people who are out of work and claiming benefits in order to maintain their eligibility for a state pension. A significant minority of people who receive no cash benefit are awarded NI Credits through the JSA and IB systems.

**Other Benefits:** There are other cash benefits paid to help with the mobility or care costs of disability, a ‘Social Fund’ for emergency payments, assistance with prescription and dental charges and, for children, school meals. Certain groups, such as the carers of disabled people, may be entitled to a specific cash benefit.

### 3.2 Trends in Benefit Expenditure

After 1945 social security spending increased almost continuously as a share of national income until the 1980s. This was due to an increase in the generosity of many state benefits as well as an increase in the numbers eligible to claim them. This trend accelerated when unemployment increased. For example the number of people claiming unemployment benefits increased from 340,000 in 1950 to over 1.6 million in 1980 (Phillips and Sibieta, 2006, p. 48).

The late 1980s saw the first substantial fall in social security spending due to falling unemployment and reforms, in particular the decision to increase benefits in line with prices, not earnings. The economic downturn in the early 1990s, however, saw the
economy contract and unemployment rise to 2.9 million. This led to another increase in expenditure. Social security again fell as a share of GDP as the economy grew and unemployment fell. This trend changed in 2000 and the proportion of GDP allocated to social security expenditure has increased, mainly due to the generosity of benefits targeted at pensioners and families with children.

In 2005/06, about £140.6 billion was spent on social security benefits in GB accounting for 26.9% of total government expenditure. Approximately 30 million people in the UK – over half the total population – receive income from at least one social security benefit (ibid, p. 1). The largest group of beneficiaries are over state pension age but about a third of social security expenditure is claimed by people of working age.

JSA claimant unemployment fell significantly after 1993 but the number of people of working age receiving state benefits has remained high. Figure 2 shows the changing composition of the population of people on working age benefits since 1979. It illustrates the impact of two recessions alongside the gradual increase in those claiming benefits either because they were lone parents or, more significantly, because of disability or other health problems.

![Figure 2: UK Main Working Age Benefit Caseloads: 1979-2007](image_url)


An important feature of change in the British benefit system has been the shift away from insurance based contributory benefits. Contributory benefits now account for less than 55% of total benefit expenditure, compared to 70% in the 1960s; and income-related benefits have grown from 8% of overall expenditure in the 1960s to 31% in 2006/07 (Tetteh, 2007, p. 42). In the British system the link between the amount contributed and benefit entitlement, which was once close, has now weakened.
This trend has been most marked in unemployment benefits where the proportion receiving insurance-based contributory payments declined sharply in the 1980s, a trend that has continued under New Labour. Table 1 shows, however, a slight increase in the proportion receiving contribution based JSA in 2005 reflecting an increase in short term unemployment.

Table 1: Contribution and Income-Based JSA Claimants (GB.; as at May; Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>All with benefit total</td>
<td>1 105.8 (100%)</td>
<td>976.2</td>
<td>854.5</td>
<td>828.0</td>
<td>835.8</td>
<td>738.0</td>
<td>768.5 (100%)</td>
</tr>
<tr>
<td>Contribution-based JSA only</td>
<td>158.2 (14%)</td>
<td>148.8</td>
<td>148.1</td>
<td>162.7</td>
<td>168.0</td>
<td>138.2</td>
<td>147.2 (19%)</td>
</tr>
<tr>
<td>Contribution based JSA &amp; income-based JSA</td>
<td>27.1 (2%)</td>
<td>19.0</td>
<td>18.4</td>
<td>19.4</td>
<td>19.0</td>
<td>14.2</td>
<td>14.2 (2%)</td>
</tr>
<tr>
<td>Income-based JSA only payment</td>
<td>920.4 (83%)</td>
<td>808.4</td>
<td>688.1</td>
<td>645.9</td>
<td>648.8</td>
<td>585.6</td>
<td>607.1 (79%)</td>
</tr>
<tr>
<td>No benefit in payment*</td>
<td>118.7</td>
<td>95.0</td>
<td>94.4</td>
<td>91.1</td>
<td>92.0</td>
<td>82.1</td>
<td>76.4</td>
</tr>
<tr>
<td>Total</td>
<td>1 224.5</td>
<td>1 071.2</td>
<td>948.9</td>
<td>919.2</td>
<td>927.8</td>
<td>820.1</td>
<td>844.9</td>
</tr>
</tbody>
</table>

* Some people continue to claim JSA after 6 months even though they are not qualified for income based JSA in order to obtain NI ‘credits’.


4. Activation Policies

4.1 Benefit Reform and Activation in the Conservative Era

A new approach to ‘activation’ first emerged in the British benefit system in the mid-1980s. What became apparent at this time was that at each turn of the economic cycle long term unemployment had been ‘ratcheting’ upwards. In the late 1960s, for example, the proportion of those unemployed for over a year averaged 17%, by the mid 1980s it increased to 40%. The ‘risk’ of unemployment had increased only slightly but it had become “a much more serious event because it takes so much longer, on average, to get back into work” (Nickell, 1999, p. 22). After the introduction of the Labour Force Survey (LFS) in 1984 it was found that the number of people receiving unemployment benefits exceeded those who said they were actively looking for work.

Critics pointed to the lax implementation of benefit conditionality and to institutional fragmentation. Individuals who claimed unemployment benefits did so at Unemployment Benefit Offices, where they were also required to ‘sign on’ fortnightly as available for work. These offices were controlled directly by the Department of Employment. By contrast job matching took place at recently established ‘high street’ Jobcentres and these were controlled by a tripartite Manpower Services Commission (MSC) that was responsible for overall training and ‘manpower policy’. It was argued that different organisational priorities meant that the management of the system had become “passive”,
job matching was not linked to receipt of benefit, and that the unemployed had “no responsibilities to counterbalance the right to benefit” (Wells, 2001, p. 248).

By the late 1980s, the Conservative Government had embarked on a series of reforms to the benefit system and to active labour market programmes. The objective was to improve the ‘supply-side’, by ‘activating’ the unemployed and getting them into available jobs as soon as possible rather than putting them ‘on hold’ in large scale employment and training programmes.

The 1989 a Social Security Act introduced ‘actively seeking work’ regulations that required the unemployed to take at least two different steps each week to find employment. The unemployed lost the right to reject a job for not paying a ‘recognised’ rate of pay and sanctions for ‘voluntary unemployment’ increased. These changes complemented policies that deregulated wages and employment conditions in much of the British labour market and which culminated in 1993 in the abolition of all statutory minimum wage protection (except in agriculture).

The activation strategy was supplemented by implementation reforms. In 1987 the MSC was stripped of its role in delivering services directly to the unemployed and a new Employment Service Executive Agency was created with the task of integrating the previously separate networks of front line offices.

The Employment Service (ES) was ‘steered’ directly by Ministers through performance targets focused in particular on job placement, reducing fraud and the numbers claiming benefit, and the delivery of job search programmes. The ES was made responsible both for the administration of benefit payments and for job search advice, scrutiny and vacancy matching. It was responsible also for encouraging claimants to take advantage of ‘in-work’ social security benefits if they took low paid jobs.⁴ These services were by 1989 delivered through a newly integrated national network of front line Jobcentres.

By the mid-1990s, unemployed people were subject to what was called the ‘stricter’ benefit regime. This consisted of an in depth initial interview and fortnightly checks of job search activity throughout a claim. After 13 weeks the unemployed person was expected to expand the range of jobs they were willing to accept and after 26 weeks, the claimant had to attend their first in depth ‘Restart’ interview, thereafter repeated every six months. These regular administrative interventions were designed to reduce ‘duration dependency’, the “natural tendency for morale and job search to flag the longer a person is unemployed” (Wells, 2001, p. 247).

This process of activation culminated in the 1995 Jobseekers Act. Unemployed individuals were now required to enter a mandatory Jobseekers Agreement (JSAg) specifying the steps they intended to take to look for work. Front line officials were given

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⁴ The key in-work benefits included Housing and Council Tax Benefit (see Figure 1) but there was also a significant expansion of Family Credit, which directly supplemented the wages of workers with dependent children and which by 1996 was being received by over 600,000 families, many of which were headed by lone parents (see Figure 5).
a new discretionary power enabling them to issue a ‘Jobseekers Direction’ requiring an individual to look for work in a particular way, to take other steps to ‘improve their employability’ or to participate in job search programmes or training schemes. Figure 3 contrasts some of the main differences between benefits for the unemployed before 1996 and after the introduction of JSA.

**Figure 3: Significant differences between Unemployment Benefit and Income Support for the Unemployed (pre 1996) and Jobseekers Allowance (since 1996)**

<table>
<thead>
<tr>
<th>Availability for work</th>
<th>Unemployment Benefit</th>
<th>Income Support</th>
<th>JSA (contribution based)</th>
<th>JSA (income based)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Be available every day claimed.</td>
<td>Be available for at least 24 hours a week.</td>
<td>Be available for at least 40 hours work a week and after 13 weeks be willing to travel at least 90 minutes to work each way*. Certain groups e.g. carers or those with a physical or mental condition can restrict their availability to less than 40 hours depending on personal circumstances.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Actively seeking work</th>
<th>Unemployment Benefit</th>
<th>Income Support</th>
<th>JSA (contribution based)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actively seeking work every week.</td>
<td>Actively seeking work every week.</td>
<td>Actively seek work every week by applying for jobs or improving employment prospects. Expected to take three different ‘steps’ to look for work each week**. Not entitled when behaviour stops them getting a job.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Jobseeker's Agreement</th>
<th>Unemployment Benefit</th>
<th>Income Support</th>
<th>JSA (contribution based)</th>
<th>JSA (income based)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voluntary Back to Work Plan.</td>
<td>Voluntary Back to Work Plan.</td>
<td>Enter into and sign a Jobseeker's Agreement as a condition of benefit. The Agreement sets out the jobseeker’s agreed availability, the steps the jobseeker intends to take to look for work, and the range of help available to find work.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Duration</th>
<th>Unemployment Benefit</th>
<th>Income Support</th>
<th>JSA (contribution based)</th>
<th>JSA (income based)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 days a week for up to 312 days.</td>
<td>7 days a week. Indefinite award.</td>
<td>Weekly benefit up to a maximum of 182 days.</td>
<td>Weekly benefit paid while circumstances remain unchanged.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Labour market disallowances</th>
<th>Unemployment Benefit</th>
<th>Income Support</th>
<th>JSA (contribution based)</th>
<th>JSA (income based)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disallowed if fail to be available for/actively seeking work.</td>
<td>Hardship payable if unavailable, both pending decision and if decision is adverse. No hardship payable if not actively seeking work.</td>
<td>Disallowed if fail to be available for/actively seeking work/ have not signed a satisfactory Jobseeker's Agreement. Access to reduced rate in case of hardship for people in prescribed vulnerable groups pending decision and following adverse decision. People not in prescribed groups have access from the third week only where doubt over entitlement to JSA; but no access where adverse decision reached.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sanctions</th>
<th>Unemployment Benefit</th>
<th>Income Support</th>
<th>JSA (contribution based)</th>
<th>JSA (income based)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disqualification for up to 26 weeks for leaving voluntarily, misconduct, refusal of employment and IS automatically reduced by 40% of personal allowance both pending decision and following adverse decision on leaving voluntarily,</td>
<td>Disqualification for up to 26 weeks for leaving voluntarily, misconduct, refusal of employment. Loss of benefit for 2 weeks (4 if repeated) for refusal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to reduced rate only in case of hardship: but not during first 2 weeks of a standard sanction or throughout a New Deal sanction, except for people in</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
refusal of training. No UB payable pending decision on first two categories. misconduct and refusal of employment. of training scheme or employment programme, refusal to carry out Jobseeker's Direction. prescribed vulnerable groups.

