PUBLIC LECTURE

UK workforce participation, welfare reform & social inclusion policies: their relevance for Australian policy makers

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UK workforce participation, welfare reform & social inclusion

HC Coombs Policy Forum

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Activation reforms

• Initial focus on balance between passive benefits and active labour market programmes
• Significant group of OECD countries since implemented more comprehensive systemic reforms.
• ‘Second wave’ activation not simply increased benefit conditionality or particular ALMPs - reforms concern the design, sequencing and effectiveness of such interventions within ‘activated’ service delivery systems.
• Initially targeted at the young and long term unemployed, but now include previously ‘inactive’ groups, esp sole parents and/or those on disability benefits.
• Activation reforms are contested, e.g.,
  • Voluntary or mandatory
  • Work first or human capital development
New Labour 1997-2005

- The ‘welfare to work’ government and pledge to end long term youth unemployment (windfall tax)

- March 1999 Blair regains the political initiative with a commitment to “eradicate child poverty” within a generation in a speech that envisaged a future welfare state delivering “work for those who can, security for those who cannot”

- Parallel focus on:
  - Social exclusion and a ‘national strategy for neighbourhood renewal’
  - Public sector reform and ‘steering’ through agreements and performance targets
  - Commitment to ‘evidence based policy making’
Key programmes and reforms

- **New Deal** employment programmes (emphasis on placement in unsubsidised jobs and use of ‘personal advisers’; mandatory for the unemployed)
- **Make Work Pay** (National Minimum Wage and Tax Credits, primarily for those working more than 16 hours per week, annual awards, previous year period)
- **Make Work Possible** (child care strategy, equalities and family friendly employment regulation)
- **Work Focused Welfare**
  - Creation of Jobcentre Plus by merging Employment Service and Benefits Agency
  - Introduction of mandatory ‘Work Focused Interviews’
- **Contestability** and testing new ways of contracting delivery of employment programmes (esp Employment Zones)
Progress to 2005

• Unemployment falls continuously from 1993 peak with long term unemployment following - but emergence of ‘repeaters’ and recyclers (‘no pay, low pay’ cycle). Increase in employment slows from 2000 with youth unemployment increasing from 2005

• Increase in Sole Parent Employment Rate (up by 7% to 55%), but falling short of rate of increase needed for 70% target (nearly half of increase attributable to policy)

• Child poverty down but not at rate needed to reach relative poverty target.

• ‘Inflow’ into disability benefit slows, with tighter ‘gate keeping’, but caseload continues to rise due to durations (average 9 years).
By 2005 numbers on Jobseekers Allowance in UK had fallen, lone parent employment rate improved but Incapacity Benefit claimants continued to increase.
Evaluation findings

• Programme evaluations find small but significant positive impacts on employment and reductions in benefit caseloads.

• Mixed evidence on impacts of particular instruments but
  - mostly positive results for job search assistance and mandatory activities.
  - large scale training and temporary employment programmes often expensive and ineffective, but smaller scale training and employment measures targeted at particular groups frequently generated more positive results
  - evidence that job search support more effective when supplemented by targeted referrals to training/longer term programmes.

• Evidence that lack of flexibility in programme design and service delivery is limiting impacts and departmental silos preventing ‘joining up’ at local level.

• Voluntary programmes for lone parents and those on disability benefits only reaching those close to the labour market – the inactive are inactive!
The majority of claimants of inactive benefits not seeking work (or in touch with employment services)

Inactivity by type of benefit claimed, LFS Winter 2003
Second Wave of reform 2005-2010

• New ambitions – working towards ‘full employment’ (80% employment rate) and single working age benefit
• New programme approaches, esp targeted at those on disability benefits and sole parents
• Further activation reforms:
  • Sole parents moving to Jobseekers Allowance (age of youngest child reduces from 16 to 7 between 2008 and 2010)
  • Employment Support Allowance and Work Capability Assessment 2008 (IB claimants to be retested 2011-2014)
  • 2010 Welfare Reform Act creates a ‘personalised conditionality regime’
    - Work Ready Group
    - Progression to Work Group
    - No Conditionality Group
Delivery Reforms

• DWP Commissioning Strategy and the ‘welfare market’:
  - Prime contractors - fewer, larger and longer contracts
  - Funding programmes from future benefit savings

• Integrating Employment and Skills
  - Jobcentre Plus as Gateway to employment assistance and skills – conditional skills assessments/basic skills
  - Adult Advancement and Careers Service
  - Employment and Skills Boards

• City Strategies and proposed devolution of implementation - ‘common national spine’, but 3 models envisaged:
  - Consultation
  - Co-commissioning ‘Wrap around model’
  - Full devolution of commissioning
Response to recession 2008-10

- Reduce disconnection from work (redundancies, apprenticeships, early support)
- Reduce transitions into long term unemployment (Youth Guarantee and Future Jobs Programme)
- Limit movement into inactive benefits and continue activation reform
- Resilience of Jobcentre Plus and unanticipated role of the tax credit system
- Increase in unemployment significantly lower than expected – estimated third of this effect due to programmes and activation
Changed composition of worklessness

- Lone parent benefits
- Unemployment benefits
- Incapacity benefits
- Non-claimant unemployed (LFS)
The UK Coalition - a new era?

- **Austerity** – deficit reduction programme:
  - £18 billion in benefit cuts
  - Programme reductions
  - Cuts in budgets of DWP, JCP, local government, etc.

- **Universal Credit** (2013-2017)
  - Conditionality and sanctions
  - End of tax credits - earnings disregards and tapers

- ‘Get Britain Working’, **Work Programme (and Youth Contract)**
  - 18 prime providers, 5/7 year contracts, 2.4m referrals
  - Differential payment by results – attachment fee, job outcome and sustainment for up to two years
  - Paid for from benefit savings
Some issues to consider

- Redefining disability benefits – how can it be a failure to be found capable of some work?
- A single benefit? – at the least a need to coordinate activation and participation requirements and ‘make work pay’ rules across different benefits
- Activation - targeting the appropriate mix of rights and responsibilities, for the right people, at the right time (young people, sole parents/carers, those with health problems/disabilities)
- Challenge of changing composition of the unemployed – implications of longer durations on Newstart
- Could the design of Job Services Australia be better focused on longer term outcomes and is balance right with Centrelink?
- Focus on labour market flows and on future labour demand – how to better integrate employment and skills?
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