

Making individuals agents of their own change

A response to the Green Paper *In work, better off: next steps to full employment*

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REFORM

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Welfare isn't working

This is the third in a series of reports – written by Frank Field and supporting authors – which will investigate the Government's record on welfare since 1997.

Reform

Reform is an independent, non-party think tank whose mission is to set out a better way to deliver public services and economic prosperity. We believe that by reforming the public sector, increasing investment and extending choice, high quality services can be made available for everyone. Our vision is of a Britain with 21st Century healthcare, high standards in schools, a modern and efficient transport system, safe streets, a free, dynamic and competitive economy and a welfare system worthy of that name.

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1. Introduction

Every government has a duty to review regularly the effects of its programmes. The Government announced in December its intention to refresh the New Deal, and this it has comprehensively proposed in its Green Paper.¹ The Green Paper is the Government's response to the report it commissioned from David Freud.²

The text itself shows a renewed and welcomed confidence. It was not so long ago that governments would have eschewed the use of such a term as full employment, let alone used it in the title of a major Green Paper. The routing out of such political defeatism heralds the possibility of work for what are millions and millions of claimants for whom past governments provided nothing other than benefit payments.

¹ Department for Work and Pensions (2007), *In work, better off: next steps to full employment*. Cm 7130. London: HMSO.

² Freud, D. (2007), *Reducing dependency, increasing opportunity: options for the future of welfare to work – an independent report to the Department for Work and Pensions*. London: HMSO.

2. Objectives and centralisation

The objectives set out in **Next Steps to Full Employment** are to be applauded. Who, for example, could possibly be against the three challenges the Government has set itself? Which are:

- to reduce, by a million, the numbers of incapacity benefit claimants;
- to move 300,000 lone parents into work; and
- to move a million older workers simultaneously into work.

However at the very outset of this Green Paper there are worrying signs. By not setting a timetable or deadline the Government makes it impossible to measure its progress in achieving these objectives on a meaningful level; a surprising response from a Government which understandably sets targets.

Similarly who, on its face value, can possibly be against what the Government terms its themes, particularly that the New Deal programme will offer a personalised and responsive approach? We have only to put the alternative: a non-personalised and non-responsive approach, to appreciate how near to motherhood and apple pie the Green Paper's objectives come.

Stressing a personalised and responsive service was very much the language used to sell the original New Deal. And it is here that a second worry needs to be expressed, not about the Government's commitment to helping claimants land a job, that should not be doubted, but the policy framework in which the Government will continue to operate. Personalised and responsive, and similar phrases, were often used in the run up to the latest Labour leadership contest and they are now in common currency. Such phrases are important, but only to the extent that they are set in an organisational structure that allows them to be achieved.

There is precious little in the Green Paper to suggest that claimants will receive a more meaningful personalised service than now. The New Deal is to be driven from the centre. This is most obviously seen in the Government's final theme of devolution and local empowerment. The Green Paper only goes as far as to state that areas of the UK "can play an important role in identifying strategic priorities and delivery solutions, and this should be recognised." Merely recognising such an advantage hardly counts as real devolution.

Furthermore centrist thinking and direction is now more marked in the proposed single overarching model of the New Deal mark 2 than in its original structure. Whereas now there are six New Deals according to age and circumstances, there will be under the revised scheme a single New Deal to fit the whole of the country and all claimants whatever their circumstances.

3. “Customers”

There is no mention in the Green Paper that the Government decided on its reform programme after engaging with what it likes to call its customers. In testing out the current programme we called a focus group of young new dealers. They were chosen for us by Jobcentre Plus staff and, as we will see from their comments about wanting to work, they may not be reflective of all new dealers. All these new dealers were anxious to find work. They wanted a personalised service, but what they meant by this phrase turned out to be very different from what the Government proposes. Their ideas built up into a six-fold welfare reform programme.

Introduce individual action plans

Each new dealer in the focus group described how stigmatised they felt in being unemployed and in being viewed by employers as new dealers. They believed that their being on the programme was a “put off” for most employers. Many, but not all of the group, felt that schooling had “not been for them”. Surprisingly, perhaps, they were not critical of their schools where they felt their teachers were doing their best. Where they did request reform was on the failure to support them finding a job before leaving school. Only now did they realise the importance of getting a job before the label unemployed or new dealer was applied to them.

The Government’s aim is to keep people in education or training and both benefit entitlement and Jobcentre Plus are structured accordingly. When school ceases to be compulsory at age 16, the Connexions Service takes on full responsibility for 16-18 year olds. Entitlement to benefit kicks in only with hardship funds once students have left full time education.

The large majority of school leavers continue in employment, education or training. In 2006, 93.6 per cent of 16 year olds were so occupied. 43,000 however were immediately classed as NEET, not in education, employment or training. This problem is exacerbated with age as 206,000 of the 16 to 18 age group are classed as NEET, highlighting a clear problem that the Government urgently needs to address.

Our first suggested reform is that young people, together with teachers and the staff of the Connexions Service, should draw up an individual action plan which ensures that those young people wishing to work at 16 should be helped in making this wish a reality. The aim must be to restructure existing resources to ensure that those young people intent on leaving school at 16 to go into work are given the maximum help before they leave school and become unemployed.

Lower school leaving age to 14

The group were amused by the Government’s proposals to raise the school leaving age to 18. Many of them found their school unable to cater for their

needs. They all strongly supported the idea that there should be a general leaving certificate measuring minimum skills of numeracy and literacy. Students would be able to sit the exams for their leaving certificate once they were 14 and, once assured of a job, they could officially leave school. They liked the idea that, should they wish to return to education, they would be able to draw down scholarships equal to at least the value of the education resources they did not waste during their last years at school.

