

EMPLOYMENT

- Unemployment has fallen sharply since the mid-1990s and by 2005 had reached a thirty-year low.
- It is not clear how far the New Deal programmes have contributed to this decline, but it is likely that they have had a small but positive effect.
- There has not been a comparable decline in the number of people who are neither in work nor registered as unemployed, the so-called economically inactive.
- Employment policies are now increasingly targeted at this group, especially lone parents with dependent children and disabled people.
- This widening of the scope of employment policy has been sharply criticized on the grounds that it devalues unpaid work such as caring.

Employment policies occupy a central but controversial place in debates about the future of welfare. For millions of people paid employment is not only their major -or sole - source of income, but it is also the basis of their social standing and of their self-esteem. Those without such work are at greater risk of poverty and are more likely to experience ill-health. Moreover, their children are less likely to do well at school and to obtain secure, well-paid jobs. Unemployment is also linked to a range of other social problems. Whatever the precise patterns of causality, it is undeniable that communities in which unemployment is high are also disproportionately affected by crime, family breakdown and anti-social behaviour. For governments, high rates of employment boost tax revenues, reduce spending on social security benefits, and make it easier to fund other social policies and to meet the anticipated costs of an ageing population.

Britain's New Labour government has consistently declared its ambition to 'rebuild the welfare state around work' (DSS, 1998, p. 23). In 1998 a Green Paper on welfare reform promised that a 'comprehensive welfare to work programme' would 'break the mould of the old passive benefit system' and would form the basis of a new contract between government and those claimants who were capable of work. 'It is the Government's responsibility to promote work opportunities and to help people take advantage of them. It is the responsibility of those who can take them up to do so' (p. 31). This approach has subsequently been extended to groups who had not previously been expected to seek paid work, most notably lone parents and people with disabilities. This widening of the scope of employment policies, however, has been fiercely resisted by some critics on the grounds that such an emphasis on paid employment must devalue caring and other forms of unpaid work.

The purpose of this chapter is provide a brief introduction to these policy developments and debates. Before doing so, however, it outlines recent trends in the labour market, and looks at the operation to date of New Labour's welfare to work programmes.

TRENDS IN EMPLOYMENT, UNEMPLOYMENT AND ECONOMIC INACTIVITY

The first point to make is that Britain has one of the highest employment rates in the world. Over 70 per cent of working-age men and women were in paid work in 2005, compared to 66 per cent in Germany, 63 per cent in France and 58 per cent in Italy (DWP, 2007, p. 18). Britain's employment rate has risen by two percentage points since 1997, and by four percentage points since 1993.

It is not surprising, then, to find that the rate of unemployment in Britain has fallen sharply since the early 1990s. The number of people claiming unemployment benefit, for example, had fallen to a 30 year low of less than one million by 2004, and the number in receipt of benefit for more than a year had dropped by 75 per cent to under 130,000. This figure was less than one tenth the total of long-term claimants in 1986 (DWP, 2006a, p. 16). If a broader measure of the number of people who are available for work is adopted, then the figures are higher, but the downward trend remains. (Brewer and Shephard, 2005).

The decline in unemployment, however, is far from the end of the story. In recent years more attention has come to be paid to the numbers of people who are economically inactive. This term refers to those who are neither in paid work nor looking for it. An increase in such 'inactivity' is not necessarily a problem; full-time students, for example, are counted as inactive. In reality, the major cause of inactivity amongst men is long-term sickness or disability and amongst women it is withdrawal from the labour market to care for family or home. In both of these cases, inactivity gives rise to the same vulnerability to poverty and disadvantage as does unemployment, and policy makers and commentators have increasingly used the terms 'the workless' or 'the jobless' to cover both those who are unemployed and those who are inactive. The overall rate of economic inactivity has not changed significantly since 1997 – or indeed since 1979 – and so the number of people living in 'workless' households has not fallen by anything like so much as the number unemployed. One commonly cited statistic, for example, is that over 15 per cent of children live in workless households.

NEW LABOUR'S WELFARE TO WORK PROGRAMMES

The greater attention now paid to worklessness rather than unemployment has been reflected in an important shift in emphasis within the government's welfare to work programmes.

Broadly speaking, 'welfare to work' programmes have three inter-related objectives.

- To increase the job opportunities available to welfare claimants. This can be done through the payment of subsidies to employers who take people

directly off the unemployment register, through job creation schemes that provide temporary work for various groups amongst the unemployed, and through training and work experience schemes.

