

CHAPTER SEVEN

The New Deals and New Labour's 'Employment First' Welfare State

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The 'jewel in the crown' of New Labour's first term in Government was the performance of the economy and an increase in employment. Between May 1997 and the 2001 General Election the number of people in work increased from just over 27 million to more than 28.3 million and the number out of work and claiming Jobseekers Allowance (JSA) fell from over 1.5 million to less than a million. In a White Paper, just before the last General Election, the Prime Minister suggested that 'employment opportunities for all are in our grasp' and committed the Government to work towards 'full employment with social justice' over the next decade (DfEE, 2001: v).

Much credit for the success of New Labour's strategy has been attributed to relative economic stability and adept macro economic management but the Prime Minister also emphasised the contribution made by welfare reform. Welfare to work programmes had helped 'overcome unemployment and disadvantage'. Reforms to the tax and benefit system also helped to 'make work pay' for those with dependent children. There was, however, 'more to do' and the Prime Minister committed the Government to a further extension of 'employment opportunities to all' through the creation of an 'employment first' welfare state. This would ensure that the 'fruits of prosperity' reached the areas and groups of people who were still without work (DfEE, 2001: v).

After the 2001 election victory the Government expressed the scale of its ambition by setting a range of targets to increase employment rates (especially for lone parents and in the most disadvantaged areas), reduce child poverty and tackle social exclusion. Key policy developments include the extension of tax credits to more of the low paid and reform of benefit rules to ease the transition to work. All working age claimants were to attend 'work focused interviews' and New Deal programmes were to be intensified to reach 'harder to help' groups. The new approach also was accompanied by major institutional change. A Department of Work and Pensions (DWP) was created and the Employment Service (ES) and Benefits Agency (BA) have been replaced by a 'Jobcentre Plus' Executive Agency. The aim is that, by 2005, the new agency will have integrated job search support and benefit payments for over six million people.

This agenda is formidable. The aim is to transform the primarily 'passive' support offered by the post-war welfare state into a more 'active' combination of services and benefits thought relevant to the employment and social conditions of the new century. Jobcentre Plus will be at the forefront of this transformation and will 'enshrine the principle that everyone has an obligation to help themselves, through work wherever possible'. In return, Government has 'an equal responsibility' to provide work related assistance for those 'who can' as well as ensuring 'greater security for those who cannot' (HMT, 2001: iv).

This chapter explains the background to New Labour's commitment to create an 'employment first' welfare state. It describes the 'New Deals' and the interview-based

regime now extended to all working age benefit claimants. It also assesses the evaluation evidence to establish 'what worked' in the first phase of implementing the Government's 'flagship' programme, the New Deal for Young People (NDYP). Finally, it identifies some of the challenges that confront the Government if the rhetoric of an 'employment first' welfare state is to be realised in practice.

New Labour's legacy: remaking the link between job search and benefit entitlement

During the 1980s the administrative link between job search and benefit receipt in Britain weakened significantly (Price, 2000). Between 1982 and 1986 unemployed people had to 'sign on' for their benefit at an Unemployment Benefit Office and were not required to register with their local Jobcentre. Reductions in the number of civil servants reduced the administrative capacity and inclination to both encourage and monitor job search and deter fraud. Even when employment started to recover the data showed that a significant number of people claiming unemployment benefits had become 'inactive' and had stopped looking for jobs. The average duration of unemployment increased (Wells, 2000).

The turning point came in 1986 with the introduction of the 'Restart' initiative which involved mandatory job search reviews for anyone out of work over six months. In 1989 it was followed by legislation requiring the unemployed to actively seek work and restricting the grounds on which they could refuse vacancies. This new regime was linked with radical institutional change in the 'unemployment market'. In 1987-88 the delivery of training programmes for the unemployed was transferred to private sector-led Training and Enterprise Councils (Local Enterprise Companies in Scotland) and a 'modern' Employment Service was created as a 'Next Steps' Executive Agency. The ES immediately integrated Unemployment Benefit Offices and Jobcentres thus creating a national network of over 1,100 Jobcentres with about 35,000 staff. The ES worked closely with the larger public sector Benefits Agency which was responsible for the assessment and delivery of most social assistance and insurance benefits. The BA, however, played no role in delivering direct employment assistance.

