Britain: moving towards a work and opportunity-focused welfare state?


A major aim of the Labour Government elected in May 1997 was to change British social policy away from passive income maintenance towards promoting employment, investment and opportunity. Many of its policy initiatives bear the clear imprint of a social development model. Investment in education and health are seen as paramount, community rebuilding through partnership-based economic renewal and the promotion of social capital through neighbourhood renewal are all explicit priorities in the government’s spending plans. Note: this approach to policy will continue in Britain now that Labour has been returned for a second term in the June 2001 general election.

This paper focuses on welfare-to-work programmes in Britain and explores what has been done so far and with what overall impact. The centrepiece of these programmes is the new set of expanded active employment programmes – collectively called The New Deals. Alongside them is a range of programmes to increase the rewards from low-paid work and enhance the integration of social and economic policy.

Discussion of the new direction for social policy cannot ignore fundamental commitments to economic policy that the Labour Government has made. Eager to change Labour’s image as a ‘tax and spend’ party with a poor record of macroeconomic management, the government has stressed firm economic management to maintain and bolster the strong economic recovery it inherited in 1997. This is characterised by a commitment to low inflation and stable conditions of growth, seen as central to being able to fund a more progressive social policy and to generate jobs for a more work-focused approach. In retrospect, the Labour government was perhaps too cautious when it promised not to alter the outgoing government’s spending plans during its first two years in office. During a time of growth and expansion, this promise held back re-investment in public services that are widely viewed as under-resourced.

Welfare-to-work and welfare reform
‘Welfare reform’ is the term used for all changes to the British income maintenance system, which consists of a centralised, state-run social insurance and social assistance system with accompanying programmes for family allowances and non-contributory benefits. The basic principles for reform include the aim of providing ‘work for those who can and security for those who cannot’ (DSS, 1998a: iii) and this aim puts welfare-to-work policy in the centre of all policy initiatives for the working-age population. However, it is crucial that readers understand that ‘welfare’ in the British use of this term refers to a huge swathe of programmes – both social insurance and means-tested social assistance for both able-bodied and other claimants.

Why is the target group for welfare-to-work programmes so large? The Labour government sees their inheritance from the previous administration as not only high levels of unemployment, but also as high levels of economically inactive claimants – mainly lone parents and long-term sick and disabled people – who claim a wide range of benefits. This large non-working population drove spending from the Department of Social Security (DSS) to levels that were viewed as unacceptably high. Indeed, the DSS has been labelled as ‘The Ministry of Failure’ and is to be dismantled. Financial support for children will move to the Treasury and the Inland Revenue and will be primarily provided through a tax credit. Financial support for working-age people will be provided by the Department of Education and Employment (DfEE), while support for the elderly will remain the responsibility of a vestige of the former DSS.
Since 1979, policy changes had made unemployment benefits less generous and far more onerous to claim, to the extent that in order to qualify as ‘unemployed’ no restrictions on job search or uptake were permitted due to ill health or caring for young children. This policy did not encourage work as was intended, but effectively pushed lone or single mothers and the long-term sick and disabled away from the labour market and increased their reliance on social assistance. No employment services were available to them and they were not required to register for work. Such claimants grew in number across the economic cycle as shown in Figure 1 (DSS, 1998b) and outnumbered the unemployed in 1997 as shown in Figure 2 (DSS, 1998b). The fact that the unemployed only represented 25% of the total welfare population meant that the welfare-to-work schemes were widened to include claimants that had no previous link to employment or training. Previously, the social-assistance benefit administration did not encourage them to seek work and leave benefit.

The New Deals

The unemployed are still the most important priority for the New Deal programmes. British unemployment insurance benefits (known as Contributory Jobseekers Allowance) are flat rate and last for six months, but comprehensive unemployment assistance is available (income-tested Jobseekers Allowance) as an alternative and a supplement for an indefinite period.

Youth unemployment has long been of particular concern and a huge investment in a new active employment policy for the under-25s was promised in the 1997 election manifesto. This was the first programme to bear the name ‘New Deal’. Known as the New Deal for Young People (NDYP), it was introduced nationally in April 1998 as a compulsory programme for all 18–24 year olds who had been unemployed for six months. The programme consists of an intensive period of individual advice and support called the Gateway, which is followed by participation in one of four options. These include subsidised employment, full-time education and training, voluntary work and environmental work.