- To inform claimants of the opportunities created and to improve their motivation and skills. This can be done through an expansion of personal counseling and advice services along with educational and training initiatives.
- To give claimants a greater financial incentive to take advantage of these opportunities. This can be done by enhancing the benefits paid to those in work – most importantly tax credits – and/or by imposing stiffer sanctions on those who fail to participate in the programmes.

It was back in November 1995 that the Labour Party, then in opposition, announced plans for what was to become the first of six New Deal programmes. This first programme was targeted at young people (aged 18 to 24 years) who had been on benefit for 6 months. They were to be required to take one of four options: full time education, a job in the private sector for which the employer would receive a subsidy of £60 a week, work with a voluntary agency, or a placement on an environmental task force. The original programme is now known as the New Deal for Young People (NDYP). It later included a self-employment option and what came to be termed the 'gateway': a period of intensive advice and preparation prior to any job placement. This is intended to make participants more attractive to employers, and also to make it less likely that those who are already 'job ready' will be drawn onto the programme.

From the outset, however, the most striking feature of the NDYP was that it was compulsory. Anyone who failed to take any of the options would face benefits sanctions. In the words of Gordon Brown, then Shadow Chancellor, 'simply remaining unemployed and on benefit' would no longer be condoned. This message has since become so familiar that it is easy to forget that the introduction of compulsion marked a radical shift in Labour policy. Critics argued that it was both unfair and counter productive to make an individual's entitlement to benefits conditional upon their participation in these programmes. It was unfair, they said, because such conditionality implied that it was the claimants' own fault that they were unemployed, and that claimants only had to be prodded into action in order for them to find a job. It was counter productive, they said, because in order to be effective such programmes needed to work with enthusiastic volunteers and not uncooperative conscripts. Against these criticisms, supporters of compulsion have argued that because the effect of prolonged joblessness is to demotivate claimants, it is reasonable to 'prompt, support and require' them to take steps which are to their long-term benefit but which they would not otherwise take (DWP, 2007, p. 78). More broadly, however, New Labour has consistently justified conditionality on the grounds that it expresses and enforces the mutual obligations of government and claimant. As recently as January 2006 another Green Paper reaffirmed that as 'support is increased, so will the level of conditionality for claimants' (DWP, 2006a, p. 6).

The same arguments have been used to justify compulsion in a similar but smaller programme, the New Deal for 25 Plus. This is targeted at older claimants who have been receiving benefits for 18 of the previous 21 months. Much more significant, however, is the way in which elements of compulsion have been introduced into New Deals which provide for people who are not required to register for work as a condition of receiving benefit. The New Deal for Lone Parents (NDLP), for example, is a voluntary programme targeted at lone parents in receipt of income support benefits. From April 2001, however, new claimants have been required to attend a work focused interview at which a personal advisor sets out the support they would be given to find work and the in-work benefits and help with childcare that would be available should they take a job. These interviews are now mandatory at quarterly, six-monthly or yearly interviews depending on the age of the youngest child.

Similarly, the New Deal for Disabled People (NDDP) remains a voluntary programme, but new claimants to incapacity benefits are now required to attend work focused interviews. The central feature of the NDDP itself is the intensive support provided by a personal advisor both during job search and for the first six months after starting work.

The effectiveness of the New Deals to date is a matter of fierce dispute. The numbers participating in the NDYP, for example, peaked at 140,000 in 1999, but then fell steadily to under 70,000 in 2005 (Brewer and Shephard, 2005, p. 7). Over the years, around 40 per cent of participants have moved into jobs lasting at least thirteen weeks. Not surprisingly the government and its advisors point to this as evidence of success. The report by David Freud, for example, declared that by 'any measure, these programmes have been a success' The NDYP, he said, 'has got over 700,000 people into work' and 'the equivalent figure for the New Deal for 25 Plus is around 280,000' (DWP, 2007, p. 23). The Institute for Fiscal Studies, however, has dismissed such statements as containing 'no meaningful information' about the effectiveness of the New Deals. 'This is because many individuals who enter the programme would have found jobs anyway, even if the New Deal programme had not existed' (Brewer and Shephard, 2005, p. 8). The IFS estimates that NDYP increased the probability of a participant finding a job by around five percentage points – the equivalent of around 17,000 young people a year leaving benefits when they would not otherwise have done so. This makes the gross cost per job very high, and both the Conservative and Liberal Democrats proposed to scrap the programme had they won the 2005 election.

