



# Welfare-to-Work Programmes in the UK and Lessons for Other Countries

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## Introduction

Welfare-to-work programmes have long been pursued in European countries, and the so-called Nordic model of the active labour market policies had served as a role model in the mid-1990s, offering policy learning to the rest of Europe. Policymakers in the United Kingdom had shown more interest in learning from the US workfare model than its European neighbours, and its policy design and the experience of the past 10 years offer a number of insights for other European countries. This policy brief summarises the New Deal programmes pursued in the UK since 1997/98 and draws some generic lessons for other countries.

Welfare-to-work public programmes aim to end what is often described as the 'culture of benefit dependency'. Such labour market activation programmes are particularly needed when the benefit dependency is attributable to the design or generosity of the welfare system itself in which benefits are available with little or no job search requirements on the part of the recipient.

There are two main types of welfare-to-work programmes:

- those that provide services to encourage direct employment and get individuals off the welfare roll directly into the workforce, and
- those that are intended to increase human capital by providing training and education so as to enhance employability of those currently claiming benefits.

Many European countries have followed these programmes in different formats and with varying scope, and policy innovations in some countries, European as well as North American, have influenced policy developments in others.<sup>1</sup> There are many important features in the UK's New Deal programmes, as summarised below, and they offer important lessons for other countries.

## Welfare-to-work programmes in the UK

**New Deal, UK's tailored welfare-to-work measures, offers specially designed activation plans to individual subgroups, who had a high propensity to be unemployed.**

The emphasis on welfare-to-work public programmes in the United Kingdom can be traced back to the 1998 New Deal programmes, whose stated objective was to reduce unemployment by providing training, subsidised employment and voluntary work to specific subgroups of the unemployed. These programmes also introduced the power to levy sanctions on benefit withdrawal for those who refused 'genuine' opportunities of employment. The New Deal programmes in the United Kingdom are operated by Jobcentre Plus, a network of government offices that administer cash benefits and offer employment services.

In the beginning, these programmes aimed to deal with the huge increase in unemployment that had taken place in the 1980s and early 1990s, alongside the rise in workless households that had been happening over the previous two decades. These programmes provided labour market activation measures for various subgroups of the population who had a high propensity to be out of employment.

- **New Deal for Young People** was targeted towards the unemployed youth (aged 18-24), who have been unemployed for 6 months or longer;
- **New Deal 25+** was meant for adults aged 25+, who have been unemployed for 18 months or longer;
- **New Deal for Lone Parents** targeted the employment reintegration of single parents with school-going children;
- **New Deal for the Disabled** assisted those receiving disability benefits to return to work;
- **New Deal 50+** was meant for those aged 50 years old and more; and
- **New Deal for Musicians** was designed to assist unemployed musicians get into work.

### **New Deal for Young People / New Deal 25+**

As for the unemployed, the New Deal programmes were added to the additional job search requirements that were introduced during 1996 when unemployment benefits were restructured into the Job Seekers' Allowance (JSA). Here, the main feature of the conditionality attached to the receipt of the JSA had been the individual Case Management by a personal adviser, for the purpose of the engagement and activation of the benefit claimant. The New Deal programmes for the unemployed had been compulsory and they included an extended role of personal advisers, especially for the unemployed young people.

The New Deal for Young People received the greatest emphasis. The process followed three stages:

- This programme is initiated with a consultation, called Gateway, with a specially assigned personal adviser, who provides all essential support towards improving employment prospects – such as help with the job search and its suitability, improving interview skills, support in retaining the job if successful. The Gateway sessions last for up to 16 weeks.
- If the job search is still unsuccessful, the young unemployed joins the second stage, called ‘options’, which lasts for at least 13 weeks. At this stage, he/she is offered the option of a subsidised job placement, full-time education and training for up to 12 months, work in the voluntary sector or work with the Environment Task Force. One of these options must be chosen to continue receiving unemployment benefits and in avoiding sanctions for future benefits.
- If the job search is still unsuccessful, the final stage is ‘follow-through’, giving extra help and support to continue looking for work. This stage can last for up to 26 weeks.