* Increased from one hour each way in 2004.
** Increased from two steps in 2004.

4.2 New Labour’s Inheritance: Falling Unemployment and Increasing Benefit Dependency

By 1996/97 the active benefit regime was contributing to a general decline in unemployment (Sweeney and McMahon, 1998). The welfare state that New Labour inherited in 1997 was, however, under pressure. The reduction in unemployment masked the emergence of deep-seated problems. In particular, earnings inequality had increased and pay levels for the unskilled had fallen, leading to a substantial degree of in work poverty, particularly among families with young children. Inter-generational unemployment blighted many disadvantaged areas and in one in five UK households nobody of working age had a job. By 1996 nearly a million lone parents, mainly women were dependent on state benefits.

Economic activity rates were static and had fallen for older men. Many of those who lost jobs in the waves of restructuring that took place in manufacturing and other sectors moved on to sickness and disability benefits, contributing to what was described as ‘hidden unemployment’ (Alcock et al, 2003). A number of ‘push’ and ‘pull’ factors were identified. ‘Push factors’ included the collapse in demand for unskilled labour, the role of the activation regime and the relative laxity of medical and eligibility tests. ‘Pull factors’ included the relative generosity of invalidity compared with unemployment benefits (Clasen et al, 2004, p. 22). Other factors were also at work, especially an increase in qualifying mental health conditions.

What was common to both those claiming lone parent and disability benefits was that while the flow into these benefits was relatively steady the average duration of such benefit claims increased. There were no work requirements for those on ‘inactive’ benefits and most who claimed them had little contact with employment related services.

4.3 Activation under New Labour: A ‘New Contract for Welfare’

In his first major domestic speech Prime Minister Blair stated that the “greatest challenge” for his “welfare to work” Government was “to refashion our institutions to bring the new workless class back into society and into useful work” (PM, 1997). The Labour Government commenced a programme of radical change. The first steps involved the introduction of ‘New Deal’ employment programmes alongside a National Minimum Wage (NMW) and changes to the tax and benefit system to ‘make work pay’. In 1998 the Government proposed a ‘new contract for welfare’. The ambition was to rebuild the welfare system “around the principle of work for those who can and security for those
who cannot” (DSS, 1998, p. iii). The ambition was to change “the whole culture of the benefit system” through introducing a “single gateway to work” where Personal Advisers (PAs) would help “people to become independent, rather than (lock) them into dependency” (ibid, p. 9).

The reform process has since sought to activate both individual claimants and the institutions delivering benefits and employment programmes. In 2001 a national Department of Work and Pensions (DWP) was created with Jobcentre Plus (JCP), an Executive Agency made responsible for integrating job search support and benefit payments for all working age people. The 1999 Welfare Reform and Pensions Act introduced mandatory ‘Work Focused Interviews’ (WFIs) for all working age claimants and Ministers have since extended the frequency with which certain groups have to attend them. In 2008 major changes will further ‘activate’ benefits for people with health problems or disabilities and work obligations are likely to be extended to lone parents.

The following sections describe in more detail the key components of the ‘active’ welfare state constructed by New Labour. The sections consider in turn:

- The replacement rate of JSA and ‘make work pay’ reforms;
- Activation requirements and sanctions;
- Employment programmes and the New Deal; and
- The governance and delivery of the new system, especially the role of private and voluntary sector providers.

Finally the chapter assesses trends in unemployment and economic activity and considers the evidence available on the impacts of the reforms introduced.

4.3.1 ‘Making Work Pay’: The NMW and Working Tax Credits

The level of British benefits for the unemployed is low relative to previous earnings, a characteristic of a liberal welfare regime. The OECD summary measure of benefit entitlements shows the British wage replacement rate falling from 24% to 18% between 1979 and 1995 and declining to 16% in 2003, at which point it was amongst the lowest in Europe (www.oecd.org/els/social/workincentives). By 2005 the level of JSA payment for a couple aged over 25 represented just over 17% of the average wage and that for a single person under 25 less than 11% (see Table 2).

The value of the main means-tested benefits relative to average earnings has, however, changed significantly. There has been an improvement in the position of larger families with children and for pensioners, as shown in Figure 4, reflecting the Government’s commitment to tackle child and pensioner poverty. By contrast unemployed single people and childless couples have experienced a 20% decline in the value of their benefit relative to average earnings since 1997 (Palmer et al, 2006, Table 6A). The Government argues that this change has sharpened work incentives and targeted extra income at those groups least able to improve their position through employment.
Table 2: Jobseeker's Allowance (contribution based) at April 2005 Prices and as a percentage of Average Earnings (1997, 2001, 2005)

<table>
<thead>
<tr>
<th>Date of uprating</th>
<th>Single person aged over 25</th>
<th>Couple aged over 25</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rate of JSA £pw</td>
<td>Rate as a percentage of average earnings %age</td>
</tr>
<tr>
<td>April 1997</td>
<td>49.15</td>
<td>13.4</td>
</tr>
<tr>
<td>April 2001</td>
<td>53.05</td>
<td>11.8</td>
</tr>
<tr>
<td>April 2005</td>
<td>56.20</td>
<td>10.9</td>
</tr>
</tbody>
</table>


Figure 4: Level of Income Support* Relative to Average Earnings: 1997-2006

* Income Tested JSA paid at same rate as IS

More positive work incentives have been introduced also to ‘make work pay’. In 1998 the NMW Act established an independent statutory Low Pay Commission to make recommendations about the level and operation of a minimum wage. The legislation established a single national hourly rate to cover all mature workers, except the self-employed. The only exception is younger people and trainees who can be paid a lower development rate.

The NMW has been increased annually since 1999 and, in the absence of adverse impacts on employment or inflation, the rate has been increased faster than average earnings since 2003 (see Table 3).

Table 3: National Minimum Hourly Wage Rates: 1999 to 2006

<table>
<thead>
<tr>
<th>Date</th>
<th>Adult Rate (for workers aged 18-64)</th>
<th>Development Rate (for workers aged 16-17 Year Olds)</th>
</tr>
</thead>
<tbody>
<tr>
<td>With effect from</td>
<td></td>
<td>Rate</td>
</tr>
<tr>
<td>1897</td>
<td>87.0</td>
<td>105.5</td>
</tr>
<tr>
<td>1996</td>
<td>88.9</td>
<td>107.1</td>
</tr>
<tr>
<td>1997</td>
<td>90.8</td>
<td>108.7</td>
</tr>
<tr>
<td>1998</td>
<td>92.6</td>
<td>110.4</td>
</tr>
<tr>
<td>1999</td>
<td>94.3</td>
<td>112.0</td>
</tr>
<tr>
<td>2000</td>
<td>96.1</td>
<td>113.6</td>
</tr>
<tr>
<td>2001</td>
<td>97.9</td>
<td>115.3</td>
</tr>
<tr>
<td>2002</td>
<td>99.7</td>
<td>117.0</td>
</tr>
<tr>
<td>2003</td>
<td>101.5</td>
<td>118.7</td>
</tr>
<tr>
<td>2004</td>
<td>103.3</td>
<td>120.5</td>
</tr>
<tr>
<td>2005</td>
<td>105.1</td>
<td>122.3</td>
</tr>
<tr>
<td>2006</td>
<td>106.9</td>
<td>124.3</td>
</tr>
</tbody>
</table>

15


The development rate can apply to workers aged 22 and above during their first six months in a new job with a new employer if they are receiving ‘accredited training’. Source: http://www.lowpay.gov.uk/lowpay/index.shtml.

The NMW was introduced alongside other reforms. In 1999 there were reductions in income tax and NI contributions for low paid workers and the introduction of the Working Families Tax Credit (WFTC). Figure 5 illustrates the ways in which WFTC was more generous than Family Credit, which it replaced.

**Figure 5: Main Characteristics of Family Credit and Working Families Tax Credit**

<table>
<thead>
<tr>
<th>Family Credit</th>
<th>Working Families Tax Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administered and assessed by the Benefits Agency</td>
<td>Administered and assessed by the Inland Revenue</td>
</tr>
<tr>
<td>Claimed by woman in a couple</td>
<td>Claimed by man or woman according to couple’s choice</td>
</tr>
<tr>
<td>Paid by direct debit to bank account or a BA order book (cashable at a Post Office)</td>
<td>Paid through wage packet by employer or direct from Inland Revenue</td>
</tr>
<tr>
<td>Main earner must be working 16 hours per week or more</td>
<td>Main earner must be working 16 hours per week or more</td>
</tr>
<tr>
<td>Extra credit for those working 30 hours or more per week</td>
<td>Extra credit for those working 30 hours or more per week</td>
</tr>
<tr>
<td>Withdrawn at the rate of 70 pence for each extra £1 over threshold</td>
<td>Withdrawn at the rate of 55 pence for each extra £1 over threshold</td>
</tr>
<tr>
<td>Paid over a six month period</td>
<td>Paid over a six month period</td>
</tr>
<tr>
<td>Started to be withdrawn once net income reached £79 per week</td>
<td>Started to be withdrawn once net income reached £90 per week</td>
</tr>
<tr>
<td>One adult credit per household, plus age related credit for each child</td>
<td>One adult credit per household, plus age related credit for each child</td>
</tr>
<tr>
<td>Contained some help with childcare costs</td>
<td>More generous help with childcare costs</td>
</tr>
<tr>
<td>Capital over £8,000 disqualified from benefit; capital between £3,000 and £8,000, assumed investment income reduces benefit proportionately</td>
<td>Capital over £8,000 disqualified from benefit; capital between £3,000 and £8,000, assumed investment income reduces benefit proportionately</td>
</tr>
</tbody>
</table>

One consequence of the WFTC for co-habiting couples was that the payment largely went to the earner rather than the primary carer. This shift from ‘purse’ to ‘wallet’ raised important issues about the uneven distribution and control of household income (Goode et al, 1998). Subsequently, the Government decided to disentangle work incentive and
child support elements and in 2003 introduced a separate Working Tax Credit (WTC) for low paid workers, paid direct to the employee, and a Child Tax Credit (CTC) paid direct to the main carer. WTC eligibility was extended to include single people and childless couples, although restricted to people aged over 25 (see Figure 6).

WTC and CTC have integrated previously fragmented systems and increased levels of financial support but have proved administratively complex. Higher caseloads have drawn more people into the tax credit system of income testing (see later). In April 2006, approximately 1.88 million families were receiving WTC, 1.57 million of which also received CTC (Adam and Browne, 2006, p. 9).

From the Government’s perspective tax credits and the NMW complement each other. The NMW underpins in-work tax credits by ensuring a minimum rate of pay but does not respond to household needs or the income of other workers in the household. Tax credits provide support tailored to an individual household’s needs, for example, reflecting the number of children in a family. They also help parents balance work and family life by providing support to those working part time.