Long-term unemployment is the other priority. The New Deal for Long-term Unemployed (NDLTU) is a compulsory programme for those aged 25 or over who have been unemployed for 24 months, although entry at 12 and 18 months was piloted in some areas. It consists of a period of intensive advice and support followed by voluntary participation in either subsidised work or full-time education and training. These compulsory programmes built upon and expanded existing employment services and active labour-market programmes for the unemployed. In addition, several New Deals were introduced on a non-compulsory basis for other claimants.

The New Deal for Lone Parents (NDLP) is aimed at lone mothers claiming social assistance, Income

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**Figure 1.** Growth in welfare claimants across the economic cycle 1979–1997.

**Figure 2.** Working-age welfare claimants 1997.
Support (IS), for six months who have school-aged children (their youngest child is aged 5 1/4 or more). It consists of an interview with a Personal Adviser and subsequent advice and support that can continue through job search and in employment. The New Deal for Disabled People (NDDP) is aimed at claimants of contributory invalidity benefits and social assistance (IS) and is very similar to the NDLP in provision. It offers a Personal Adviser but also aims to link disabled people with other programmes and with employers, and to raise awareness of their needs.

The New Deal for Partners of Unemployed People (NDPU) is designed to reach the (mostly female) partners of unemployed people. For those who are under 25 and have no children, participation in the NDYP is voluntary. There are plans to make participation of this group compulsory in the near future. NDPU also consists of access to a Personal Adviser who also serves the other partner.

Last, The New Deal for the Over-50s (ND50+) is aimed at claimants and their partners who have received social assistance, unemployment benefits or incapacity benefits for six months. It offers access to a Personal Adviser, but also an in-work tax-free benefit for the first 12 months of work and a lump-sum training grant.

A range of complementary policies has been introduced alongside the New Deals. These are of two types: first, activating the delivery of benefits in a work-focused way and second, making work pay.

Activating the delivery of benefits

The New Deal programmes are aimed at people who have been claiming benefits for six months or longer depending on the specific programme. Additionally, there has been the development of an integrated work-focused gateway for access to benefits for all working-age claimants. Called the ONE Service, the new approach provides a work-focused interview by a Personal Adviser as a part of a claim for all benefits. The ONE Service has only been introduced in pilot areas of the country at present, but the status of the work-focused interview has become a mandatory condition of all such claims since April 2000 in these areas. The mandate is only for attendance and participation at the interview. There is no compulsion to take forward action that is suggested at the interview; for instance, to look for work – except for unemployed claimants, where there is little difference to previous practice under Jobseekers Allowance. The sensitivity of such interviews to individual circumstances such as recent bereavement and birth, and to the mentally ill especially, has been stressed in implementation.

An alternative approach to long-term unemployment called Employment Zones was also begun alongside the NDLTU in five areas of long-term structural unemployment. These are Glasgow, Merseyside, North-West Wales, South Teeside and Plymouth. The idea behind the zones is to bring together all programme spending on unemployment, both passive benefit spending and training and education, to pool money in order to offer more flexible individually-based intervention at the local level. Participation is voluntary, and, in fact is not limited to the unemployed – most Employment Zones developed community-based employment strategies that provided transitional jobs providing public goods.

However, the thinking behind Employment Zones was abruptly overturned after the first year of their two-year tenure and no further intake was allowed while new alternatives were set up. In their place private for-profit providers were asked to bid to operate mandatory job-placement programmes in these and other areas. The funding of these new-style Employment Zones is based on 21 weeks worth of unemployment benefits and the providers give services for a maximum of six months to place them in work. Funding encourages sustained work outcomes by reserving one portion of contract payment until work has lasted for 13 weeks. The thinking behind the scheme owes much to the example of US labour-market intermediaries such as America Works (Nye, 1996). Fifteen such zones were formed and began operation in April 2000.

All the programmes described so far have been concentrated on making the transition from welfare to work. This is only half of the strategy. The other half is to make sure that work provides an adequate income, and to make more childcare available to meet the needs of women returning to low-paid work.

Making work pay

The first major change to make work pay was the introduction of a National Minimum Wage. Additionally, means-tested benefits for low-waged families with children were made more generous. The existing cash benefit called Family Credit was changed into Working Families Tax Credit (WFTC). While it remains a means-tested supplement for low-paid work, WFTC is primarily paid through the tax system into the claimant’s wage packet by their employer unless the non-working parent specifically asks to be the recipient, in which case it remains a cash benefit paid to them.