As part of the New Deal, the unemployed youth could also get a ‘mentor’ providing extra bits of support and advice to find and keep a job. The mentor will be someone local and his/her advice supplements that of the personal adviser.

Starting from October 2009, the Flexible New Deal will replace the existing New Deal for Young People and New Deal 25+. Under this new programme, the claimants of the JSA will be assisted in the job search by a Jobcentre Plus adviser during the first 12 months. Those who remain unemployed after 12 months will receive employment services from the private and voluntary sector contractors selected to operate in the Flexible New Deal programme. These contractors will not be commissioned to deliver preset processes, instead they will be paid according to how many clients they help in getting into work, and they will also have a significant discretion over how they achieve the goal with each client. It is expected that this design will provide contractors strong incentives to tailor the support available to each unemployed person.

### **New Deal for Lone Parents**

The New Deal for Lone Parents, launched first in eight pilot areas during 1997, offered a more flexible approach: participation was voluntary and the package of support was tailored (in the form of an Action Plan) to the needs of the claimant by their Case Worker. For its nature, the approach was known as the *personalised* welfare-to-work support. Although

these programmes were successful in helping lone parents move into employment, participation was disappointingly low. Starting in 2001, the Work Focused Interviews (WFIs) introduced a greater participation requirement: all lone parents were compelled to meet their Case Worker on a regular basis to discuss the potential for return to work. The support provided under the WFIs includes better-off calculations for specimen jobs, discussions of ways and means of childcare provisions and an Action Plan based support towards move into work.

Recent pilot programmes have introduced further support for lone parents, including an in-work credit of £40 per month on entry into work paid for one year and a Work Search Premium designed to generate greater participation. A full package of potential support including the in-work credits and an activation payment has been started, and the programme is now labelled as the New Deal plus for Lone Parents. The recent Freud Report made explicit recommendations to move towards greater conditionality, including moving to the Job Seeker's Allowance regime for lone parents with children aged 12 and over.

### **New Deal for Disabled People**

The New Deal for Disabled People, which was piloted in 1998 and introduced nationally in 2001, was similar to the one for lone parents, but it included an extra support for health management. The programme also had a rather low take-up, and thus other activation measures were also considered through pilot programmes. The use of mandatory Work Focused Interviews was introduced via the pilot programme "Pathways to Work", which also includes a Personal Capability Assessment and programmes to support the claimant in preparing to work, and a Return-to-Work Credit. Thus, the Pathways to Work provides a single gateway to financial, employment and health support for all those claiming sickness and disability benefits.

Since April 2008, Pathways support has been available throughout Great Britain, although only to new claimants. Jobcentre Plus, the UK government's single gateway to provide benefits and employment support services to disabled people, deliver the Pathways to Work services to circa 40% of the country and the remainder of the country is served by external private and voluntary sector organisations, called 'providers'.

Within the Jobcentre Plus-led Pathways to Work programmes, the Jobcentre Plus advisers conduct all the mandatory interviews (six in total). These personal advisers offer a personalised package of employment, training and rehabilitation support. The package includes a return-to-



work credit as well as the Condition Management Programme, which is specifically directed towards a better understanding and management of health conditions or disability during employment. It does not replicate any existing health treatment provided by the health services (NHS, in this case), but it is run for Jobcentre Plus by the NHS and the Department of Health.

In the provider-led Pathways to Work programmes, the Jobcentre Plus adviser carries out the first work focused interview and the local providers conduct the remaining five mandatory interviews. The support offered is again tailor-made and also includes a Condition Management Programme, which is either delivered by the provider or by another specialist.

**A novelty of the new disability benefit system is that it makes assessment of the functional capabilities of persons with disabilities – an approach more effective and dignified in managing health constraints that restrict work.**

The disability benefit conditionality has also been reformed. Under the Welfare Reform Act 2007, Employment and Support Allowance (ESA) replaced Incapacity Benefit and Income Support claimed on the grounds of incapacity. The new system, starting from October 2008 and applying only to new claimants (or to those who are claiming again after a break in receiving benefit), considers what an individual is capable of, and what help and support they need to manage their health condition so as to return to work. Claimants will be split into two groups: the most disabled will receive full benefit without conditions, whilst those with less severe conditions (based on functional capabilities) will only receive the full benefit if they engage in the activation process agreed under programmes. There are proposals from the Government to transfer all existing incapacity benefits customers to the ESA by 2013.