**Figure 6: Working Tax Credit and Child Tax Credit**

| **Working Tax Credit** | Families with children, and workers with a disability, are eligible for WTC provided at least one adult works 16 or more hours per week. Workers with no children and no disability are only eligible if they are aged 25 or over and work at least 30 hours per week. WTC is made up of a basic element, with an extra payment for couples and lone parents (i.e. for everyone except childless single people), as well as an additional payment for those working at least 30 hours per week (30 hours in total for couples). WTC includes supplementary payments for disability, severe disability and those over 50. The childcare element of WTC is available to lone parents with a child under 16 years working 16 hours or more per week and to couples where partners work for 16 hours or more per week (or if one is incapacitated and thus unable to care for children). In 2006/07 the childcare component provided 80% of eligible childcare expenditure of up to £175 per week for families with one child or £300 for families with two or more children (i.e. up to £140 or £240 per week respectively). |
| **Child Tax Credit** | CTC is a single integrated benefit paid on top of the non mean tested Child Benefit and directly to the main carer. CTC is made up of a number of elements: a family element, a baby element (for families with a child under the age of 1), a child element, a disabled child additional element and a severely disabled child supplement. Entitlement to CTC does not depend on employment status, but does require that the claimant be responsible for at least one child under the age of 16 (or aged 16–18 and in full-time education). CTC and WTC are subject to a single means test operating at the family level. |

The combination of a NMW with tax credits and other reforms has reduced the severity of the unemployment and poverty traps. Table 4 illustrates the impact of the Government’s reforms on high ‘effective marginal tax rates’ (EMTRs) between 1998 and 2007. Table 5 illustrates real terms increase in what the Government describes as the
‘Minimum Income Guarantee’ between 1999 and 2007. These theoretical incentives are ‘personalised’ through software packages used by front line advisers that enable them to provide individualised ‘better off in work calculations’ for unemployed and other workless claimants.

It is important to note that the ‘make work pay’ strategy is complemented by other instruments. These include a diverse range of policies from practical assistance with the cost of making the transition from benefit payments to wages, through to the development of new services that facilitate employment. Perhaps the most important is the ‘National Childcare Strategy’ that aims to increase the supply of affordable child care. There is also the combined effort of Government Departments to influence and, where necessary, regulate employer recruitment and personnel practices, including the implementation of anti-discrimination legislation and the right to request flexible working hours (Keter, 2006).

### Table 4: The effect of the Government’s reforms on high marginal deduction rates

<table>
<thead>
<tr>
<th>Marginal deduction rate</th>
<th>Before Budget 1998</th>
<th>2007-08 system of tax and benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 100 per cent</td>
<td>5,000</td>
<td>0</td>
</tr>
<tr>
<td>Over 90 per cent</td>
<td>130,000</td>
<td>45,000</td>
</tr>
<tr>
<td>Over 80 per cent</td>
<td>300,000</td>
<td>165,000</td>
</tr>
<tr>
<td>Over 70 per cent</td>
<td>740,000</td>
<td>205,000</td>
</tr>
<tr>
<td>Over 60 per cent</td>
<td>760,000</td>
<td>1,680,000</td>
</tr>
</tbody>
</table>

1 Marginal deduction rates are for working heads of households in receipt of income-related benefits or tax credits where at least one person works weekly 16 hours or more, and the head of the household is not a disabled person.

Note: Figures are cumulative. Before Budget 1998 based on 1997-98 estimated caseload and take-up rates; the 2007-08 system of tax and benefits is based on 2004-05 caseload and take-up rates.


### Table 5: Weekly Minimum Income Guarantees 1999-2007

<table>
<thead>
<tr>
<th>Category</th>
<th>April 1999</th>
<th>April 2007</th>
<th>Percentage increase in real terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family with one child, full-time work</td>
<td>£182</td>
<td>£275</td>
<td>22%</td>
</tr>
<tr>
<td>Family with one child, part-time work</td>
<td>£136</td>
<td>£215</td>
<td>27%</td>
</tr>
<tr>
<td>Single person, 25 or over, full-time work</td>
<td>£113</td>
<td>£178</td>
<td>27%</td>
</tr>
<tr>
<td>Couple, no children, 25 or over, full-time work</td>
<td>£117</td>
<td>£211</td>
<td>45%</td>
</tr>
<tr>
<td>Single disabled person in full-time work</td>
<td>£139</td>
<td>£222</td>
<td>29%</td>
</tr>
<tr>
<td>Single disabled person in part-time work</td>
<td>£109</td>
<td>£163</td>
<td>20%</td>
</tr>
</tbody>
</table>

4 The number of registered child care places doubled between 1997 and 2006 to 1.28 million delivered by 95,000 registered providers. The Government’s target is that “by 2010 there is “a child care place for all children aged between three and 14, from 8am to 6pm each day of the week, including school holidays” (Hutton, 2007). There remain, however, significant problems with the affordability and accessibility of such child care provision (Harker, 2006)
Assumes single earner household, the prevailing rate of NMW and that the family receives the full entitlement of Family Credit/Disability Working Allowance or WTC/CTC.

Full-time work is assumed to be 35 hours. Part-time work is assumed to be 16 hours.

1 Applies to lone parents and couples with children alike.

2 RPI growth is taken from HM Treasury’s economic forecasts.


### 4.3.2 Activation Requirements: JSA and WFIs

New Labour has intensified the JSA regime. All JSA claimants are subject to regular administrative interactions, such as fortnightly job search reviews, that aim to encourage continuous job search, ensure that claimants meet JSA conditionality, and discourage fraud. Access to more intensive support increases in line with duration of unemployment culminating in eligibility for a New Deal programme. The tapered access to support reflects a balance between targeting support on those at risk of drifting into long term unemployment while minimising deadweight costs. There is no profiling system but some groups do get early access to programmes, including ex-offenders, refugees, and some homeless people.

The Government has also extended conditionality to partners and spouses of the JSA unemployed with no child care responsibilities. These ‘joint claim’ provisions apply to any partner born after 1957 who is now required to be available for full time work, meet regular job search obligations and, when eligible, enter a New Deal. This change aims to end the assumption of ‘spouse dependency’ in the system.

WFIs for non-JSA benefit claimants were introduced in 2001. Attending a WFI is now a condition of receiving benefit. The PA has discretion to ‘defer’ the WFI and there are some limited exemptions for prescribed groups. At the WFI the claimant must be prepared to answer questions (if asked) about such matters as:

- Educational qualifications/vocational training;
- Employment history and employment related skills;
- Any current paid/unpaid employment;
- Caring responsibilities; and
- Any medical condition which puts the person at a disadvantage in getting a job.

Since October 2005 most claimants who attend a WFI have been required to complete an action plan agreed with a PA that might include referral to an employment programme.

Legally the claimant does not as yet have to agree to take any action. It is attending and taking part in the interview, and agreeing an action plan, which is a requirement.

After the first WFI different groups are subject to different patterns of mandatory attendance. Lone parents, for example, have to attend a further mandatory WFI after six months. Those on IS for a year and whose youngest child is aged below 11 have to attend.
six-monthly; those whose youngest child is aged 11 or over have to attend quarterly (Harker, 2006, p. 23).

WFI attendance had been less intense for those on disability benefits but a new pattern of six mandatory WFIs for selected IB claimants was introduced with ‘Pathways to Work’ a new employment programme piloted in selected areas since 2003. In April 2008 IB will itself be replaced by a new ‘Employment Support Allowance’ (ESA). When claiming ESA claimants will initially be placed on a ‘holding benefit’, paid at JSA rates, and, after medical assessment, those with ‘more manageable conditions’ will be paid extra only if they participate in WFIs and work related activities. A smaller group of those with more ‘severe conditions’ will receive higher rates of benefit immediately and, although required to attend a WFI, will only participate in other work related activities on a voluntary basis. The Government has indicated that levels of conditionality for both ESA and existing IB claimants are likely to increase as evidence on impacts builds and as resources and delivery capacity allow.

In less than five years WFIs have developed from an initial ‘one off’ requirement at the start of a benefit claim into a flexible activation instrument targeted at lone parents, partners and people on disability benefits.

4.3.3 Claims, Appeals and Sanctions

To make a claim for benefit a working age applicant must call a ‘First Contact Officer’, based in a call centre. This official identifies the clients’ personal circumstances, issues the appropriate benefit claim form and books an appointment with a PA (usually within 3 to 4 working days). Prior to meeting the PA an individual is first seen by a Financial Assessor who checks their forms, ascertains their financial circumstances and answers questions about the benefit claim. All claimants must then attend a WFI with the PA whose task is to assess employability, identify barriers and provide employment assistance. They may match and submit the individual to vacancies available on the computerised ‘Labour Market System’. Claimants are then subject to job search, activation and WFI requirements related to the benefit they are entitled to. This JCP ‘customer experience’ process has been designed to reinforce its employment first strategy by separating benefit advice from employment assistance (see Figure 7).

Figure 7: Jobcentre Plus Active Benefit Regime 2007
Currently a person who fails to attend a WFI usually has five days in which to show ‘good cause’ for that failure or sanctions will be applied. The type of sanction depends on the stage of the claim. Failure to attend a WFI when a claim is first made means no benefit will be paid. For those with an existing claim the sanction will usually entail a benefit reduction of 20%.

JSA claimants are by contrast subject to a tougher sanction regime. In effect there are three types of sanctions:

- **Varied length sanctions**: JSA claimants lose benefit for up to 26 weeks if they leave or are dismissed or refuse a job without good cause. A JCP decision maker determines the length of the penalty but it usually lasts the full 26 weeks.
- **Fixed-length sanctions**: These are imposed if the claimant does not follow a Jobseekers Direction, fails to attend or leaves a mandatory programme without good cause. The claimant receives a two week sanction for a first offence, four weeks the second time they break the rules and 26 weeks for the third instance of non-compliance.
Disallowances: A ‘disallowance’ stops benefit being paid when there are entitlement doubts, for example, the claimant fails to attend an interview or is determined to be unavailable for or not actively seeking work.

There is a right of appeal against a decision that the claimant did not take part in an interview. The unemployed may also appeal on issues related to the reasonableness of a JSA, whether the applicant is available for or actively seeking work, whether they have lost a job through misconduct or had ‘good cause’ for not participating in or leaving a training programme.

Decisions about entitlement are made on behalf of the Secretary of State for Work and Pensions. All sanctions and benefit disallowances are decided by a specialist ‘decision maker’, not by the front line official involved in the case. A ‘decision maker’ has to reconsider any decision that a claimant wishes to dispute. If the claimant remains dissatisfied they can appeal to an independent tribunal that has one, two or three members, depending on the case, with a minimum of one legally qualified. There is a strict limit for appealing, as a rule one month.

Claimants must provide certain information when they appeal and the DWP must explain in detail the reasons for its decisions. The Appeals Service, which administers the process, asks if the individual wants an oral hearing. If there is no oral hearing the tribunal makes its decision by considering the appeal form, any evidence or other information provided by the claimant to support the appeal, and the decision maker’s submission. The decision notice includes a summary of the tribunal’s reasons for its decision and information on the right to request a statement of reasons for the tribunal’s decision. A full decision is needed if the claimant loses the appeal and wants to appeal to a Commissioner. If the appeal is won the DWP must carry out the tribunal’s decision.