The move to payment through the tax-system and via employers shifted administrative responsibility to the Inland Revenue, the British tax authority, and is part of a wider move to integrate cash transfers and
income tax. An additional element of WFTC was also introduced to help pay childcare costs. There is a parallel system of tax credits for disabled people – the Disabled Persons Tax Credit. Both tax credits are paid for six months before a new claim is made and they are paid immediately, without waiting for year-end tax filing. This immediate delivery ensures that work pays at the point of transition from welfare.

Future expansion of tax credits is proposed that will consolidate all financial help for children. Family allowances, child tax allowances, social assistance for children and WFTC will be combined into a single integrated child credit. In addition, an ‘adult working tax credit’ will be introduced to extend eligibility to all low-paid working adults with and without children (HM Treasury, 2000).

In addition to such demand-side subsidies for childcare, there has been a move to expand provision through the National Childcare Strategy and a pre-school programme called Surestart that is being introduced in a selection of poor neighbourhoods.

These programmes when combined with the New Deals form the centrepiece in the British government’s move from a passive to an active income maintenance scheme that promotes work. What are the strengths and weaknesses of the approach and how far does it represent a move towards developmental social welfare?

New Deal targeting

There is no dispute that the New Deals represent a change from passive income support towards a more active work-focused approach. However, the New Deals differ greatly in their programme content. Table 1 explains, in part, why such differences occur by giving an overview of programme caseloads and budgets. There is a clear and significant skew within the New Deals towards the NDFYP. The under-25s are only 9% of the total target group for all the New Deals, but get 77% of the budget. This contrasts particularly with the older long-term unemployed, 11% of the target group but only 2% of the budget, and Disabled who represent 20% of the target group but only get 6% of the budget.

These differences in spending and caseload profiles are caused by a number of different factors. First, the high level of spending on youth programmes is partly because such programmes were a political promise, and this promise was to move 250,000 young people from unemployment into work. This target was met in late 2000 (DfEE, 2000). Second, spending on the unemployed population has the explicit aim of raising employability as well as moving claimants into work. This aim is part of a wider macroeconomic policy to improve British productivity in order to dampen inflation as unemployment falls (Layard, 1997). A third reason is the lifetime consequences of youth unemployment. Evidence shows that unemployment in youth is associated with later, adult unemployment (Gregg, 2000). But the argument about the high needs of youth have not been proven relative to the competing needs of other populations. The effects of unemployment at later age may have severe consequences for incomes in retirement as well as subsequent unemployment, but as yet longitudinal evidence is largely unavailable to make the case for older workers. A fourth reason is that young people are a more politically-popular target group as public opinion about helping the unemployed is generally negative (Hills & Lelkes, 1999). A fifth reason is that mandatory programmes should offer more if people are forced to participate. However, this argument is weak given the large difference in programme content and spending between youth and long-term unemployed, both of whom face mandatory programmes. The last reason is that welfare-to-work policies are difficult to implement and it is better to help the easiest target groups first and then focus help on the hardest to serve later (Layard, 1998). With unemployment rates falling to a 20-year low, this change in targeting will in any case come about as the New Deal policies mature, as long as economic growth continues.

Overall, the old distinction between the unemployed and other claimant groups has been largely maintained by the New Deals and this reflects

<table>
<thead>
<tr>
<th>New Deal</th>
<th>Target caseload</th>
<th>£ million budget 1997–2002</th>
<th>Spending % of budget</th>
<th>£ per capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under-25s</td>
<td>0.40</td>
<td>2,620</td>
<td>77</td>
<td>6,550</td>
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<tr>
<td>Over-25s</td>
<td>0.50</td>
<td>50</td>
<td>2</td>
<td>100</td>
</tr>
<tr>
<td>Lone parents</td>
<td>0.50</td>
<td>190</td>
<td>6</td>
<td>380</td>
</tr>
<tr>
<td>Disabled</td>
<td>0.90</td>
<td>200</td>
<td>6</td>
<td>220</td>
</tr>
<tr>
<td>Partners*</td>
<td>0.22</td>
<td>60</td>
<td>2</td>
<td>273</td>
</tr>
<tr>
<td>Over-50s*</td>
<td>2.00</td>
<td>270</td>
<td>8</td>
<td>135</td>
</tr>
<tr>
<td>Total</td>
<td>4.52</td>
<td>3,390</td>
<td>100</td>
<td>580</td>
</tr>
</tbody>
</table>