The effectiveness of the NDLP is even harder to assess. The numbers on the scheme have risen substantially, and with over 70,000 participants in 2005 it had overtaken the NDYP. It is also notable that the employment rate of lone parents rose from 45 per cent to 56 per cent between 1997 and 2005. That said, it is still the case that only around 10 per cent of lone parents on income support are choosing to go on NDLP. Evaluations suggest that around one quarter of NDLP participants move off income support because of the programme (Hills and Stewart, 2005, p. 38). The NDDP is also a large programme, but it is not considered to have had a significant impact upon the activity rates of disabled people (p. 41).

Taken altogether, then, the New Deals have probably had a 'positive but small' effect, and if account is taken of the benefits that claimants would have received anyway they probably represent value for money (Brewer and Shephard, 2005, p. 12); Moreover, most assessments agree that the personal advisors have proved to be a valuable innovation, and much appreciated by the great majority of claimants. By the end of New Labour's second term, however, there was something of a consensus amongst policy makers and commentators that the New Deals were running out of steam, and that a new initiative was needed (Hills and Stewart, 2005, p. 45).

NEW AMBITIONS FOR EMPLOYMENT POLICY

In a Green Paper published in January 2006 the government announced that it had set itself the aim of 'an employment rate equivalent to 80 per cent of the working age population' (DWP, 2006a, p. 18). In order to achieve it would have to

- Reduce the numbers receiving incapacity benefits by one million.
- Increase the number of older people (55-64 years) in work by one million.
- Increase the number of lone parents in work by 300,000 – raising the employment rate for this group to 70 per cent.

This is an ambitious target – only Iceland currently has an employment rate of 80 per cent. New Labour is attempting to redraw the boundary between those who are and those who are not expected to work. The Green Paper, for example, spoke of challenging 'the assumptions that people with health conditions and disabilities, women with dependent children, and older people cannot work or do not want to work' (DWP, 2006a, p. 19).

There are two main reasons why the government is so keen to raise the employment rate. The first is that the more people there are in work the easier it will be to support the growing number of pensioners. Indeed, by the time this edition of the *Companion* is published the number of people over state pension age will have exceeded the number of children for the first time (DWP, 2006a, p. 20). The second reason is simply that the government is convinced that work is good for people, and often cites evidence that children in working households are less likely to be disadvantaged at school or in later life (DWP, 2007, p. 30). Above all, New Labour believes that reducing worklessness is the key to tackling child poverty. A child living with a workless lone parent, for example, is five times more likely to be poor than one living with a single parent in work. Similarly, the risk of poverty for a child in a couple household is 61 per cent if no adult works, 14 per cent if one adult works and 1 per cent if both adults work (DWP, 2007, p. 81).

This does not mean, of course, that the government's strategy will go unchallenged. Two aspects in particular are open to criticism. First, the government proposes to give a much bigger role to the private and voluntary

sector in delivery of employment programmes, effectively paying them by results. Second, it is increasing still further the degree of conditionality in the benefits system. A new Employment and Support Allowance will place new obligations upon disabled people who are judged to be capable of some work, and, early in 2007, the government seemed likely to accept a recommendation that lone parents should be required to take at least a part-time job when their youngest child was twelve years old. This latter proposal was justified by the much greater availability of child care and by the fact that such requirements exist in most other comparable countries. Against this, it will be argued that not all parents have access to suitable child care, and that in any case lone parents should retain the right to decide to be a full time parent as long as they feel that this is in the best interests of their dependent children. Critics have also emphasized that although workless families are more vulnerable to poverty, having someone in work does not guarantee that a household will not be poor. New Labour introduced a National Minimum Wage in April 1999, and this was subsequently increased more quickly than the rise in average wages (Brewer and Shephard, 2005, p. 7). It has not, however, had a significant impact upon wage inequalities, and in 2006, half of all poor children were living in households in which at least one adult was working (www.poverty.org.uk)

EMERGING ISSUES

The arguments about how far lone parents should be expected to seek paid work, and the role that employment policies can play in reducing poverty, are both part of a much broader debate about the implications of New Labour's attempts to promote and expand paid employment. On a practical level, a society in which paid work is a near-universal expectation of non-disabled adults will require a radical change in the expectations and practices of households, government and employers. People will need to be able to work far more flexibly in order to balance their commitments. They will also need far more in-work support if they are to manage the inevitable crises and to reconcile the conflicting demands upon their time and attention. It is no coincidence, for example, that one lone parent in ten leaves his or her job in any one year, double the rate of other parents (DWP, 2006b, p. 40). More generally, about two and a half million people – or 12 per cent of the total workforce – already combine paid work and care, and it is estimated that each one saved the government around £10,000 a year in 2004. Moreover, the ageing population means that the number of carers is expected to increase by 50 per cent in the next thirty years. At the very least then, there is a clear tension between policies which aim to maximize the number of people in work, and policies designed to support carers (Arskey and Kemp, 2006).