The appeal tribunal decision carries a further right of appeal, but only on a point of law, to the Social Security and Child Support Commissioners. This route can be exercised by either the applicant or DWP if they disagree with the decision. There is a further right of appeal from the Commissioners to the Court of Appeal or the Court of Session, and then to the House of Lords and European Court. Between 200,000 and 250,000 appeals are handled every year, and some 6,500 of these go on to the Commissioners or higher appeals (NAO, 2003). Separately from the decision making and appeals process, claimants may complain about the handling of the administrative aspects to the Parliamentary Commissioner for Administration (the Ombudsman) through their Member of Parliament.

Individuals with a low income might be able to get free legal advice and assistance including preparatory work for a hearing and subsequent appeals.

Evidence of the impact of sanctions on claimant behaviour is discussed later but it is important to note a significant number of sanctions are subsequently overturned through the above revision and appeal mechanisms. Only 46% of cases referred by PAs to a decision maker between 2000 and 2005 resulted in a sanction, of which a certain
percentage are likely to have been overturned through further ‘reconsiderations’ or appeals (OECD, 2006, p.22). One factor is that many JSA claimants are able to show subsequent good cause for leaving employment or for non attendance at their appointments.

In practice most sanctions are softened by special payments paid if a claimant is able to show they or their family would suffer undue hardship.

### 4.3.44 New Deals and Pathways to Work

In 1997 the Government inherited a diverse range of employment programmes many of which continue to operate. Access to these programmes is organised through PAs and they are often combined with New Deal participation. The provision includes ‘work first’ job search support facilities, as in ‘Programme Centres’, and a range of specialised schemes for disabled people (from ‘supported employment’ to assistance with aids and adaptations to working environments). The most significant measure is ‘Work Based Learning for Adults’ (WBLA) in England (Scotland and Wales have similar but separate programmes). ‘WBLA’ is targeted at those who have been claiming JSA for over six months or who are on other working age benefits. It offers basic skills, employability and occupational training for an average of 13 weeks. At any one point there are about 10,000 participants and about 100,000 people go through the programme each year.

New Labour’s primary programme innovation has, however, been the suite of ‘New Deals’ that have been at the forefront of its welfare to work strategy since 1997. Table 6 shows that expenditure on the New Deals grew rapidly and by 2001/02 accounted for over half of all programme expenditure. Overall expenditure increased from £584m in 1997/98 to £1,063 million in 2004/05 with the New Deals accounting for £526 million of that total. It is important to note that over half of New Deal expenditure continues to be allocated to the programmes for the JSA unemployed.

**Table 6: Employment Programme Expenditure 1997/98 to 2004/05 (£ million)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NDYP</td>
<td>12</td>
<td>162</td>
<td>282</td>
<td>293</td>
<td>219</td>
<td>221</td>
<td>265</td>
<td>264</td>
</tr>
<tr>
<td>ND25 plus</td>
<td>—</td>
<td>17</td>
<td>71</td>
<td>42</td>
<td>140</td>
<td>166</td>
<td>189</td>
<td>169</td>
</tr>
<tr>
<td>NDDP</td>
<td>—</td>
<td>0</td>
<td>15</td>
<td>7</td>
<td>4</td>
<td>16</td>
<td>28</td>
<td>65</td>
</tr>
<tr>
<td>NDLP</td>
<td>—</td>
<td>1</td>
<td>12</td>
<td>14</td>
<td>9</td>
<td>18</td>
<td>20</td>
<td>24</td>
</tr>
<tr>
<td>ND50 plus(1)</td>
<td>—</td>
<td>—</td>
<td>1</td>
<td>45</td>
<td>82</td>
<td>82</td>
<td>42</td>
<td>3</td>
</tr>
<tr>
<td>NDfor partners</td>
<td>—</td>
<td>—</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>All New Deal As % of Total</td>
<td>12</td>
<td>180</td>
<td>381</td>
<td>402</td>
<td>456</td>
<td>503</td>
<td>544</td>
<td>526</td>
</tr>
<tr>
<td>Work Based Learning for Adults</td>
<td>382</td>
<td>264</td>
<td>264</td>
<td>275</td>
<td>168</td>
<td>123</td>
<td>142</td>
<td>193</td>
</tr>
<tr>
<td>Employment Zones</td>
<td>—</td>
<td>1</td>
<td>1</td>
<td>72</td>
<td>96</td>
<td>94</td>
<td>84</td>
<td>75</td>
</tr>
<tr>
<td>Pathways to Work</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1</td>
<td>15</td>
</tr>
</tbody>
</table>
The core principle of Labour’s ‘New Deal’ for the unemployed is that individuals are ‘guaranteed’ intensive employment assistance after a particular duration of unemployment and at that point all JSA claimants must be placed in a job or participate in a full time employment activity (where they are no longer classified as unemployed). The only alternative to the New Deals for the unemployed has been in Employment Zones (EZs), which are primarily aimed at those aged over 25 and wholly delivered by private sector organisations (discussed later).

Between 1997 and 2001 the Government introduced a succession of other New Deal employment programmes aimed at lone parents, disabled people, unemployed people aged over 50, and partners. Participation in these programmes is voluntary.

The main characteristics of the New Deals are outlined in Figure 8. The important innovation associated with the New Deals was the introduction of PAs. These front line workers, like case managers in other systems, are expected to develop an Action Plan, assess employability, provide job search assistance, and tackle employment barriers through referrals to an array of support programmes usually delivered by contracted providers. PAs have the task of weaving together available services and are expected to intervene more directly in the micro regulation of individual behaviour, encouraging or requiring claimants to search for jobs and/or engage in activities that improve employability.

**Figure 8: New Deal Programmes and Pathways to Work**

<table>
<thead>
<tr>
<th>Other Programmes for Disabled People(1)</th>
<th>86</th>
<th>92</th>
<th>104</th>
<th>107</th>
<th>110</th>
<th>119</th>
<th>141</th>
<th>143</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Programmes(3)</td>
<td>104</td>
<td>59</td>
<td>56</td>
<td>54</td>
<td>68</td>
<td>76</td>
<td>98</td>
<td>111</td>
</tr>
<tr>
<td>Total</td>
<td>584</td>
<td>596</td>
<td>806</td>
<td>910</td>
<td>898</td>
<td>915</td>
<td>992</td>
<td>1063</td>
</tr>
</tbody>
</table>

(1) The New Deal 50 plus Employment Credit was subsumed within the 50 plus element of the Working Tax Credit from 2003-04.

(2) Includes ‘Workstep’ (Supported Employment); Work Preparation (rehabilitation services); Access to Work which provides help with aids and adaptations; and some smaller specialised programmes.

(3) Includes a diverse range of provision including, for example, Programme Centres (that provide help with jobsearch); Action Teams and ethnic minority initiatives; specialist programmes for people with disabilities; and ‘Rapid Response’ services to assist after large scale redundancies.

Notes: 1. Data comprises programme expenditure, allowance payments paid to New Deal participants and the New Deal 50 plus Employment Credit.

2. All figures are rounded to the nearest £ million; expenditure of less than £500,000 is shown as a zero.

Source: Adapted from Hansard, col. 422W, 18 April 2006.
education to improve basic skills. Most options involve some vocational training and there is a ‘follow through’ process of advice and support for those unemployed at the time they complete their option.

**New Deal 25 Plus:** ND25 plus is mandatory for those aged between 25 and 49 who have been claiming JSA for 18 of the last 21 months. It involves support from a PA and an initial Gateway period that can last for 16 weeks, and includes a period of compulsory full time job search activity. This is followed by an ‘Intensive Activity Period’ (IAP) lasting for, initially 13 weeks but which can be extended up to 26 weeks, including flexible packages of support which can combine work experience/placements, work focused training and help with motivation and soft skills. There is a period of ‘follow-through’ support if the participant returns to unemployment. JSA claimants aged over 50 must attend the initial interviews but are not yet subject to the mandatory IAP.

**New Deal for Lone Parents:** NDLP is a voluntary programme. A participant is allocated a specialist PA who constructs an agreed package of support which can include training and financial help with formally registered childcare. The Government is piloting an enhanced package of support, known as ‘NDLP Plus’, in seven areas. This package combines an advance payment for job search (Work Search Premium), some direct assistance with childcare, a guaranteed clear gain from work (via a time limited cash ‘In-Work Credit’ and tax credits) and support in work (from an In-Work Emergencies Fund and In-Work Support). After evaluation this approach may be extended to other areas.

**New Deal for Disabled People and Pathways to Work:** NDDP has been delivered through a national network of contracted Job Brokers who had flexibility in how they provided assistance and were paid in part on the basis of how many participants they placed in sustained employment (of at least 13 weeks). NDDP is being replaced by ‘Pathways to Work’. ‘Pathways’ provision has gradually been extended since 2003. It combines activation through WFIs and the requirement to complete an action plan with a specialist PA who can make referrals to a range of options. This ‘Choices’ package includes a ‘condition management programme’ (CMPS), developed with the National Health Service, a ‘Return to Work Credit’ (a time limited wage supplement), as well as referrals to existing provision. CMPS are not curative but can involve rehabilitation support to enable an individual to return to work and manage health conditions, such as, back pain, angina, or mental illness. In 2007/08 the programme is being extended nationally alongside the introduction of the new ESA.

In mid-2006 there were some 430,000 people participating in the various New Deals and EZs, reflecting the latest data then available. Table 7 shows also the number of ‘starts’ there have been on each programme since commencement and crudely the number of participants who have gained employment after leaving (these employment outcomes are discussed in more detail later).

The number of people who participate in the various New Deals and other employment at any one point in time varies significantly as does the intensity of the level of support they receive. While entry to the New Deals for the unemployed is guaranteed coverage of the two significant ‘inactive’ groups – lone parents and those on disability benefits – is far less extensive and engagement so far has been with those most inclined to participate.
Participants on employment programmes continue to be paid their existing benefits. A minority are paid allowances or receive wages and are therefore removed from the JSA unemployment count and if they return to JSA are classified as short term unemployed. This has an impact on the official count of the JSA unemployed but is much less significant than the ‘hidden unemployment’ of large scale employment programmes in other European countries.

Table 7: New Deals and Employment Zones: All Starts and Job Entries from Commencement of Programme* and Participants at May-August 2006+ (000s)

<table>
<thead>
<tr>
<th></th>
<th>ND for Young People</th>
<th>ND 25plus</th>
<th>ND for Lone Parents</th>
<th>ND for Disabled People</th>
<th>ND 50plus</th>
<th>ND for Partners</th>
<th>Employment Zones</th>
</tr>
</thead>
<tbody>
<tr>
<td>People Starting</td>
<td>1,118.2</td>
<td>649.4</td>
<td>710.4</td>
<td>216.6</td>
<td>74.8</td>
<td>13.6</td>
<td>148.4</td>
</tr>
<tr>
<td>People Getting a Job</td>
<td>693.8</td>
<td>272.0</td>
<td>471.8</td>
<td>116.1</td>
<td>164.9</td>
<td>5.8</td>
<td>71.2</td>
</tr>
<tr>
<td>Actual Participants</td>
<td>95.1</td>
<td>48.9</td>
<td>57.9</td>
<td>140.5</td>
<td>54.2</td>
<td>3.1</td>
<td>26.5</td>
</tr>
</tbody>
</table>

+ Most recent monthly data on leavers and participants varied across programmes.