Between the late 1980s and mid-1990s the role of the ES changed significantly. The first trend involved reinforcing work incentives and monitoring the job seeking behaviour of the unemployed. This was underpinned by the 'stricter benefit regime'. The second trend involved a move from longer term, labour market programmes towards low cost measures aimed at stimulating job search. Both trends were underpinned by a performance targets regime geared to immediate job entry and removing people from the benefit system. The ES also was under constant pressure to reduce its operating costs and obtain better value for money (King, 1995; Price, 2000).

Over this period the ES also became centrally involved in promoting the take up of in-work state benefits. These were introduced to encourage benefit recipients with children to take low paid and/or part time jobs. In addition to Housing and Council Tax Benefit (claimable by low paid workers) Family Credit, which directly supplemented wages, was gradually extended. By 1996 the Credit was being received by over 600,000 families (many headed by lone parents), and ES officials were encouraging take up through the production of individual 'better off in work' calculations. An earnings credit, available to people who left disability benefit, attracted far fewer claimants.

In this context Britain's unemployed were redefined as 'jobseekers' by the 1996 Jobseekers Act (HMSO, 1994). Eligibility for the new Jobseekers Allowance required that unemployed individuals enter a Jobseekers Agreement specifying the steps they intended to take to look for work and the minimum wages they would accept. ES staff were given 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. It was accepted that most unemployed people looked for jobs but the JSA regime was designed to intensify their activity and pressure those who were not genuinely looking for work. Following its introduction JSA was estimated to have reduced the claimant count by between 100,000 and 200,000. This was partly due to tighter eligibility rules but also because JSA flushed out "significant numbers of employed and inactive claimants from the count" (Sweeney and McMahon, 1998: 201). Evidence subsequently accumulated that the new regime increased job search activity amongst the more recently unemployed but was less effective with the long term unemployed (Trickey et al, 1998).

By 1996 the British ES was able to promote itself as a high performance and high achievement agency with a reputation for implementing new national initiatives to short timescales. It could demonstrate that it had been administratively effective and had made a contribution to reducing unemployment, especially long term unemployment, by engineering a close link between job-brokering and benefit administration (Employment Select Committee, 1999, vol. I: xi). There was, however, controversy about the destination of those assumed to have benefited from the reduction in long term unemployment. Sanctions increased, some of the long term unemployed were 'churned' through programmes, others were placed in short term jobs, and many of the older long term unemployed were transferred to other benefits (Finn et al, 1998).

These criticisms were articulated by New Labour as it started to develop a very different approach to unemployment and social exclusion. The leadership welcomed the fall in unemployment but stressed that this masked the emergence of deep-seated problems. In particular, inter-generational unemployment continued to blight many disadvantaged areas; and in one in five UK households nobody of working age had a job. Economic activity rates were static and had fallen for older men. By 1996 over a million lone parents, mainly women, were dependent on state benefits; and the number of men receiving incapacity or long term sickness benefits had doubled in a decade to over 1.7 million. Unlike the unemployed, most of the individuals of working age receiving other benefits had little contact with services and were likely to remain dependent for long periods of time. There was also considerable dissatisfaction amongst front line ES staff and widespread scepticism about Government employment 'schemes' amongst the unemployed, employers and providers (see, for example, Employment Policy Institute, 1998).

Workfare, Redefining Full Employment, and Welfare to Work

From the late 1980s the British approach to welfare reform and employment programmes was influenced by two major developments. There was an emerging international consensus about the importance of modernising benefit systems so they promoted labour market attachment and activity instead of paying 'passive' benefits (OECD, 1994). British policy makers were also influenced by the US debate on welfare dependency and 'workfare' (Dolowitz, 1998). In the USA the central argument maintained that the

welfare state had become lax and that, by giving income benefits without stronger work obligations, the state had undermined work incentives and encouraged the emergence of a dependent underclass (Murray, 1990). One of the key propositions to emerge from the USA was that individuals should 'work-off' their benefit entitlement and that 'welfare' should be replaced by 'Workfare'. This initially was rejected by the Conservative Government who had prioritized 'activation' through the introduction of the stricter benefit regime and JSA. However, just before they lost office, they had moved towards something like 'workfare' through a proposed large scale extension of 'Project Work' (a programme requiring the very long term unemployed to work part time in projects of community benefit).