### **The Tax Credit Policy**

A complementary initiative to raise incentives to work was also introduced in 1999, with an expansion of the country's tax credit system, under the name of the Working Families Tax Credit (WFTC) and the Disabled Persons Tax Credit (DPTC). In 2003, the WFTC was split into two new types: the Working Tax Credit (WTC) and the Child Tax Credit (CTC). The WTC pays tax credit to low earners and it also contains an element of paying for childcare costs. The CTC is payable to families with children, irrespective of whether the parents are working or not. The recent changes in the tax credit policy have made more people eligible to the tax credit scheme. These schemes are more appropriately called "Make Work Pay" rather than the welfare-to-work programmes of the New Deal type described above, but these policies target the same groups and raise their incentives to work.

### Lessons for other countries

Welfare-to-work programmes have for long been pursued in Scandinavian countries, and the so-called Nordic model of the active labour market policies served as a role model for the EU in the mid-1990s, offering policy learning to the UK and the rest of Europe.<sup>2</sup> They place a special emphasis on the notions of lifelong learning, training, full employment, and they gained lots of prominence during the 1990s. However, it has also been argued that the UK had more inclination towards the US workfare model than its European neighbours.<sup>3</sup> The UK's policy design and the experience of the past 10 years have nonetheless a number of lessons for other countries.

**Important features include the personalised services in line with the needs of special groups of interest, the combination with the tax credit policy and also the learning process from the pilot programmes before rolling them out at the national level.**

One important feature of the UK's welfare-to-work programmes has been the personalised tailor-made services that were derived from the needs of special groups of interest in the working age population. Moreover, job search requirements and sanctions were designed specifically for the individual group in question. For example, the young unemployed faced much more restrictions in terms of their responsibility towards moving into a job, whereas lone parents and disabled persons received much more tailor-made and needs-based employment support but with only soft compulsions. Other countries can see this as an important element for the success of these policies, although it is of utmost importance to get the training of the personal advisers right. Also, it is important that specialised services are also made available to special groups as a single case worker is not expected to be proficient in solving the complex issues people face when leaving the benefits arena and returning to the work environment.

Another important feature of the UK policy has been its combination with tax credit policy, especially the extra return-to-work credit, which made moving into work more attractive. The extent to which job entrants have managed to stay on and progress in their jobs has however been questioned. That said, the recent work retention and enhancement pilot programmes offer insights into the support that can help retain jobs, in particular to low-skill low-wage workers.

The contracting-out of service delivery to the private and voluntary sector can, in potential, tap the expertise of a variety of local sources to engage with local client groups and meet their needs and result in cost savings for the government. It is much too early to judge the success, or failure, of this policy innovation in the UK, but a review of policies in other countries offers some insights. There is some positive evidence on cost savings in Australia and the Netherlands, according to one of the



recent Joseph Rowntree Foundation reports. There is also some negative evidence: the contractors cherry-pick the clients who are easier to help, and that there is a greater risk of such discrimination happening in current times when job opportunities have become limited. A report by the UK's Child Poverty Action Group finds the condemning evidence from the review of contracting out experience in Australia, Denmark, Germany and the Netherlands: it finds little evidence on efficiency gains, cost savings or innovations in service delivery.

Another aspect of importance is the role of pilot programmes. Before rolling out at the national level, many of the UK's New Deal programmes had been tested in pilot programmes. The evaluation of the pilot programmes offered insights so as to redesign programmes and raise their effectiveness at the national level. Such learning also allowed a gradual increase in the degree of conditionality applied to many groups, in particular to lone parents and disabled persons.

## Notes

1 See, for example, Midgley (2008), Garnham (2007), Daguerre and Taylor-Gooby (2004) for information on how welfare reforms in the United States had implications for the design and implementation of the British welfare-to-work social policy.

2 There was a particular praise for the active labour market policies in Sweden and Denmark. For more discussion, see the 1997 Joint Employment Report (European Commission 1997).

3 See Daguerre and Taylor-Gooby (2004) and Glennerster (2002) for more elaboration on this.

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