5 The Governance of Activation

The governance of welfare reform has changed. Departments have been restructured, JCP has been created, and the Treasury has acquired greater power to steer policy through ‘Public Service Agreements’ (‘quasi-contracts’ that set out Departmental policy objectives against which performance is assessed)\(^5\). In delivery there has been a continuing transition from a traditional highly centralised bureaucracy providing standard services to a more complex public-private network ‘steered’ by policy makers through performance targets and contracts.

DWP is the key organisation responsible for the benefit system and activation policies and is one of the few departments that still presides over England, Scotland and Wales. Ministers are supported by senior civil servants in the Working Age Directorate which is responsible for activation policy advice, evaluation and ‘steering’. Programmes, services and benefits for working age people are delivered through JCP.

There is no formal role for the ‘social partners’ but there is a National Employment Panel (NEP), comprising 25 Chief Executives, 60% of whom are from large employers in the private sector. The TUC nominates three representatives. Places on the NEP are

\(^5\) PSAs substantially change the degree to which the Treasury is able to set not only the constraints for departments’ policy making, as in the past, but also what policies are to be made. The policy objectives themselves, how policies are delivered, and how that delivery is to be measured are all now subject to Treasury approval and monitoring (Carmel and Papadopoulos, 2003).
‘personal’ appointments. The NEP, according to its Chief Executive, is ‘an external group within the heart of Government’. It is independent, albeit based in DWP, with a remit to “challenge, scrutinise and help develop welfare to work policies”.

5.1 Jobcentre Plus

JCP became operational in April 2002 and provides services and benefits for working age claimants. JCP has significant operational autonomy but is accountable to DWP Ministers. The Chief Executive of JCP is appointed on a three-year contract renewable by mutual consent. There is an executive Board with seven full time Directors and three non-executive Directors. JCP is divided into nine English Regions plus offices for Wales and Scotland, which in turn are subdivided into 50 Districts.

JCP is ‘steered’ through a variety of ‘Performance and Resource Agreement’ targets agreed annually with the Secretary of State for Work and Pensions. These include job entry targets alongside targets that specify anticipated performance in paying benefits promptly and accurately, reducing fraud and error, helping employers fill vacancies and improving business efficiency and customer satisfaction. JCP is expected both to administer benefits efficiently and ‘activate’ claimants through an ‘employment first’ approach. Job outcomes are a primary measure of success. These job entry targets are weighted to clearly signal the priority attached to different groups with, for example, greater value given for getting a lone parent into a job and least value for helping someone already employed to move into a new job.

JCP is at the forefront of the modernisation of the British public sector. In 2002 JCP inherited a network of 1,500 offices and 90,000 ES and BA staff, who were primarily civil servants but with separate collective bargaining structures, agreements and appraisal systems. Staff numbers are planned to fall to just under 69,000 by 2008, a reduction of over 20%, at which point JCP will comprise 850 front line offices and 25 ‘contact call centres’. Staff reductions are intended to impact on administrative and ‘back office’ staff with efficiencies being secured through the extensive use of computerised systems, call centres, telephones and on line technologies. The overall ‘roll out’ investment programme in new offices and technologies has cost over £2 billion.

A National Audit Office report estimated that in 2005/06 JCP administered around £22 billion in benefits to some 4.6 million people claiming a core working age benefit. About 16,000 new claims for benefit were made every day and some 4,000 people helped into employment (NAO, 2006, p. 7). The 9,300 PAs employed by JCP conducted 10.8 million WFIs, about 200,000 a week (ibid, p.6). PAs conducted about 28 interviews per week and had an average active caseload of 30-40 customers (ibid, p. 16).

5.2 Partnerships, Contracts and Contestability

JCP works with a complex array of ‘partnerships’, both nationally and locally. These can be strategic or operational. The operational partnerships include contractual relationships with an extensive mixed economy of ‘for profit’ and ‘not for profit’ providers who
deliver most employment programmes. In 2005/06 around one third of ‘welfare to work’ provision was delivered through more than one thousand contracts with such providers (HMT, 2006, p. 119). In 2005/06 external providers delivered a total of 135,107 job entries, an increase of 25% from the previous year (JCP, 2006, p. 33).

Typically New Deal contracts last for three years and specify in some detail the nature of the provision to be made available. In 2006 significant changes were made with the introduction of ‘prime contractors’ and experimental price competition in New Deal programmes for the JSA unemployed. The prime contractor model increased the size of contracts and reduced the number of contractors. Prime contractors undertake three functions. They:

(a) provide directly a substantial proportion of the specified provision;
(b) subcontract a proportion of provision to other organisations; and
(c) manage and monitor the performance and quality of sub contractors as well as all their own performance.

A significant flexibility is that prime contractors are not required to follow public sector competitive tendering rules for work they subcontract.

In addition the DWP has implemented more formal experiments with private sector led providers where JCP has had to compete directly with external organisations. This has enabled DWP to ‘benchmark’ public sector performance and identify efficiencies or innovations that could be extended through public sector provision. The most radical of these experiments has been in EZs.

There are two types of EZ providers. Seven areas have ‘single provider’ zones where the contractor has a monopoly of provision. Six areas have ‘multiple provider’ zones in larger urban areas where several contractors deliver services. In these ‘multiple’ zones providers are awarded a fixed market share and participants are randomly assigned to them.

Both New Deals and EZs use front line advisers but zones have greater freedom to design their interventions due to the flexibilities given in their contracts. Zone contractors have incentives to place clients into sustained employment speedily but face a risk that if targets are not met the contractor will lose money. In total EZs service about 30,000 clients a year at an estimated cost for 2005/06 of £101m.

There has been much debate about the merits of private contractors and their performance against the regular New Deals, and some evidence is considered later. Nevertheless the Government has made it plans a major expansion in the role of the private and voluntary sectors.

6. Outcomes of Activation Policies
The following sections consider trends in economic activity and unemployment and the changing characteristics of the JSA unemployed. They consider also the role of evaluation and evidence about the impacts of the different components of the activation regime.

6.1 ‘What Works’: the Role of Evaluation

In the 1980s Conservative Governments placed increased emphasis on evaluation and it was in part the findings from studies in the 1990s that underpinned the primacy given to ‘work first’ job search programmes (for a review see Finn et al, 1998).

The commitment to evaluation was developed further in New Labour’s approach to ‘evidence based policy’. The New Deals, WPIs and other components of the welfare to work strategy have been subject to systematic evaluation, the results of which have informed policy making and implementation. Most of these evaluation reports and impact studies have been undertaken under contract by independent research institutions and, with regular monitoring data, are published on the DWP website (at www.dwp.gov.uk/asd/asd5/rrs-index.asp).

It is important to note some limitations in this official evidence base. The research is generally undertaken in the early phases of programme and policy development. This means that initial impacts are rarely tested over a longer time frame when wider conditions may have changed or after any ‘innovation effect’ may have dissipated. It is also the case that the programmes evaluated have been in a process of continuous change with many significant design reforms made in response to the evidence emerging from the evaluations.

British studies also have concentrated almost exclusively on the comparative effectiveness of policies in getting people off benefits and into employment. Far less is known about the wider impacts on other groups in the labour market or on local economies. Finally, nearly all British ‘impact’ studies use analytical matching techniques that compare administrative data drawn from matched areas, when a programme is piloted, or from historical records when implementation is national. Despite increased methodological expertise such findings are often contested and “few results can be regarded as definitive” (Bryson, 2003, p. 89).

6.2 Employment, Unemployment and Inactivity

At the end of 2006 there were just over 37.2 million people in the UK aged between 16 and state pension age (60 for women and 65 years for men). Table 8 illustrates the growth in economic activity with the number in ILO defined employment growing by over 1.8

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6 Despite Ministerial and Treasury interest in experimental random assignment studies they have been little used in evaluating British welfare to work programmes. One exception is the evaluation of the ‘Employment Retention and Advancement’ pilot programmes that are testing approaches to delivering in-work support (Hoggart et al, 2006).
million and the employment rate increasing to 74.4% between 1998 and 2006. Over the period the number out of work fell but ILO unemployment has recently increased. The population of the economically inactive - many of whom want to work but who do not meet the ILO definition of unemployment - increased numerically but the overall growth in employment meant that the inactivity rate has continued to fall. It is important to stress that there are major variations in these trends with particular concentrations of working age benefit claimants in many cities and some localities. These variations pose particular challenges for implementing welfare to work programmes.

Table 8: Economic Activity of Working Age People 16-59/64 (000s): 1998 and 2006

<table>
<thead>
<tr>
<th>Year (Apr-June)</th>
<th>All Total</th>
<th>Economically Active (rate %)</th>
<th>Total in Employment (rate %)</th>
<th>Unemployed (rate %)</th>
<th>Economically Inactive (rate %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>35,407</td>
<td>27,603 (78.0)</td>
<td>25,865 (73.0)</td>
<td>1,739 (6.3)</td>
<td>7.804 (22.0)</td>
</tr>
<tr>
<td>2006</td>
<td>37,252</td>
<td>29,319 (78.7)</td>
<td>27,699 (74.4)</td>
<td>1,620 (5.5)</td>
<td>7.934 (21.3)</td>
</tr>
</tbody>
</table>

Source: Table A.1, Labour Market Trends, Office for National Statistics, November 2006

An important difference with the early 1980s is that ILO unemployment now is consistently higher than JSA unemployment. This change reflects in part restrictions in benefit eligibility rules. The trend first emerged in the late 1980s but appears, from Table 9, to have increased again after the introduction of JSA in 1996. The gap with the JSA unemployment rate was just 0.8% in 1993 but increased to over 2% by 1999 and stood at 2.4% in 2006.