New Labour opposed Project Work but, by the mid-1990s, the Party dropped its previous opposition to compulsory programmes and JSA. This change reflected a transformation in New Labour's macro economic assumptions and in its definition of full employment. New Labour had turned to the work of economists who challenged the view that the 'NAIRU' (the non-accelerating inflation rate of unemployment) had to be as high as it was in the UK. The new approach suggested that 'supply-side' measures such as investment in human capital and labour market programmes could significantly lower unemployment, reduce public expenditure, and help create a more effective labour market (Layard et al, 1991). By 1995 Gordon Brown, the then Shadow Chancellor of the Exchequer, argued that Government could not simply create jobs. Its role was to promote macroeconomic stability and provide 'economic and employment opportunities for all', a slogan subsequently characterised as the 'modern definition of full employment for the twenty-first century' (see, for example, HMT, 2001). The first priority was to extend opportunities for the long term unemployed and, in 1995, he committed a future Government to the introduction of a 'New Deal for Britain's Under-25s' (Labour Party, 1995).

This extension of 'opportunity' through employment programmes was the core of New Labour's approach to welfare state reform. In a major 1997 speech Tony Blair, the future Prime Minister, condemned Conservative policies 'which encourage(d) dependency and trap(ped) people in unemployment'. The alternative, however, was not merely to increase welfare state expenditure. The 'old equation of more spending and less injustice' was fundamentally flawed. Britain now spent more on the welfare state yet 'poverty, insecurity and inequality ha(d) increased on an unprecedented scale' (Blair, 1997a). The New Labour approach to welfare state reform would focus on services, 'not just cash benefits', and would be designed to 'help people meet change' in an increasingly insecure world. New Labour would champion 'fair but flexible labour markets' and increase 'the employability of our people through education and skills and an active employment service'.

One month after winning power Prime Minister Blair confirmed that the 'greatest challenge' to his 'Welfare to Work' Government was 'to refashion our institutions to bring the new workless class back into society' (Blair, 1997b). This speech was swiftly followed by the 1997 'Welfare to Work' budget which raised over £5 billion through a 'windfall tax' on the profits of the privatised utilities. This was the first New Labour example of an 'hypothecated tax', in that the proceeds could be used only to fund the 'New Deal'.

The New Deals

In the election New Labour had pledged that during its first term in office it would help find jobs for 250,000 18 to 24 year olds who had been out of work for over six months. Financial and administrative priority was given to developing the New Deal for Young People and less well resourced New Deals were swiftly introduced for the long term unemployed, lone parents and people on disability benefits. By 2001 programmes had also been added for those aged over fifty and for the partners of the unemployed. The objectives of the New Deals were to:

- increase long term employability and help young and long-term unemployed people, lone parents and disabled people into jobs; and
- improve their prospects of staying and progressing in employment.

Each of the New Deals targeted the particular problems of a specific client group but they were all based on the principles first implemented in the programme for young people - 'more help, more choices, and the support of a Personal Adviser .. matched by a greater responsibility on the part of individuals to help themselves' (DfEE, 2001: para 1.33). This focus on support tailored to the needs of each individual was the 'key feature' that distinguished the New Deal 'from previous initiatives' (Hasluck, 2001: 230).

Despite the common framework, however, there are still significant differences in the level of resources allocated to each programme. Table 1 shows that the better funded New Deals have been the *compulsory* programmes targeted at the registered (predominantly male) unemployed. Far fewer resources have been allocated to *voluntary* programmes aimed at lone parents and people receiving disability benefits.

(Table 1 about here)

New Deal Participation and Work Focused Interviews

Participation in the New Deals for the registered unemployed commences with an advisory 'Gateway' process. A personal adviser helps tackle employment barriers and provides assistance with job search, careers advice and guidance. If an individual is unable to get an unsubsidised job then they are required to participate in an employment or training option, which in the NDYP consists of:

- the Employment Option which provides a subsidised, waged job for six months with an employer;
 - the Environmental Task Force (ETF) or Voluntary Sector Option which provides up to six months employment in a job with a wage or a 'benefits plus £15' package; and
 - the Full-time Education and Training Option (FTET) which can last for up to a year.
- All the options involve vocational training and there is a 'follow through' process of advice and support for those unemployed at the time they complete their option. By the end of 2001 more than three quarters of a million unemployed young people had 'entered' the programme. There were, however, only 80,500 active participants, of whom about 60 per cent were in the Gateway (regular New Deal operating data can be accessed through www.cesi.org.uk).

Young people under 25 years usually are required to enter the New Deal after six months unemployment. For those over 25 years a minimal New Deal programme originally was targeted at those out of work for over two years. In April 2001 this was replaced by a

more intensive New Deal and those out of work for over eighteen months must now participate or be subject to the same benefit sanction regime applied to the younger age group. The only significant variation involves 15 Employment Zones (see below).