Source: Author’s calculations from Table 2.1 in Hales et al. (1999).
Notes: * Some potential overlap between populations.
differences in the aims of the programmes. The mandatory New Deals for the unemployed have sought not only to improve the transition from welfare to work but also to improve employability. The voluntary New Deals have mainly focused on encouraging the transition from welfare to work. While advice and assistance have been widened to encourage lone mothers and the disabled to enter work, more substantial resources for raising human capital and investment have been allocated to the unemployed. The unemployed are a heterogeneous group with some very needy people within it, but they tend nevertheless to be nearer on average to labour-market participation than their disabled and lone-parent counterparts. Millar suggests that this difference makes the voluntary New Deals more ‘work first’ in their approach rather than being based on human capital investment (Millar, 2000).

Performance of the compulsory New Deals

What have these compulsory New Deals achieved? The volume of people who have gone through the New Deals is impressive. Some 490,000 young people had entered the programme by May 2000 and 220,000 obtained jobs (TUC, 2000). Over a similar period, 276,000 older unemployed people had entered the programme and 52,000 obtained jobs (TUC, 2000). However, there is a marked difference in the proportion finding work from the two New Deals, 45% versus 19% respectively, which is a reflection both on underlying difficulties in the caseload and programme content. NDYP has been shown to have had a significant impact on youth unemployment and to have high level of entry into jobs that would not have happened without the programme (Anderton, Riley & Young, 1999).

NDYP’s success has largely flowed from establishing better relationships between Employment Service advisers and young jobseekers. The individualised approach based on an assessment of needs backed by greater flexibility in provision is exemplified in the Gateway; the first element of the NDYP programme that can last up to four months. The relationship with the Personal Adviser has been found to be central to Gateway success (Legard, Ritchie, Keegan & Turner, 1998; Legard & Ritchie, 1999).

Greater problems have been encountered with participation in the four options of the NDYP. At this point, the flexibility of the programme alters and those who have not found work face only four choices. The first choice, subsidised employment, is in reality job brokering where the employer has come forward or has been successfully approached to participate in the New Deal. This means that entry into this option is taken by those who are most job-ready. It also means that the employers’ needs and prejudices result in low-skilled and/or ethnic minority youth being less likely to participate.

The other three choices have been perceived as of less value than subsidised work. Participation in full-time education and training has exceeded expectations, as it has been viewed as better than mandatory voluntary or environmental work by most participants. Placement in or choice of option is the most difficult point in implementing the New Deal and the point at which relationships with Personal Advisers are at their worst. It is also the point where the potential to leave the programme is at its highest. Options have been found to enhance both soft and hard skills (Woodfield, Turner & Ritchie, 1999).

One of the aspects of option participation is less contact with the Personal Adviser. However, this proved problematic for the hardest to help who finished their fix-term option and moved on to the follow-through period where their Personal Adviser is to help them build upon their experience and gain work. Implementation of the follow through has been characterised by great variation in approach and in the level of assistance given (O’Connor, Bruce & Ritchie, 1999). It is not clear how far casework for this group has been a defined priority within the New Deal.

Turning to the older unemployed, the NDLTU faces a population which has often encountered reactivation programmes before and while the majority are anxious to work, there are also significant levels of demoralisation and cynicism (Legard, Molloy, Ritchie & Saunders, 2000; Finn, Blackmore & Nimmo, 1998). Again, the role of the Personal Adviser is pivotal and the majority of participants appreciate the new approach that focuses on individual needs and barriers to work. However, the lack of resources to back up this new emphasis is seen as problematic as all the advisers have to offer are pre-existing employment services programmes. The NDLTU has had much experimentation in its delivery and has moved to adopt the Gateway-type service that served the young unemployed so well. However, movements into jobs from the advisory process fell from 39% to 17% over a year while the proportion returning to benefit rose to 56%. Participation in the follow-up voluntary options was under 5% for employment and 3% for education and training (Hasluck, 2000).