Table 9: JSA and ILO Unemployment and Rate, Seasonally Adjusted 1993-2006

<table>
<thead>
<tr>
<th>Year</th>
<th>JSA Claimant Unemployed</th>
<th>JSA Unemployment Rate</th>
<th>ILO Unemployed</th>
<th>ILO Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>2876.6</td>
<td>9.7</td>
<td>2953</td>
<td>10.5</td>
</tr>
<tr>
<td>1996</td>
<td>2087.5</td>
<td>6.9</td>
<td>2344</td>
<td>8.3</td>
</tr>
<tr>
<td>1999</td>
<td>1248.1</td>
<td>4.1</td>
<td>1759</td>
<td>6.1</td>
</tr>
<tr>
<td>2002</td>
<td>946.6</td>
<td>3.1</td>
<td>1533</td>
<td>5.2</td>
</tr>
<tr>
<td>2005</td>
<td>861.8</td>
<td>2.7</td>
<td>1426</td>
<td>4.7</td>
</tr>
<tr>
<td>2006</td>
<td>944.1</td>
<td>3.0</td>
<td>1657</td>
<td>5.4</td>
</tr>
</tbody>
</table>


6.3 JSA Durations, Leavers and ‘Repeaters’

There is considerable turnover in the JSA population with around 2.5 million claims made for JSA in the latest available year (HMT 2006, p.118). Between 1997/98 and 2004/05 the administrative data on terminations shows that the number of JSA claims that ended with someone ‘recorded’ as entering work fell from over 1.1 million in 1997/98, or 35% of ‘known destinations’, to 751,900 in 2004/05, or 27% of ‘known destinations’ (Hansard, 31 January 2006, col. 440W). The number recorded as returning to work significantly underestimates the movement into employment but it appears that as the number of people claiming JSA declined so did the proportion who were leaving for a job.
A more detailed survey of a sample of benefit leavers in 2004 showed that the proportion of JSA clients returning to work of over 16 hours a week was 50% and this was similar for most categories of benefit leavers apart from the sick and disabled claiming IS only. Table 10 contains more detail on the reasons why people ceased claiming benefit. Transitions onto other benefits accounted for a large proportion of sick and disabled terminations but only for 9% and 8% of lone parents and the JSA unemployed respectively. Another important factor for ceasing JSA claims was the 10% whose benefit was stopped or who were told they were no longer eligible, in many cases because of sanctions.

Table 10: Why Stopped Receiving Benefit, by Benefit/Client Group 2004 (%)

<table>
<thead>
<tr>
<th>Reason</th>
<th>Sick and disabled IS and IB (per cent)</th>
<th>Sick and disabled IS only (per cent)</th>
<th>Sick and disabled IB only (per cent)</th>
<th>Lone Parents (per cent)</th>
<th>JSA (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returned to/started working 16 hours or more</td>
<td>50</td>
<td>26</td>
<td>52</td>
<td>55</td>
<td>50</td>
</tr>
<tr>
<td>Returned to/started fulltime training/education 16 hours or more</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Moved onto another benefit for people who are out of work</td>
<td>19</td>
<td>33</td>
<td>18</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Returned to/started working less than 16 hours</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Partner status changed/partner started claiming on their behalf</td>
<td>2</td>
<td>5</td>
<td>1</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Began living with partner</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>16</td>
<td>1</td>
</tr>
<tr>
<td>Failed medical assessment</td>
<td>7</td>
<td>3</td>
<td>7</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Told no longer eligible/benefit stopped</td>
<td>7</td>
<td>11</td>
<td>6</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Retired</td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>*</td>
<td>1</td>
</tr>
<tr>
<td>Went abroad/to prison/moved house</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Temporary break from claim/problem with claim</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>Not stated</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Don’t know</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total of Sample</td>
<td>6,636</td>
<td>341</td>
<td>6,295</td>
<td>7,245</td>
<td>1,301</td>
</tr>
</tbody>
</table>


JSA benefit durations have fallen since 1998 (see Table 11). The total number of young people aged 18-24 claiming JSA for 6 months or more fell from nearly 109,000 in 1998 to 40,000 in 2004, and those who had claimed for over a year fell from 13,400 to 2,400. There has since been an increase and by 2006 58,400 had claimed for over six months of
thom 10,800 had claimed for over a year in 2006. What is noticeable is that the number of young people claiming JSA for less than 6 months in 2006 was 227,200, only 5,000 fewer than in 1998, despite an overall fall in the claimant count over the same period of around 16%.

Table 11: JSA Claimant Unemployed Age and Duration (UK, seasonally adjusted)

<table>
<thead>
<tr>
<th></th>
<th>All JSA Claimants</th>
<th>18-24 Year Old JSA Claimants</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All Up to 6 months</td>
<td>Over 6 and up to 12 months</td>
</tr>
<tr>
<td></td>
<td>All Up to 6 months</td>
<td>Over 6 and up to 12 months</td>
</tr>
<tr>
<td>1998</td>
<td>1338.4</td>
<td>730.5</td>
</tr>
<tr>
<td>2000</td>
<td>1080.9</td>
<td>654.0</td>
</tr>
<tr>
<td>2002</td>
<td>935.1</td>
<td>621.0</td>
</tr>
<tr>
<td>2004</td>
<td>845.6</td>
<td>562.0</td>
</tr>
<tr>
<td>2006</td>
<td>939.3</td>
<td>609.8</td>
</tr>
</tbody>
</table>


Some of the short term JSA claimants are NDYP leavers who do not find or keep work. Around 40% of NDYP participants who find work claim JSA again within a year. In May 2006 it was reported that 23% of NDYP participants were on the programme for a second time, 9% for a third time (Hansard, 24 January 2007, col. 1871W). This pattern of recycling between benefits and programmes has been found in the other New Deals. For example, one evaluation reports that 29% of those who gained a job through NDLP returned to IS within a year (Evans, 2003).

New Deal ‘recycling’ takes place in the context of a wider issue about ‘repeat claims’ for benefits. For JSA it seems that there is an increased concentration of unemployment amongst individuals who repeatedly claim benefit without finding sustained employment. In 2006 two thirds of all JSA claims, some 1.6 million were made by people who had claimed at least once before. It was estimated that a quarter of a million new JSA claimants had spent at least three-quarters of the previous two years claiming benefits. About 12% had spent six of the past seven years on benefits (Hutton, 2006, p. 17).

A detailed survey of ‘repeaters’ who had made at least three claims for JSA gave an insight into why such recycling occurs (Carpenter, 2006). The majority (72%) of respondents indicated that they had not been able to find ‘suitable’ work. The main problem was the type of work available rather than being able to find work at all. Many had been able to find work of some kind, as shown by the 67% who moved into work when their last JSA spell ended, and the 41% who were in work at the time of the survey. Most had no option but to leave their last job (for example because a temporary job ended, or because they were made redundant or sacked). Only 6% of respondents left

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7 The fact that more young people were in receipt of JSA beyond a year have been caused by delivery problems because just as the client group increased provider capacity was disrupted during a protracted re-contracting process. There are also a limited number of exemptions allowed if local managers consider the claimant might be violent or disruptive if mandated to attend.
their last job through choice. The evidence “consistently indicated an inability to find sustained employment rather than a choice to avoid it” (ibid, p.3).

Many respondents reported personal barriers that made it more difficult to find and retain sustainable employment. One in five reported a serious health problem or disability and this increased to a quarter of those aged 50 or over. Overall, 23% had no qualifications and 17% had problems with literacy or numeracy. In addition, 8% reported problems with criminal records, 3% with drugs and alcohol and 14% said there had been a time in the last year when they had no permanent place to live.

The analysis suggests that the JSA regime is successful in moving people into work but for a significant group of repeaters it is less successful because it is failing to tackle “longer-term issues such as skills, employability and financial independence” (ibid, p. 3).

Another problem identified in a major Government review is that the ‘work first’ approach means that a significant cohort of JSA claimants have few transferable skills or qualifications and “become trapped in low paid, entry-level work”. The review pointed out that “as the economy restructures in response to global economic changes, problems with employment retention (will) worsen, particularly for the low skilled” (HMT 2006, p.118). The issue of job retention and progression in work has now been identified as one of the key challenges facing the British activation system.

6.4 The Impact of Activation Requirements: Restart, JSA and WFIs

In 1986 the introduction of mandatory Restart interviews after each six months unemployment appears to have reduced the number of claimants by 8.5% and the introduction of JSA was estimated to have reduced the claimant count by between 100,000 and 200,000. The JSA reduction was due in part to tighter eligibility rules but the new regime had also, according to one Government evaluation, flushed out “significant numbers of employed and inactive claimants” (Sweeney and McMahon, 1998, p.201).

An official evaluation, using statistically matched control groups, reported that Restart both increased the rate at which unemployed claimants left benefit and lowered the time they spent unemployed on leaving benefit (White and Lakey, 1992). There appeared to be two effects, often distinguished as ‘deterrent’ and ‘treatment’ effects. Restart ‘shook the tree’ (the deterrent effect); with claimants more likely to leave benefit before they attended the interview. Restart also increased the rate at which claimants received job offers “either through initiation of contact with employers or through improvements in the search behaviour of the unemployed” (Dolton and O’Neill, 1995). A subsequent analysis of the destinations of these Restart participants after five years reported that the “threat component associated with being called for an interview may account for the short-run effects of the programme, but the services provided at the interview itself, such as job search assistance, may be important determinants of the long-run effects” (Dolton and O’Neill, 2002, p. 382-383).
A subsequent ‘before and after’ official evaluation of JSA reported that its introduction raised exit rates from the claimant count after 1996 by between 21% and 28% and over a longer time frame the new regime appeared to stimulate more active job search (Rayner et al, 2000).

An independent study, based on an analysis of LFS data, criticised the methodology employed in the official evaluation. Manning (2005) found that the introduction of JSA had a large impact on off-flow rates, reducing the claimant count by about 8%, but he questions whether it encouraged greater search activity. He suggests that in comparing the search activity of ostensibly matched groups both before and after the introduction of JSA the earlier evaluation failed to compare like with like. JSA had been effective in ‘weeding out’ the inactive unemployed but it was mistaken to assume that because those sampled after its introduction were more actively seeking work that this was anything more than a compositional effect. JSA claimants may have been more ‘active’ but many who had exited from benefit had not entered employment but had entered into inactivity or other unknown destinations (2005, p.4).

This critique was given support in an econometric analysis of JSA benefit exits in Northern Ireland. McVicar (2006) took advantage of a ‘natural experiment’ that occurred when a ‘Jobs and Benefit’ regime was introduced for JSA participants over a seven year period. He found that tougher monitoring significantly increased the outflow rate from claimant unemployment and reduced claim duration, albeit the “hazard rate for exits to employment display(ed) the smallest proportional increase of 19%” (ibid, p. 14). McVicar concludes that monitoring intensity “can affect the behaviour of unemployment benefit recipients independently of other reform measures” but that, as predicted by Manning’s model, a significant group of those exiting will enter situations where there job search will be reduced.

The distinction between exits from benefit and those into employment has been made also in evaluations of WFIs. The initial experimental introduction of the interviews had little impact on exits but when targeted at lone parents and delivered more effectively they increased the rate at which claimants joined programmes and left benefits. The introduction of WFIs for lone parents, for example, increased participation in NDLP by approximately 15% and increased the proportion of people leaving IS by between one and two percentage points after a year (Knight and Thomas, 2006). The impact of WFIs has more recently been assessed alongside the employment programmes with which they are associated. A longitudinal matched comparison evaluation found that the combined effect of both on lone parents started after a year and that after 18 months the benefit exit rate had increased by 4%, indicating that 11% more had exited than would have done so without the intervention (Knight et al, 2006, p.2). Initial evidence from the Pathway pilot areas reported that when compared with national rates around 8% more IB claimants left benefits and 9% more entered employment in the first six months of their claim (DWP, 2006, p.27).

6.5 The Impact of ‘Make Work Pay’
The Low Pay Commission has sponsored a growing body of evidence on the NMW and much of this has found negligible impacts on employment levels, albeit there are problems for some small employers; the impacts on wage inflation have been ‘contained’; and it appears to have had little independent impact on productivity (for detailed evidence see www.lowpay.gov.uk). The Commission estimates that over a million low paid workers have benefited from each increase in the NMW and that the prime beneficiaries have been women, part time workers, young people and some minority ethnic groups, typically employed in low paid sectors (such as hotels and restaurants) and in parts of the country where low pay has been prevalent.