Significantly, New Deal programmes for working age people, previously regarded as 'economically inactive', are being implemented within a mandatory, 'rights and responsibilities', framework. The childless partners of unemployed claimants, who are aged between 18 and 24, now are required to register as unemployed and, when eligible, to enter the New Deal. This requirement gradually is being extended to the childless partners of older unemployed people and the partners of those receiving other working age benefits.

Participation in the less resource intensive New Deals for lone parents (NDLP) and for people with disabilities (NDDP) remains voluntary, but attendance at '*work focused interviews*' (WFI) is now mandatory. Lone parents who claim income support have to attend an initial WFI, and another six months later. Thereafter they have to attend annually. Most other working age claimants have to attend an initial WFI and are then required to attend when their circumstance change or at least once every three years. The Government are testing a more intensive interview regime for new Incapacity Benefit recipients and this is likely to be extended (Department for Work and Pensions, 2002).. A small number of claimants are exempt from WFIs and a variety of 'good cause' clauses allow for their deferral. Crucially, apart from the JSA unemployed other working age claimants cannot be required to participate in a programme or take a job.

Lone parents participating in the NDLP are referred to a personal adviser who guides them about potential jobs or skill development opportunities and gives them advice about child-care support. There is no formal 'menu' of options but as the programme has evolved access to training has been extended for those unready for job entry (Millar, 2002). By March 2002 over half of those leaving NDLP had got jobs which took them off Income Support, and another one in ten had taken up education or training. There was evidence that mandatory interviews had increased participation with one in five agreeing to join the NDLP caseload (compared with between five per cent and ten per cent in the voluntary phase) (Trade Union Congress, 2002: 9). The programme has been supplemented by increased financial support for child care (delivered through tax credits) alongside a National Childcare Strategy which, it is claimed, will deliver 'a childcare place for every lone parent entering employment in the most disadvantaged areas' by 2004 (HMT, 2001: 29). The employment rate for lone parents increased from 44 per cent to 51 per cent between 1997 and 2001, and the NDLP and these other measures are central to securing the Government's target of increasing the employment rate to 70 per cent by the end of the decade (National Council for One Parent Families, 2001: 7).

The New Deal programme for people with disabilities has been developed as a series of 'pilots' and, since June 2001, is delivered through a 'national network of Job Brokers'. These NDDP 'brokers' have flexibility in how they provide assistance and are paid by results including a 'bonus' payment for those whose participants are still in work after six months. The NDDP is only a small part of the Government's strategy. The most significant element has been the introduction of new rights at work through anti-discrimination legislation which are intended to increase employment for people with disabilities. The Government has also introduced many 'micro' changes to disability eligibility rules and they are starting to develop a package of employment options and

advice services designed to provide a more 'coherent' system aimed at encouraging people on disability benefits to take up job opportunities (Department for Work and Pensions, 2002).

The national New Deal programmes have been supplemented by area-based employment initiatives aimed at reducing long term unemployment and 'joblessness' in particular localities. The Employment Zones are testing the concept of 'personal job accounts' for JSA claimants aged over 25 who have been out of work for over 18 months (or 12 months in a few zones). If an individual is selected then participation is mandatory. The EZs are delivered by private sector contractors who have flexibility in deciding the content of employment assistance and are paid through an output related funding system. In effect, the Zones are testing an alternative, both in terms of content and delivery, to the national New Deal model.

In another twenty areas broader 'Employment Action Teams' are also being tested. The teams work with all 'jobless' people to 'support radical, innovative ways' of tackling 'specific local problems and obstacles to jobmatching'. The effectiveness of these voluntary programmes will be assessed through their impact on local employment rates. These area based initiatives are expected to build 'synergy' between their activities, the New Deals, and the regeneration programmes being supported through other Government interventions, such as the 'New Deal for Communities' and the Single Regeneration Budget (Social Exclusion Unit, 2001: 34).

'Making Work Pay'

The New Deals have been introduced alongside major tax and benefit reforms which, in combination with new rights at work (including the introduction of the national minimum wage), are aimed at 'making work pay'. One of the Government's major objectives has been to replace the inherited 'in work benefit system', paid through the Benefits Agency, with a tax credit system paid through employers and the Inland Revenue. Working Families Tax Credit (WFTC) was designed to help low-paid families with children and replaced Family Credit in October 1999. At the same time, a Disabled Persons Tax Credit (DPTC) replaced Disability Working Allowance. A Childcare Tax Credit also replaced the 'childcare disregard' which was a feature of the two earlier benefits.