This in turn raises still more profound questions about whether paid work is indeed the only, or even the primary way, in which citizens can contribute to the common good. Is it reasonable to equate financial self-sufficiency with independence, as government documents often seem to do? The Freud Report, for example, talks of the 'difficult heritage' of 'passive labour market

policies', contrasts 'welfare dependence' with 'robust self-reliance', and calls for welfare reform to 'generate clear signals around independence' (DWP, 2007, p. 46). Others would argue that such statements reflect a too narrow an understanding of the meaning of self-reliance (Young, 2002). They would call instead for employment policies that begin with the recognition that everyone is dependent upon others at some point in their life, and which attempt to strike a more even balance between work and care.

GUIDE TO KEY SOURCES OF INFORMATION AND FURTHER READING

Arskey, H and Kemp, P (2006) 'Carers and employment in a work-focused welfare state' in Glendinning, C and Kemp, P (eds.) *Cash and Care: Policy Challenges in the Welfare State*, Policy Press, Bristol. Explores the tension between the aims of increasing employment levels and of supporting carers.

Brewer, M and Shephard, A (2005) *Employment and the Labour Market* Institute for Fiscal Studies, London. Reviews the operation of welfare to work programmes in New Labour's first two terms. The IFS regularly publishes evaluations and assessments of the individual programmes (www.ifs.org.uk)

Department of Social Security (1998) *A New Contract for Welfare* Cm 3805 London HMSO Early statement of New Labour's aims in welfare reform and of the 'mutual obligations' of government and claimants.

Department of Work and Pensions (2006a) *A New Deal for Welfare: Empowering People to Work* Cm 6730 London, HMSO. Green Paper which outlines how and why New Labour is aiming to raise the employment rates of lone parents, disabled people, and older people.

Department of Work and Pensions (2006b) *Delivering on Child Poverty: what would it take?* Cm 6951 London HMSO. Report to DWP by Lisa Harker, which calls for a 'New Deal for Parents', offering much greater support to parents irrespective of the benefits they are receiving. Likely to shape future thinking on welfare to work in conjunction with Freud Report (below).

Department of Work and Pensions (2007) *Reducing dependency, increasing opportunity: options for the future of welfare to work*, Corporate Document Services, Leeds. Report to DWP by David Freud, which makes the case for both enhanced support and greater conditionality for lone parents and people with disabilities. The implementation of this strategy can followed through www.jobcentreplus.gov.uk/JCP/Customers/New_Deal. Statistics on the labour market can be accessed most readily through the links at www.statistics.gov.uk/instantfigs/asp

Dickens, R, Gregg, P and Wadsworth, J (2003) *The Labour Market Under New Labour*, Palgrave Macmillan, Basingstoke. Collection of essays on the major developments in the labour market in recent years.

Hills, J and Stewart, K (2005) *A More Equal Society?* Policy Press, Bristol. Authoritative analysis of New Labour's reforms to 2005.

Price D (2000) *Office of Hope*, Policy Studies Institute, London. Insider account of the history of the employment services between 1945 and 1997. Provides balanced assessment of the continuities and differences between Thatcherism and the early years of New Labour.

The best source of statistics and information on the numbers and circumstances of carers is www.carersuk.org.uk

Young, I. M. (2002) 'Autonomy, welfare reform and meaningful work' in Kittay, E. F. and Feder, E. K. (eds) *The Subject of Care: Feminist Perspectives on Dependency* Rowman and Littlefield, Lanham Md. pp. 40-59 Powerful critique of the assumption that personal autonomy is dependent upon financial self-sufficiency, or that all paid work is necessarily meaningful.

BIOGRAPHICAL NOTE

Alan Deacon is Emeritus Professor of Social Policy at the University of Leeds. He has written widely on welfare reform in Britain and the United States, and was a member of the ESRC Research Group on Care, Values and the Future of Welfare. He was Chair of the Social Policy Association from 2001-2004.