It is difficult to disentangle the effects of the NMW, tax credits and the New Deals. One study of the impact of such policy changes on the lone parent employment rate, which had increased from 42% in 1992 to 56% in 2005, concluded that five points of that 14 point rise could be attributed to the policy reforms implemented between 1999 and 2002 (Gregg et al, 2006). An independent review, commissioned by DWP, suggests that by 2004/05 the combination of increased financial support for children, the extension of child care facilities, ‘making work pay’, and the increase in lone parent and general employment rates had helped lift 700,000 children out of poverty (Harker, 2006, p. 11).

A group based at the Institute for Fiscal Studies (IFS) has undertaken several independent assessments of the impact of tax and benefit policies on financial incentives. The IFS group point to the complex impact policy change has on different family and individual circumstances (Adam et al, 2006). Incentives to work for lone parents have increased and changes to the withdrawal rate of tax credits and benefits mean that some very low-waged parents have seen the effective withdrawal of their in-work financial support fall from 70% to 37% (Brewer and Shephard, 2004, p. 11). This has led to a fall in the number of families facing very high effective marginal tax rates. A key problem, however, is that because tax credits have now been extended to people on higher wages they have also increased the number of families facing some sort of benefit or tax credit withdrawal as their income rises, “worsening their incentives to progress” (ibid, p. 11). As a result the number of those in work “facing an effective marginal tax rate of over 50%” has increased by almost 900,000 (ibid, p. viii). Another problem has been the significant disincentive to work now faced by the non-working partners of those in households where someone is already claiming a tax credit.

Over a longer time frame the IFS group found that between 1979 and 2000 both incentives to work and incentives to progress once in work had strengthened but had “weakened on average since 2000” (Adam et al, 2006, p.2). Only part of these changes were the direct result of tax and benefit reforms. They reported that “changes in average wages, wage inequality, rent levels and working patterns within two-adult families” were also important explanatory factors (ibid). Paradoxically one reason for the decline in financial work incentives was the Government’s commitment to reduce child poverty that has led it to increase levels of child benefits for those out of as well as those in work. This has ‘blunted work incentives’ and illustrates the complex trade-offs that confront policy makers.

6.6 The Impact of the New Deals and Employment Zones
The benefit off-flow rates and employment impacts of each of the New Deals has been evaluated. As noted previously most evaluations are undertaken in the early phases of programme implementation and each New Deal has been in a process of continuous change often involving significant design reforms. This section concentrates on the evaluations of the New Deals for the unemployed and the EZ private sector model against which the ND 25 plus has been assessed (evaluations of the other programmes can be found at www.dwp.gov.uk/asd/asd5/rrs-index.asp).

Several major studies of NDYP were undertaken between 1998 and 2002. All reported positive impacts of moderate size from the overall programme - between 5 and 9 percentage points reduction in welfare claiming (see Riley and Young, 2001; Blundell, 2001; White and Riley, 2002). A macroeconomic evaluation found that long-term youth unemployment would have been almost twice as high without NDYP and it increased GDP by £500 million a year (Riley and Young, 2001).

One component of the NDYP effect has been from ‘shaking the tree’, as found in earlier evaluations of Restart and JSA. A significant minority of claimants withdraw their benefit claims on being invited to mandatory NDYP interviews and another group cease claiming rather than participate in the mandatory options phase.

Most positive NDYP impacts have been attributed in particular to the contribution made by advisers especially in those Jobcentres where PAs place a strong emphasis on ‘work first’ practices (NAO, 2006, p.13; Hasluck and Green, 2007). An analysis of performance variations in the NDYP found greatest impact in those offices where PAs delivered closely-spaced repeat interviewing of jobseekers, a large number of interviews (reflecting persistent follow-up), use of sanctions to enforce the mandatory nature of the programme, high expenditure on external services for clients (interpreted as a means of freeing PAs to focus on more job-ready clients), and sparing usage of short courses that helped clients choose work experience or educational options (White, 2004).

The impact of the ‘options’ phase has been less marked, partly because this group have more significant employment barriers. The wage subsidy element has produced quantifiable effects but the other options worked less well (Bonjour et al, 2001). There have since been changes in programme design, contracting and the approach of individual providers, many of whom point to impressive local results with a difficult to place client group. There has, however, been little evaluation of these claims.

There was much early concern about the destination of a third of the young people leaving NDYP who were recorded as entering ‘unknown destinations’. A national follow up survey found that of the sample contacted 56% had initially left the New Deal to enter employment and just over 5% reported that they left because of a sanction (O’Donnell,

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8 One exception was an impact analysis of the NDLP which tracked the situation of matched participants for 48 months. It reported that NDLP participation raised the proportion off benefit, compared with the control group by 20%, and the employment rate was 11% higher. The evaluation warned, however, that poor quality of the matching data might have impacted the results (Knight et al, 2006, p. 3).
Some had continued to ‘sign on’, others had been ill, and some had entered education or otherwise left the labour market. The response rate was just below 50% but the researchers suggested there was no discernible evidence that the most disadvantaged were disproportionately represented among those who could not be contacted.

An evaluation of the ND25 plus reported that when it was redesigned to more closely mirror the NDYP there was an improvement in participants’ job entry and off benefit rates (Hasluck, 2002). More recent evaluations have matched EZ and ND25 plus participants in comparable unemployment areas. One study found that 20 months after becoming eligible for either programme 55% of EZ and 51% of New Deal participants were either in jobs or had been in them (Hales et al, 2003). The evaluations reported that EZs appear to secure somewhat better net impact results than the New Deal, albeit they are more expensive.

One significant finding from participant surveys was that in both EZ and New Deal areas many of the jobs that had been sustained for over 13 weeks “had not lasted in the longer term” (ibid, p. 1). Many jobs were temporary and were with small employers and offered low wages. The personal barriers of the clients, such as ill health, lack of skills and qualifications also contributed to the short duration of job tenure. The participant surveys found that those who were least likely to have entered employment, or to have retained it, were the ‘harder to help’ – those who had a history of unstable employment or characteristics such as a criminal record. Even “some 20 months after being eligible to participate, almost half the participants had spent no time in paid work”.

These findings have reinforced more critical assessments of the employment impact of the New Deals. Some suggest that the reduction in claimant unemployment simply reflected a stronger labour market and they point out that wider youth unemployment, as measured by the LFS, is far higher than the JSA claimant count would suggest (Field and White, 2007). Others point out that many New Deal participants do not get jobs and a significant minority of those who get jobs do not retain them. The problems of placement and retention are most acute for people from minority ethnic groups, for those with the greatest individual barriers, and for those living in areas of highest unemployment. One analysis found that job entry rates in the older industrial cities and in inner city London were as low as 30%. This poor performance was attributed to the interplay between local labour market conditions, the characteristics of participants and the capacity of local delivery systems (Sunley and Martin, 2005).

Over the life of the New Deals unemployment has fallen and those entering the programme have had more employment barriers than the first cohort of entrants. At the same time the rapid growth of the labour market in the late 1990s has been followed by a less buoyant period with JSA unemployment increasing between 2005 and 2006. One consequence is that overall NDYP job entry rates have fallen, from 51% in 1998 to 34% in 2005 (Field and White, 2007). Job entry rates for the ND25 plus improved after programme redesign in 2001, to reach over 35% in 2004, but the job entry rate has since fallen below 30% (CESI, 2007, Chart 1).
These job entry trends have reinforced the pressure for a ‘fresh start’ for the New Deals for the JSA unemployed and there is likely to be a major programme redesign in the next wave of welfare to work reform (Freud, 2007).

6.7 Sanctions Research

Ministers suggest that sanctions do “drive behaviour” (Hansard, col. 256W, 16 April 2007). Of those claiming JSA the majority comply with requirements. Only 14% are referred for a decision and only 4% actually have a sanction applied (ibid). About 80% of lone parents attend their WFI and two thirds of those who do not attend subsequently attend, with 40,300, or 4.4% experiencing a sanction between April 2005 and March 2006 (Hansard, col. 784W, 19 April 2007). About 1% of IB claimants have been sanctioned for not attending a WFI in Pathways pilot areas. Most disputes about disability or lone parent benefits continue to concern entitlement issues, such as the interpretation of medical evidence or the living arrangements between ‘partners’.

Figure 9 outlines trends in the imposition of different types of JSA sanctions between 2000 and 2006. What appears significant has been a marked fall in the number of varied length sanctions, which measure compliance with the JSA regime, in contrast with an increase in the number of disallowances (Bivand, 2006, p.20).

Figure 9: Adverse decisions for JSA Labour Market questions for sanctions and disallowances: June 2000 to August 2006


A 2005 study found that while adults are referred for sanctions more frequently young people aged 18 to 24 experience proportionately more JSA and New Deal sanctions. Young people accounted for 72% of the ‘fixed length’ sanctions that relate largely to the requirements of Jobseekers Directions and the mandatory New Deals (Conway and Groves, 2006). A systematic review found evidence that the sanctions regime is complex.
and difficult to understand, both for claimants and PAs, and that a significant minority of
claimants claimed not to have been told about the possibility of sanctions (SSAC, 2006,
p. 61). Studies suggested that those who are sanctioned “appear to be more disadvantaged
than their peers” (ibid, p. 65). In general the evidence suggested that the possibility of
sanctions has only a weak influence on JSA claimant behaviour, especially in terms of
job search, but that the influence might be more significant for those who had
experienced a sanction.

Evidence on the NDYP regime suggests that sanctions did bring about a greater level of
compliance and an increase in job seeking activity. In one study interviewees in the
‘follow through’ phase reported that the threat of benefit sanctions was a motivating
factor to comply with the requirements of the programme (O’Connor et al, 2001). The
threat of reduced income, however temporary, acted as a disincentive for many to refuse
an option or leave early. Nearly all those interviewed agreed with sanctions in principle
but felt there were inconsistencies in their treatment and that the reasons for their
behaviour were not always taken into account. Such views have been echoed in other
case studies (Finn, 2003).

The other main impact of sanctions is financial with one quantitative study reporting that
68% of those sanctioned stated that they had experienced financial hardship as a
consequence (SSAC, 2006, p. 67). The effect varies primarily depending on the extent to
which those sanctioned had access to hardship funds or alternative forms of financial
support. Sanctions had most impact on individuals who were themselves parents, on
those who were living alone without access to informal sources of support, or those who
were dealing with difficult personal issues, such as debt, homelessness or drug
dependency.