The Government has promoted 'credits' as a key element of its welfare to work strategy and the introduction of a more generous level of payment increased recipient levels. By the end of 2001 WFTC was being received by 1.25 million families, with 145,000 benefiting from the child care tax credit (HMT, 2001: 30). Simultaneously about 29,000 disabled workers were in receipt of DPTC. The budget for tax credits has been significant and in its forecast for 2001-02 the Government estimated it would spend 'an extra £6,000m on increased benefits and tax credits aimed at low-income families'. By contrast New Deal expenditure was estimated at about £900 million (Robinson, 2000: 25).

One consequence of tax credits for domestic couples was that payment 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 the work incentive and child support elements of tax credits and in 2003 introduced a separate Employment Credit for

low paid workers and an Integrated Child Credit for carers. The Employment Credit is underpinned by the minimum wage and is now available for most low paid workers, including single people and childless couples, although it will not initially be extended to single people aged under 25 (HMT, 2001).

There are methodological and technical complexities to be considered in assessing the income and work incentive effects of the new tax credits (see, for example, Brewer et al, 2001). Tax credits and increased Child Benefit have played a key role in reducing child poverty, although the Prime Minister had to acknowledge that the number of children lifted out of relative poverty was closer to half a million rather than the one million they had previously claimed (PM, 2002). Tax credits have also eased the 'unemployment' and 'poverty traps', by their relative generosity, ensuring that an individual is entitled to more money from work than from benefits. Nevertheless, the policy approach has been criticised for extending 'dependency' into employment; extending 'means testing' up the salary scale; complex and confusing regulations for employers and applicants; and concern about the potential impact on work incentives and employer wage-setting behaviour (Green, 1999).

Delivering the 'employment first welfare state': the Employment Service and Jobcentre Plus

New Labour gave the ES responsibility for delivering its New Deals. This decision provided continuity and enabled the incoming Government to build its programmes on the JSA benefit regime. It gave the senior managers of the ES an opportunity to 'reinvent' the organisation and to rebuild its credibility with the unemployed, employers and other agencies. This involved the creation of a national network of New Deal partnerships; the introduction of a new generation of front line personal advisers; contracting with a broad range of public, voluntary and private sector organisations for the delivery of new services and employment and training options; and changes to ES performance targets to encourage inter-agency working. Another key dimension of the strategy involved a major national political effort to engage employers and other organisations in the delivery of the New Deals.

Whilst the Government gave the public sector responsibility for delivering the New Deals, it also expanded the role of the private sector. Private sector organisations, in varying combinations with the ES, have been given contracts for delivering a broad range of employment programmes. New Labour was, however, less committed to the private sector led Training and Enterprise Councils created in 1988. The Government abolished them in England and replaced them with broader partnerships, the Learning and Skills Councils, which are firmly based in the public sector. LSCs are responsible for distributing and allocating funding for all post compulsory school age education and training (apart from Universities). They have been given a remit that includes improving the employability of disadvantaged groups but this is only one among their many competing priorities.

The most significant development in 'welfare to work' service delivery was announced by the Prime Minister at the Labour Party Conference in 1998 where he indicated that the Government would create a 'single work-focused gateway' to the benefit system. By the end of 1999 twelve of what were then called 'One' pilots had been established to test ways of delivering the new service.

Evaluation evidence from the One pilots quickly illustrated the challenges this reorganisation would face. There was incompatibility between the information systems of the different organisations, pressure from high caseloads, and cultural differences between groups of staff. Ironically, the economically inactive received (and appreciated) a much better benefits advice service, but less than a third of lone parents and about a fifth of disabled people reported that they had discussed finding work or training (albeit this was higher than in comparable control group areas). Most job search activity was targeted at the regular unemployed. The ‘most striking finding’, according to a Parliamentary Inquiry, was ‘how little effect the ONE pilots .. had on labour market outcomes’ in comparison with control areas. The economically inactive did ‘not appear to be being reached by the new work-focused agenda’ (Work and Pensions Select Committee, 2002: para 5).

In March 2000, Prime Minister Blair announced the most radical step yet, the merging of the ES and BA into a unified Working Age Agency (with Housing Benefit still separately delivered by Local Authorities). The new ‘Jobcentre Plus’ agency would ‘embed a culture of rights and responsibilities in the welfare system’ and ‘personal advisers will steer clients towards work or training’ (Hansard, 16 March 2000: col. 257W). The aim is that by 2005 the agency will have integrated the work of 90,000 staff in 1,500 local offices, and will have modernised service delivery, particularly through the use of computers, telephones and on line technologies. Jobcentre Plus offices are designed to reinforce the culture change. Largely open plan, they aim to deliver a ‘queueless’ professional service in a modern environment. The agency will be expected to process and pay benefits accurately and promptly, but the expectation is that clients will experience an ‘employment first’ approach.