The Non-mandatory New Deals

Participation in the NDLP, NDDP and NDPU is based on a response to an invitation letter. However, some disabled and lone parents do come forward without letters of invitation. Results from early implementation of the schemes show small participation rates for disabled people: 3% of those invited plus further 2%
of voluntary extras. The rates for lone parents are higher at around 23% (Arthur et al., 1999; Hales et al., 2000). Although the programmes are voluntary, around half of the participating lone parents joined believing the programme to be compulsory. Participants in both programmes tended to be those who were already considering work. Both sets of participants have access to Personal Advisers. Personal Advisers in the NDDP tended to emphasise the exploration of options for work and then provided help to access services and employers with mediation and intervention where necessary. There was less emphasis on financial planning and the availability of in-work benefits than in the NDLP. In both these programmes, the quality of the Personal Advisers were found to be crucial, with high ratings for advisers matching overall appreciation of the programme. Detailed evaluation of the early NDLP found that it was nearly cost-neutral and had positive effects (Hales et al., 1999).

Less is known about the implementation and early evaluation of NDPU and ND50+ at the time of writing. However, the inclusion of partners as a target group has widened the perceived need for childcare, but has also faced the sensitive and difficult matter of intra-household roles and responsibilities. The extension of opportunity to women who had previously been ignored by policy was welcomed, but there was a real reluctance to move into work where their partner remained unemployed Hales (Stone, Hulusi, Tovey & Thomas, 2000).

The New Deals as developmental social policy

Can these changes in British policy be viewed as compatible with a developmental social policy approach? Certainly, the programmes have fostered social and economic integration and have expanded active labour-market programmes to the unemployed. They have also provided active employment advice to previously ignored groups of claimants. These are major successes, and have made big improvements in provision in a relatively short period of time. The New Deals and programmes that make work pay fit some of the central definitions of the developmental approach (Midgley, 1996, 1998). Additionally, the delivery of the new policies has been backed up with large investments in programme evaluation, and recent evidence suggests that much of the new investment is largely cost effective (Hales et al., 2000; DfEE, 2000).

However, there are ambiguities in the British approach. First, how far are the programmes investing in human capital? The British approach has only really emphasised training for the young unemployed who are seen as worthy of lifetime targeting. For the older unemployed and for others the main emphasis has not been on improving human capital. Second, there is a real tension between seeing welfare-to-work programmes as a transition to work rather than an investment in a trajectory of social and economic improvement for the individuals concerned. Does the combination of transition-based programmes and in-work subsidies place enough emphasis on moving the previously unemployed into the labour market? Many will return for spells of unemployment but when they do, the current design of programmes will seek to place them efficiently back into employment again.

The large-scale subsidisation of low pay, especially when accompanied by a minimum wage and delivery through employers, not only blunts incentives to work harder through the poverty trap but could strengthen ‘opportunity traps’. For instance, a couple with young children, who are both on the minimum wage, will have little time and no resources with which to improve their own human capital. Their needs for better educational qualifications need more careful consideration against the desire to keep them in work and off welfare. Access to higher education, especially for mature students, has been worsened with changes to education finance introduced by the Labour government. Future policy will have to balance work with education and training more carefully over a longer time horizon than one that merely focuses on leaving welfare and getting a job.

Third, what about the hardest to serve? Will they become a larger proportion of participants if the economy continues to grow? The core of all the New Deals is the provision of Personal Advisers and they have worked well to address problems of confidence and marginal barriers to work. However, the absence of something more substantial has often thwarted and frustrated these programmes. In this respect there is the worrying example of the abandonment of the original Employment Zones. These had drawn together national and local community-based resources to provide transitional jobs, but have been abandoned in favour of a privatised alternative that emphasises quick results. There is a role for both approaches but it is difficult to see them as competing alternatives for those facing serious obstacles to work.

Lastly, the developmental approach emphasises both economic participation and the development of individual and community assets. The attention paid to the latter may need further thought, not only for those who can work but for those who cannot. The British system separated cash and social work services after World War II, and it is only now that social work approaches are being reintroduced through the use of Personal Advisers. The cash system pays out benefits that reflect severe disablement or the care of very young children without seeking to link the recipients into the networks of social-service care and

community. Similarly, the levels of benefits for these individuals are conspicuously low. There is no sign of any consideration of improving the quality of welfare while all the attention is on determining who can and who cannot work. Sooner or later, the second half of the political aim of ‘work for those who can, security for those who cannot’, will have to be seriously addressed in order to complete a rounded example of the developmental model of social welfare.

References