Studies of NDYP sanctions have interviewed those working with young people,
especially PAs. Some of these were concerned that the threat of sanctions could result in
young people embarking on option placements that were not appropriate for them or that
they had little interest in pursuing, which was believed to be counterproductive. PAs
were also critical about the processes involved. They reported that sanctioning processes
were administratively complex and hard to implement. There was variation between PAs
in the nature of decisions referred for adjudication in cases of non-compliance resulting
in variation in the application of the rules. PAs generally thought sanctions were too blunt
an instrument and there was some concern that for groups, such as those with chaotic
lifestyles, such penalties might intensify social exclusion (Finn, 2003)

6.8 Implementation Research and the New Deals

The formative years of JCP have been characterised by front line administrative pressure
and some delivery failures. The scale, complexity and pace of change has been intense
with the roles and responsibilities of staff and their relationships with individual
claimants being redefined through revised job descriptions, target regimes and changes in
the structure of offices and the use of new technologies. In a major progress review the
House of Commons Work and Pensions Select Committee reported that it had received
evidence “that change planning has been poor, with management across the country struggling to try to keep up with, and solve problems caused by, the myriad of IT, staffing, process, telephony and financial programmes which are all underway at the same time” (W&PSC, 2006, p. 3). It is too early to assess the extent to which current problems with delivery and staff motivation reflect the pains of organisational transition or whether they point to more systemic problems, but they highlight the potential for ‘implementation gaps’ to emerge.

Many studies of the design and impacts of British ‘welfare to work’ reforms acknowledge the significance of implementation but few have examined how policy reforms are mediated through the local strategies and work cultures of front-line staff and their managers. Those studies undertaken consist of small scale surveys and qualitative case studies. They report the different ways in which PAs and other front line staff use administrative discretion to negotiate performance targets, categorise and service clients and impose sanctions (see, e.g., Blackmore 2001; Wright 2003; Finn 2003; Rosenthal and Peccei, 2004). It is at this level. these studies suggest, that the new ‘social contract’ may for some be experienced as pressure to cease claiming benefits, participate in inappropriate programmes, or take whatever low paid job is available.

### 6.9 The Impact of Activation Policies on Individual Rights

The British tradition has been to avoid statements of principle in legislation as to the predominance of fundamental human rights. This phenomenon which is not confined to the field of social security makes it difficult to assess the extent to which human rights have been implemented in the British system of social security. There are no domestic constitutional standards by which to assess such compliance. For example, domestic law does not recognise a right to housing nor a right to work. Instead, the structure of the benefit system and social security provision has been driven primarily by legislative and administrative factors. The fact that the unwritten British constitution does not give priority to certain fundamental human rights means that such rights have not been an obstacle to the ongoing reforms of the social security system. European law has played only a relatively insignificant role in the evolution of British social security, with the notable exception of the equal treatment of men and women and directives that impact on working conditions.

The shift towards means-tested benefits has contributed significantly to increased complexity in the social security system. Means-tested benefits and their attendant legal structure are, by their very nature, very elaborate because they must distinguish between diverse sets of personal circumstances and needs. Factors such as age, state of health, level of disability, family caring responsibilities, participation in education, part time employment, etc., may all be considered relevant to the level of a claimant’s financial needs, whereas income and other financial resources considered to be available to a household to meet their needs must also be carefully defined.

There are various discretion-based procedural judgments and decisions that officers are called upon to make, such as whether a person’s reasons for failing to attend a job interview are legitimate and preclude withdrawal of benefit. Complexity presents
difficulties both for those who administer social security and for persons who may seek to establish entitlement to one or more of the benefits and it also hinders the process of claiming benefits. Often a considerable amount of information will need to be supplied by the claimant when making a claim.

Generally, the impact of institutional constraints for policy making is eminent. Constitutional barriers may impede reforms like in Germany but they may also protect the rights of the individual. By contrast, the lack of vested interests in social security combined with the political and constitutional system enables relatively straightforward policy formulation and implementation in GB. Although the traditional concept of parliamentary sovereignty no longer corresponds to the complex actual nature of the British constitution, questions about the protection of fundamental rights in courts have been debated in terms of rights versus parliamentary sovereignty.

In 1998 New Labour incorporated the fundamental rights contained in the European Convention on Human Rights (ECHR) into domestic law through the enactment of the Human Rights Act (HRA) in October 2000. Since then, there have been appeals for the International Covenant on Economic Social and Cultural Rights to be incorporated into British law. Though ECHR rights did not become genuine rights in English law they were given domestic effect as laid down under the HRA by making it unlawful for a public authority to act in a way which is incompatible with ECHR. Public power will be constrained by courts and tribunals in circumstances where it impinges unjustifiably on those rights and whenever it falls short of principles of proportionality and non-discrimination. Following the HRA, all courts and tribunals must ensure that British primary and secondary legislation is compatible with the ECHR rights and the legislation contains provisions which authorise a court to grant remedy if a proposed act by a public authority is unlawful. In essence therefore, the HRA has created a new course of action, which can establish a claim for remedy, including damages against a public authority which has acted in breach of the ECHR rights.

Furthermore, the ‘Joint Parliamentary Committee on Human Rights’ is responsible for scrutinising all legislation for conformity with all human rights treaties to which GB is signatory, including the ECHR. State parties have been held liable for breach of a positive duty in Article 3 ECHR to provide conditions of human existence, which are consistent with fundamental human dignity. Courts may confront government increasingly not only where the fundamental rights of individuals living at the margins of human existence are at stake, but also where fundamental freedoms which lie at the very heart of the ECHR are at issue. However, debate about the place for due reference and the manner in which the ECHR should be applied under the HRA is ongoing.

There is no legal principle in British law by which courts are prevented from intervening in politically sensitive disputes involving, for instance, issues of resource allocation. Lack of constitutional propriety, procedural limitations, or sensitivity to the problems of public authorities and administrators, however, have been used to justify or explain the refusal of courts to intervene in social welfare. In the past courts generally have paid only little attention to countervailing fundamental rights, particularly in disputes where the
reasonableness of the exercise of discretionary powers is at issue. While socio-economic rights are for the most part protected only through legislation, the HRA has afforded opportunities to hold government to account for limitations or gaps in legislative protection. So far, however, there has been deference in the way in which courts have responded to their HRA obligations.

7 Conclusions and Outlook

The Beveridge welfare state established in the 1940s came into crisis in the 1970s as its costs escalated and its design limitations were exposed. The Conservative era of neo-liberal reforms included dismantling core elements of the earlier system, a shift from insurance to means-tested benefits, institutional change, and deregulation of the labour market. When JSA was introduced in 1996 the benefit regime for ‘jobseekers’ was characterised by reduced levels of out of work benefit, increased work tests, harsher sanctions and mandatory work first employment programmes. As the economy recovered from the early 1990s the number claiming JSA fell but with this legacy came increased levels of poverty, both in and out of work, and an expanding population of working age people claiming ‘inactive’ benefits, some of whom did so as a consequence of or as an alternative to engagement with the stricter benefit regime.

In 1997 New Labour came into power proclaiming its ‘third way’ for combining economic efficiency, labour market flexibility and social justice. For the Government work represented ‘the best route out of poverty’ and employment became the central feature of provision for people of working age. New Deal employment programmes and ‘make work pay’ policies were implemented swiftly; the JSA regime consolidated; and WFIs extended to all working age claimants. The focus of the British activation strategy has been on administrative reform and the redesign of front line interactions in order to ‘activate’ job search behaviour and assist with transitions into paid work. Labour market programmes play a much smaller role than in other European countries but expenditure on the New Deals and related programmes has increased. Most of the programmes are now delivered by external contractors and there has been increased experimentation in the delivery of employment assistance, especially through the creation of EZs.

In 2007, ten years after New Labour was first elected, the Government published an independent review that points the direction of likely reform over the next decade. The ‘Freud Report’ proposes that in the future JCP should continue to provide a basic intensive work first regime. JSA claimants who remain on benefit and other ‘inactive’ groups should, however, be catered for by contracted out providers (Freud, 2007). Under these proposals existing categorical programmes would be phased out to be replaced by a new quasi market where a small number of competing private and voluntary sector providers become responsible for intensive case management and for providing individual, tailored help for individuals to re-engage with the labour market. These providers would be offered long term contracts and be paid according to sustained job outcomes and in relation to the amount of benefit payments saved by the state. As such assistance becomes available the level of conditionality would increase. Lone parents will initially be subject to actively seeking work requirements when their youngest child is
aged 12 and those currently on IB should gradually be subject to the level of conditionality that is being introduced for ESA claimants.

The proposals were welcomed by Prime Minister Blair and his successor, Gordon Brown. The new Prime Minister promised to ‘champion’ the reforms set out in the ‘Freud report’ and that they represented the “first stage in the next decade of welfare reform” (Grice, 2007). DWP has introduced internal reforms to develop its capacity to design and manage the contracts envisaged in the proposals and the changes will be piloted in 2008 with further implementation contingent on their progress. The main opposition parties have signalled support for these proposals and resistance to this ‘direction of travel’ is likely to come from a relatively weak coalition of ‘back bench’ Labour MPs, public sector trade unions and welfare rights groups.

The evidence in this chapter suggests that the British combination of activation, New Deal programmes, ‘make work pay’, and personalised employment assistance, has contributed to reductions in long term unemployment and poverty reduction but problems remain.

Out of work benefit levels remain linked to price increases and as wages have increased the relative value of benefits to earnings for people without children has continued on the downward trend that New Labour inherited. This has increased financial work incentives for single claimants and many childless couples but at the cost of relative increased poverty. The situation for families with children is far more complex. The combination of wider changes in wages and rent levels with increased child benefits for those both in and out of work alongside the introduction of the tax credit system mean that on average work incentives have weakened since 2000 (Adam et al, 2006). More than two million working adults in Britain now face EMTRs of over 50%. These trends illustrate the tension that exists between the Government’s policy of providing more financial support directly to poor families and its ambition of getting them into work and, once in employment, to make progress and earn more. One response has been the introduction of targeted time-limited ‘return to work credits’ that supplement existing tax credits for those who are eligible. The other is to increase conditionality and provide enhanced employment services that will enable those in work to both retain jobs and improve their skills.

The second set of issues concern implementation. The ‘welfare to work’ delivery system has been under pressure and is likely to have to adjust to further radical change. There is in the short term likely to be disruption to providers and industrial relations conflict in JCP as the ‘managed welfare market’ envisaged in the Freud review is introduced. This will be followed by a steep learning curve as DWP officials seek to steer the welfare to work system through contracts that aim to give greater flexibility and incentives to providers yet at the same time prevent the ‘creaming’ and ‘parking’ associated with the creation of such a quasi market in Australia (Considine, 2005). At the same time the Government intends implementing the proposals of the ‘Leitch’ review of skills and training that recommended ‘joining up’ the ‘employment first’ system with employer based training to improve the skills of those without work, improve retention and create
pathways to better quality jobs (HMT 2006). This ambition is laudable but unlikely to be realised without significant change to the ‘work first’ priorities embedded in the activation regime and to the qualification based targets that drive the learning and skills sector.

Finally, it is worth reflecting on the balance of ‘rights and responsibilities’ in the new British model of social citizenship. There has been a strong policy emphasis on individual’s responsibility to support themselves and their family through employment, so that the right to welfare on the basis of need is balanced against their responsibility to work. British jobseekers now face one of the most demanding activation regimes in Europe, with elements of this approach being extended to lone parents and those with health conditions and disabilities, accompanied with new levels of administrative and bureaucratic discretion. In this context the checks and balances that exist in national and European law may need reform to both reduce the arbitrary and unfair exercise of the authority of the state and ensure that new ‘active’ citizenship rights are more than rhetoric and that vulnerable people are not denied access to the financial support and services they need.
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