The Jobcentre Plus regime is designed to avoid the confusion of the ‘One’ pilots by separating the benefit advice and employment assistance elements of the claiming process. After contacting a ‘customer service representative’ through a call centre a prospective claimant is allocated an interview where they are first seen by a ‘benefit financial assessor’. They then see a Personal Adviser whose task is to assess employability and provide employment assistance. The JSA unemployed will be required to actively seek work and enter a New Deal after a specific duration of unemployment. Other claimants will be encouraged ‘to think about work, joining a New Deal, or to participate in a series of voluntary meetings with a Personal Adviser to start preparing for work’ (W&PSC, 2002: 6). ‘Inactive’ claimants who choose not to participate will undergo the same process when they attend their next WFI.

Evaluation and the employment impact of the New Deals

The New Deals have been subject to an intense evaluation programme. In addition to publishing monthly monitoring data, the Government released over sixty official evaluation reports by the end of 2001. These studies assessed various aspects of the delivery, performance and impact of the evolving New Deals, WFIs and ‘One’ pilots. The studies utilised a variety of methodologies and the intention has been that this accumulating evidence base should inform the development of policy and front line implementation (for synthesizing reviews see, for example, Hasluck, 2000; Millar, 2000). This section reviews the evidence on the employment impact of the New Deals, especially of the NDYP, the ‘flagship’ New Deal of the Labour Government’s first term in office, while the following section explores what the accumulated evaluation evidence tells us about what worked and did not work in the New Deal process.

At the end of 2000, the Labour Government announced that it had reached its target of assisting 250,000 young unemployed people to find work through NDYP (DfEE, 2000). By the end of 2001, it was suggested that well over half a million people had found jobs through the various New Deals (see Table 1), and that some 53 per cent of NDYP leavers were entering employment. Just under 80 per cent of the jobs were 'sustained' for over 13 weeks. There is little information available about the quality of jobs taken by NDYP leavers but a national survey found high levels of job satisfaction amongst those in work 18 months after starting the programme and it reported some evidence of wage progression amongst those in employment (Bonjour et al, 2001).

In combination with continuing employment growth, the New Deals have helped produce significant reductions in JSA unemployment, especially amongst the younger long term unemployed (McDonagh and Asvesta, 2002: Table 2). Between April 1997 and April 2002 the number of 18-24 year olds in GB out of work and claiming JSA for over 26 weeks (the point at which they enter the New Deal but are still receiving JSA) fell sharply from 87,700 to 39,800, a fall of over 55 per cent. The most dramatic impact was on those registered as unemployed for over a year, where the number fell from 90,700 to 5,100, a fall of almost 95 per cent. The reduction in the shorter term unemployed was less marked, with the number of those out of work for less than 26 weeks falling some 16 per cent, from 243,200 in April 1997 to 204,300 in April 2002. There were some cyclical factors at work but this data raises a concern that the New Deal might be 'recycling' some of the unemployed, rather than moving them directly into jobs (see below).

Establishing the *net* additional employment impact of the New Deals, the measurable economic difference they have made, is more complex.. The most authoritative econometric findings come from evaluations of the NDYP carried out by the National Institute for Economic and Social Research (Anderton et al, 1999; Riley and Young, 2000) and the Institute for Fiscal Studies. Both studies concluded that there was a positive impact with the IFS finding an 'economically and statistically significant effect on the flow of young men from JSA to employment' (Blundell, 2001: 34). The NIESR findings were themselves independently scrutinised by the National Audit Office, which judged that it was 'reasonable' to conclude that in its first two years NDYP was cost effective, directly reduced levels of youth unemployment by between 25,000 and 45,000, and increased youth employment by between 8,000 and 20,000 (National Audit Office, 2002: Part 3). These findings were borne out by a subsequent evaluation from the Policy Studies Institute which arrived at its estimates in a different way but which also found that NDYP had reduced long term youth unemployment and had positive impacts on youth employment (White and Riley, 2002). Evaluations of the New Deal for the over 25s and the NDLP suggest these programmes are also making net (if modest) additional impacts on employment outcomes (Lissenburgh, 2001; Millar, 2002).