Begin New Deal on day one of unemployment

Every member of the group believed that the New Deal should begin on day one of unemployment and not, as now, after being cast on to unemployment benefit limbo for the ages of 16 to 18 and then only being able to start the new deal after a further six months after their 18th birthday. They reported that staff had far too little time to help them in the initial stages of unemployment and that it was too easy for them to develop bad habits of simply settling for a life on benefit. They believed it was unfair that they had to wait six months on benefit, for example, to claim help with new clothes in order to present their best face at job interviews.

Since making this submission Ed Balls, the Secretary of State for Children, Schools and Families has stated that 'the Government will extend early entry to the New Deal to all young people who reach their 18th birthday having already been NEET for a total of six months in the previous two years'.³

Abandon centrally-prescribed training programmes

All the members of the focus group were critical of their training supplier. Practically all of the new dealers had ideas of the job they wanted. None of these goals were absurd. But none of them could realise the skills they needed for their chosen employment through New Deal. Few types of training were offered by the provider and none of the members wished to gain the skills on offer. They believed that the model the government has developed for individual care packages (for people with severe disabilities) should be followed empowering new dealers to purchase training that would help them gain their ideal job. In one example, even when the individual had by their own determination gone and registered on a training course – to become a personal fitness instructor – the New Deal rules allowed her a training period that gained less than half of the qualifications they needed to land a job.

Impose sanctions on New Deal “wreckers”

The group was highly critical of some of those new dealers who were on training courses who had no intention of finding work. There were never enough computers for each new dealer. In fact the ratio was 1 computer to 20 New Deal participants. Some of the computers were used by the less serious

³ Balls, E. (2007), *Raising the participation age: opportunity for all young people*, speech to the Fabian Society, 5 November.

members of the group to play computer games. Those new dealers failing to gain a workspace, but anxious to find work, were told to work through the job advertisements in old newspapers. None of those who played around were punished, even though they wrecked the chances of others. The focus group reported that it was not in the interest of the training agency to refer the offending new dealers back to Jobcentre Plus because they lost their fee if they did. They did not see a way around this given the present structure of New Deal. They strongly support the idea that benefit should be time-limited for each of them and this might result in a more serious attitude being induced from those New Dealers who were simply wasting their time.

Empower individuals

The group requested empowerment in selling what they could bring to an employer – over and above themselves. They believed more effort should be put into helping them sell themselves directly to employers and the package of help available that they could bring to the employers business - £60 per week wage subsidy for six months and a £750 training grant. All of them felt that too much of the New Deal is desk bound and too little concerns gaining the confidence to get into firms to sell themselves to employers.

Empower local staff

Our preferred reform was supported by the focus group. They sensed that staff were constrained on the ways they could offer help, with local officers working within a straitjacket of directions sent down from the centre. We therefore again make the plea that effective welfare reform requires the creation of truly independent local offices with their own budgets. Such offices would have total freedom of action to develop plans responding to local conditions and for such plans to be extended or transplanted from elsewhere if they had proven effective in getting claimants into work. The only restriction on offices should be that they operate within the law about levels of entitlement. How that entitlement was maintained would also be locally determined.

4. The Freud proposals

The Freud report advocated using the regions of the UK as administrative units for the private sector to manage the New Deal. We believe that there are dangers in experimenting in such large areas. The course we would prefer would be to use, say, inner city offices as the base of such piloting. The experiments, once established and working, could then be rolled out into the surrounding area and then to the whole region. Such a roll out approach insures against a melt-down; should an experiment stumble, the Secretary of State would be in a position to request surrounding offices to take over the work of the failed experiment. Such a rescue option would be more difficult to stage if the whole region had been the basis of a pilot.

In order to protect tax payers the Government should insist that the private sector must fund these experiments as Freud suggested. The rewards for success in moving claimants from benefit into work should be generous, but this generosity should be dependent on the private sector investing upfront and being paid by the Treasury only when substantial benefit savings come through.

5. Recommendations

In order to establish a truly personalised and responsive New Deal the Government must learn to let go. Its role should be to set targets for each Jobcentre Plus on moving claimants into work. Other than holding this power, and the one which would set each Jobcentre Plus budget, the Government should delegate its authority to the local office staff. They would be free to build up whatever programme local staff believed would work. Such programmes will then be based on local knowledge backed up by the freedom to modify programmes immediately, as and when such changes are needed. Furthermore, how local budgets are spent would be of no concern to the Government. The Government's eye would then be totally concentrated on the reduction of the claimant count.

The Government's intention of abolishing life on benefit is noteworthy. What concerns us is how the goal of making life on benefit for those who can work a thing of the past is being carried out. The Government is right to take stock and consider how best to shape its active labour market policies.

During the winter we will be publishing a report on what we see as the impact of the New Deal. Our conclusions differ strongly from the Government's view on the overall success of the New Deal. We believe that its centrally controlled reform programme does not rise to the challenge posed by the size of the inactive claimant count.

The Government has created this opportunity to reform the New Deal. Labour's commitment to an active labour market policy is undisputed but for us it marks, in serious terms, a time when a serious conditionality strategy could start to be introduced.

6. Conclusion

When the Government announces its response to the Green Paper consultation we hope that it will announce a tripartite reform programme consisting of:

1. the Department's own proposals outlined in the Green Paper;
2. our proposals to give a select number of local offices control over their own budgets while having the freedom to experiment how best to help claimants into work; and
3. a modified Freud approach with the Freud proposals starting in say city offices and only rolling out to the wider regions when the pilots are up and working.