There have been other, less favourable, assessments of the employment impact of the New Deals. Apart from those who suggest that the reduction in unemployment has simply reflected the strength of the economy, others point out that despite the reduction in long term youth unemployment about a third of those who participated in NDYP returned to unemployment and about one in five of those who did obtain a job failed to retain it for 13 weeks. Some of these young people are now entering the programme for a second or third time. This problem is most acute for young people from ethnic minorities and for those in many inner urban and depressed industrial labour markets where, it is suggested, the

concentrated geography of unemployment leads to the ‘recycling and churning’ of participants and that local ‘jobs gaps’ have undermined the programme (Turok and Webster, 1998; Martin et al, 2001). In response, Government economists have argued that appropriate vacancies arise in most local labour markets and that participation has reduced the ‘scarring’ effect of long term unemployment with those re-entering the programme exiting at the same rate as the newly unemployed rather than becoming ‘detached’ and entering long term unemployment. In its ‘Next Phase’ of the New Deal the Government has responded by increasing efforts to achieve ‘parity’ of employment outcomes for ethnic minorities, and by introducing ‘Step Up’, a temporary job creation programme targeted at high unemployment areas and aimed at those who fail to get unsubsidised jobs after participating in the New Deal (Department of Work and Pensions, 2001).

The ‘net’ employment outcomes of the NDYP remain contested and evaluation results for the other evolving welfare to work programmes, especially for lone parents and the older unemployed, have been challenged too. Nevertheless, the balance of the evidence supports the conclusion that the approach accelerates the return to work, especially of the long term unemployed, and that the programmes contribute at least to some small net increase in employment (Blundell, 2001). What is less clear is whether the positive impacts associated with the NDYP and other programmes will be sustained as more people pass through the various New Deals and as front line staff grapple with the administrative challenge of implementing an ‘employment first’ regime.

What worked in the New Deal: Opening the ‘black box’

The initial phase of employment assistance offered through the Gateway period has been successful. Early planning assumptions were that 40 per cent of entrants would leave the New Deal from the Gateway. In reality two thirds of participants have left before taking up an option. The evidence shows a ‘carrot and stick’ effect, with most young people intensifying jobsearch as a result of increased motivation and new techniques, with others doing so to avoid joining an option or benefit sanctions.

The introduction of Personal Advisers (NDPAs) has been welcomed by most participants. The evidence consistently has identified the intensive, individualised help from the NDPA as the key element of success (Legard and Ritchie, 1999; Thomas and Griffiths, 2002). Young people and lone parents place great value on having someone with whom they can build a relationship. At their best, advisers provide a wide range of individualized services such as identifying barriers to work, helping with applications, contacting employers and discussing and clarifying employment goals. Unfortunately, not all NDPAs live up to their image and there have been concerns voiced regarding work pressures created by rapid policy changes and caseloads with a greater proportion of people with more significant employment barriers. There has been disquiet amongst NDPAs working with the JSA unemployed regarding the balance to be struck between individual support and immediate job placement. One of the things valued in the New Deal was the shift away from the immediate job entry targets that had characterised the previous regime. By 2001, however, many both inside and outside the ES felt that the original individual focus of the NDYP was in danger of being undermined by a preoccupation with immediate job entry targets (Finn and Blackmore, 2002).

The weakest part of the NDYP has been in the options and ‘follow through’ phase, especially for those young people with significant employment barriers. Option providers have struggled to place more than 30 per cent of their participants into jobs. This under-

performance has been attributable partly to the reality of clients with the greatest barriers and least motivation but has reflected, too, the tension felt by many providers about the extent to which they should or could fully focus on employment outcomes. This weakness has been compounded by the limited impact of the follow through process. Research with young people found 'marked differences' in the levels of follow through activity which ranged from 'intensive support to no identifiable post option activity' (O'Connor et al, 2000). Nevertheless, around 40 per cent of those leaving the follow through move into employment. Unfortunately this also means that nearly half of those leaving follow through have returned to the normal JSA regime.

Another weakness of NDYP was the uncertainty about what happened to those going to an 'unknown destination'. This 'disappearing' effect had been a characteristic of all the mandatory employment programmes introduced since the 1980s but for the first time two surveys were to discover what happened to the one in three NDYP participants with 'destination unknown'. The most extensive survey, with a response rate of just below 50 per cent, led the researcher to conclude that he could find no discernible evidence that the most disadvantaged were disproportionately represented among those who could not be contacted (O'Donnell, 2001). Of the sample contacted, 56 per cent had initially left the New Deal to enter employment and just over 5 per cent reported that they had not been entitled to claim due to sanctions. Some had continued to 'sign on', others had been ill, and some had entered education or otherwise left the labour market. At the time of the survey the status of the young people had changed, with 43 per cent reporting they were in work and 30 per cent JSA unemployed. The researchers found, however, that just under a third of those experiencing at least one of the living conditions associated with disadvantage (been in custody; slept rough; lived in a hostel/foyer; been in care) reported that they had left NDYP to enter full time employment.

A broad range of agencies working with the most disadvantaged have stressed that the young people they work with tend to move in and out of jobs quickly and to engage only intermittently with the New Deal (NDTF, 1998). The agencies have had some success when lobbying for improvements in the design of the programme but many have continued to express their concern that the disciplinary regime of the New Deals could exacerbate rather than help tackle social exclusion.

Initially the NDYP was covered by the existing JSA sanctions regulations but in March 2000 the regime was intensified and following a first sanction of two weeks benefit withdrawal, and a second sanction of four weeks, an individual who fails to participate in the programme now loses benefit for twenty six weeks. This regime was then extended to cover unemployed people aged between 25 and 50 who participate in the New Deal or an EZ.

It has been difficult to measure the extent to which young people have been sanctioned but one estimate suggests that some 9 per cent may have experienced a benefit reduction during the Gateway phase (Gray, 2001: 378). During the option phase the evidence on sanctions is clearer and the rate at which sanctions have been imposed has increased, with over 2,000 cases a quarter reported by 2001 (Working Brief, 2002: 6). These sanctions are imposed for either failing to attend, or leaving options without good cause, and they are largely experienced by poorly educated and less motivated young men with regard to participation in the ETF (Bonjour et al, 2001: 112-115). Although the number who experience a third sanction is small, qualitative evaluation has shown that while some then obtain a job, a

significant minority of vulnerable young people had lost their benefits for six months and lost contact with services that should have assisted them (Saunders et al, 2001).

Despite the impact on this small minority young unemployed people themselves express mixed responses when asked about benefit sanctions. Local case studies have found that although some resent the 'threat' to benefit entitlement most accept that sanctions are justified either to put pressure on those not genuinely seeking work and/or to maintain discipline while participating in the programme (see, for example, Finn and Blackmore, 2002).

Conclusion

New Labour's strategy for creating an 'employment first' welfare state has been subjected to much criticism. In a succession of journal articles academics and others have assessed the merits of the New Deals and found them wanting. Many authors have concluded that the NDYP in particular is part of a coercive regime designed to make access to benefits more difficult and to increase competition for jobs at the lowest end of the labour market (see, for example, Jeffs and Spence, 2000; Greater Manchester Low Pay Unit, 2001). The evidence reviewed in this chapter suggests that the reality of the new welfare state is more complex. The new programmes are not monolithic instruments of social control but contain multiple, sometimes contending, objectives aimed both at promoting labour market efficiency, controlling benefit payments, and enhancing the welfare of individual unemployed people. There may be problems with the immediate employment focus of the New Deals and Jobcentre Plus, but there has been progress in improving the quality of service available to the long term unemployed and to other working age claimants, and there is evidence that the approach accelerates their entry into work.

Further reading:

There have been many overviews and critiques of the New Deals but it is important to see New Labour's approach in an international context. The following two books contrast the British approach with both the USA and Europe. Peck J. (2001) *Workfare States*, Guildford Publications: New York.

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Table 1: New Deal Employment Programmes

	Start Date	Estimated Cost (£m 1997-03)	Number of Participants (to November 2001)	Number of Job Entrants (to November 2001)
New Deal for Young People	April 1998	1,470	731,900	345,000
New Deal 25 Plus	June 1998	640	353,300	62,410
New Deal for Lone Parents	October 1998	340	305,030 (joined caseload)	127,920
New Deal for Disabled People	April 1999	165	20,000 (to June 2001)	8,000
New Deal for Partners of the Unemployed	April 1999	65	n/a	n/a
New Deal for People aged 50 Plus	April 2000	65	n/a	n/a

Sources: Figures taken from Table 4.1, Pre Budget 2001 report and show planned Windfall Tax expenditure on the New Deal, HMT 2001. Data on NDDP participants and job entries from HMT, 2001, p.29. Source for Participants and Job Entry on other New Deals: unpublished performance papers given to the New Deal National Employers Panel Performance Sub Group, February 2002

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