

## PUBLIC LECTURE

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

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**Presented by  
the HC Coombs Policy Forum,  
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# **UK workforce participation, welfare reform & social inclusion**

HC Coombs Policy Forum

29 November, 2011

Dan Finn, University of Portsmouth and  
Centre for Economic and Social Inclusion

# 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’

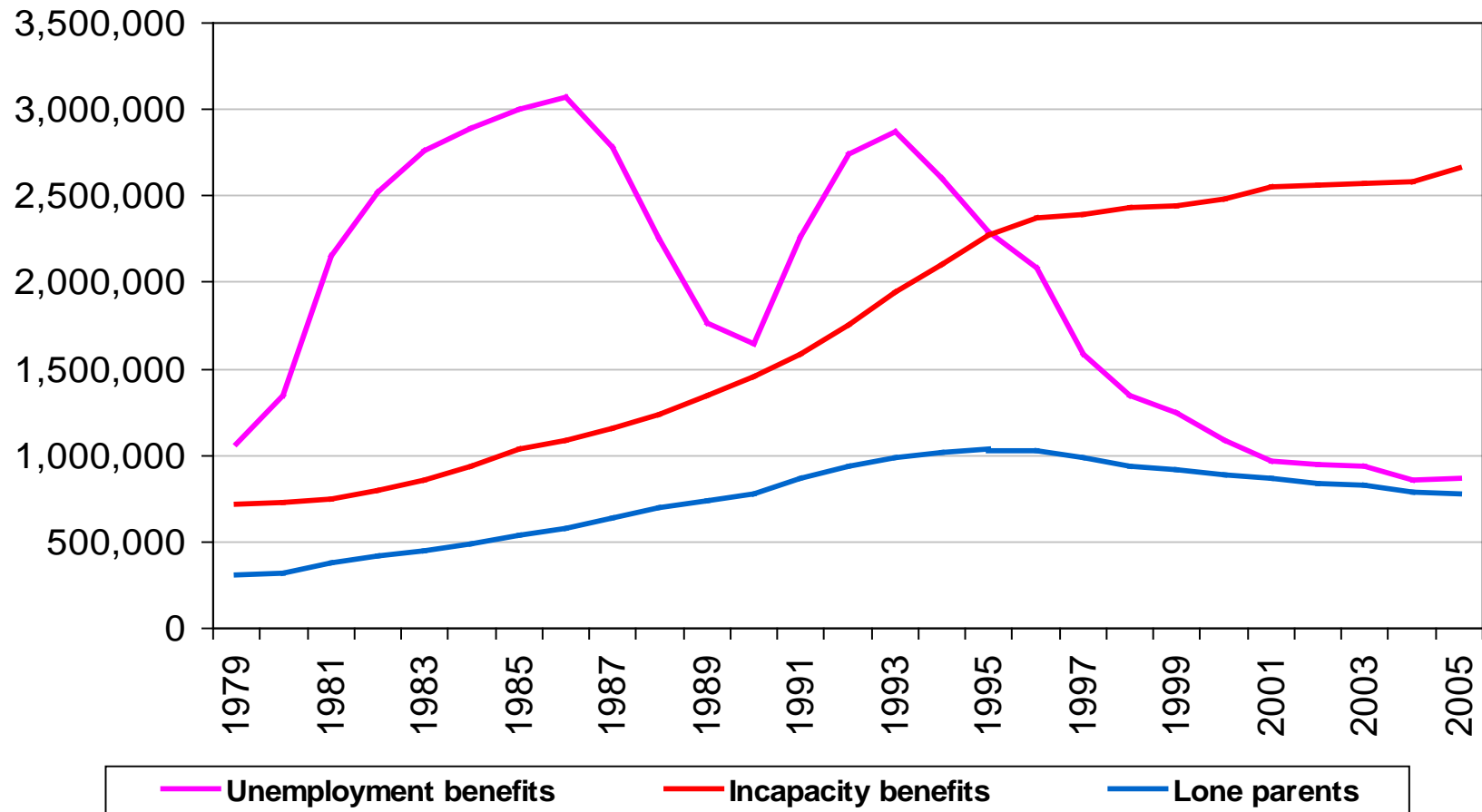
# Key programmes and reforms

- ***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**





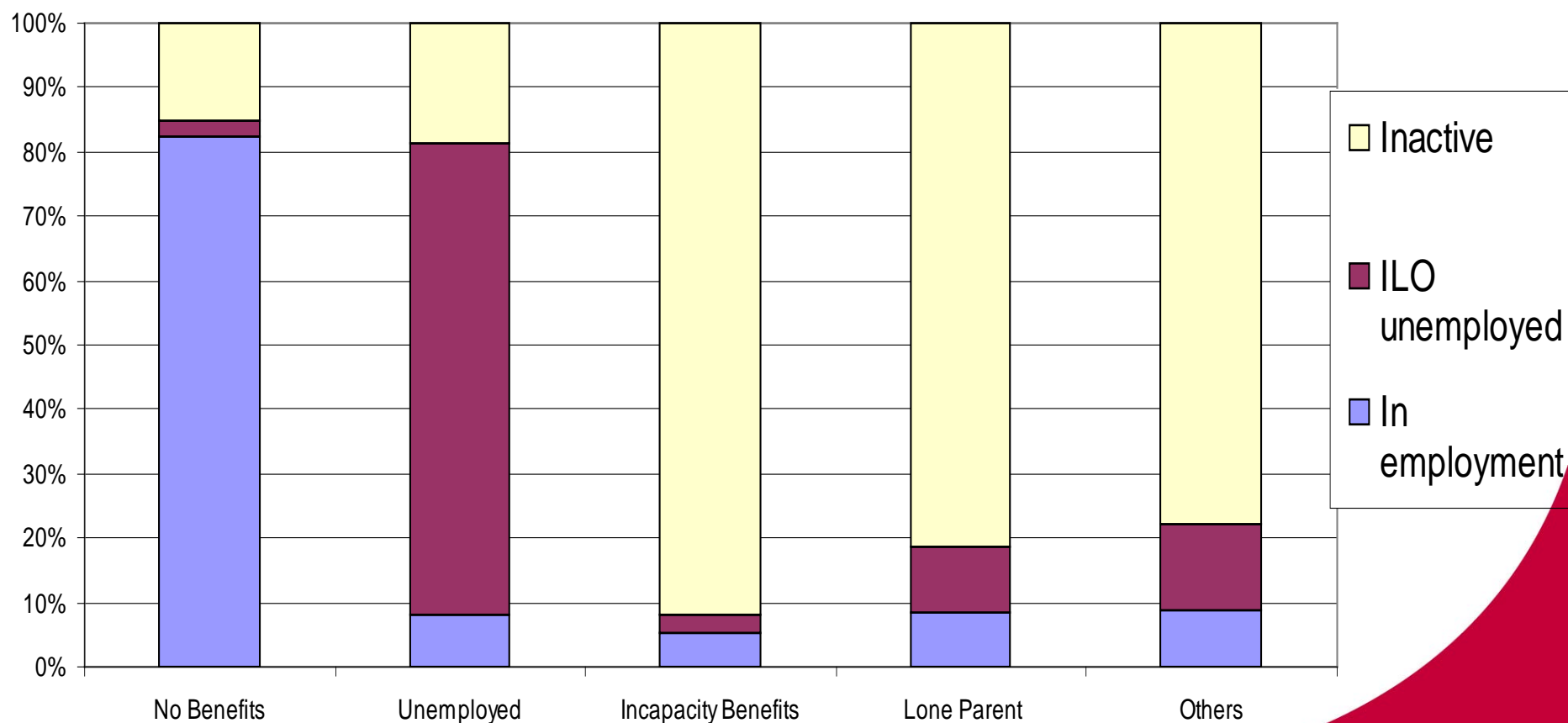
# Evaluation findings

- 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

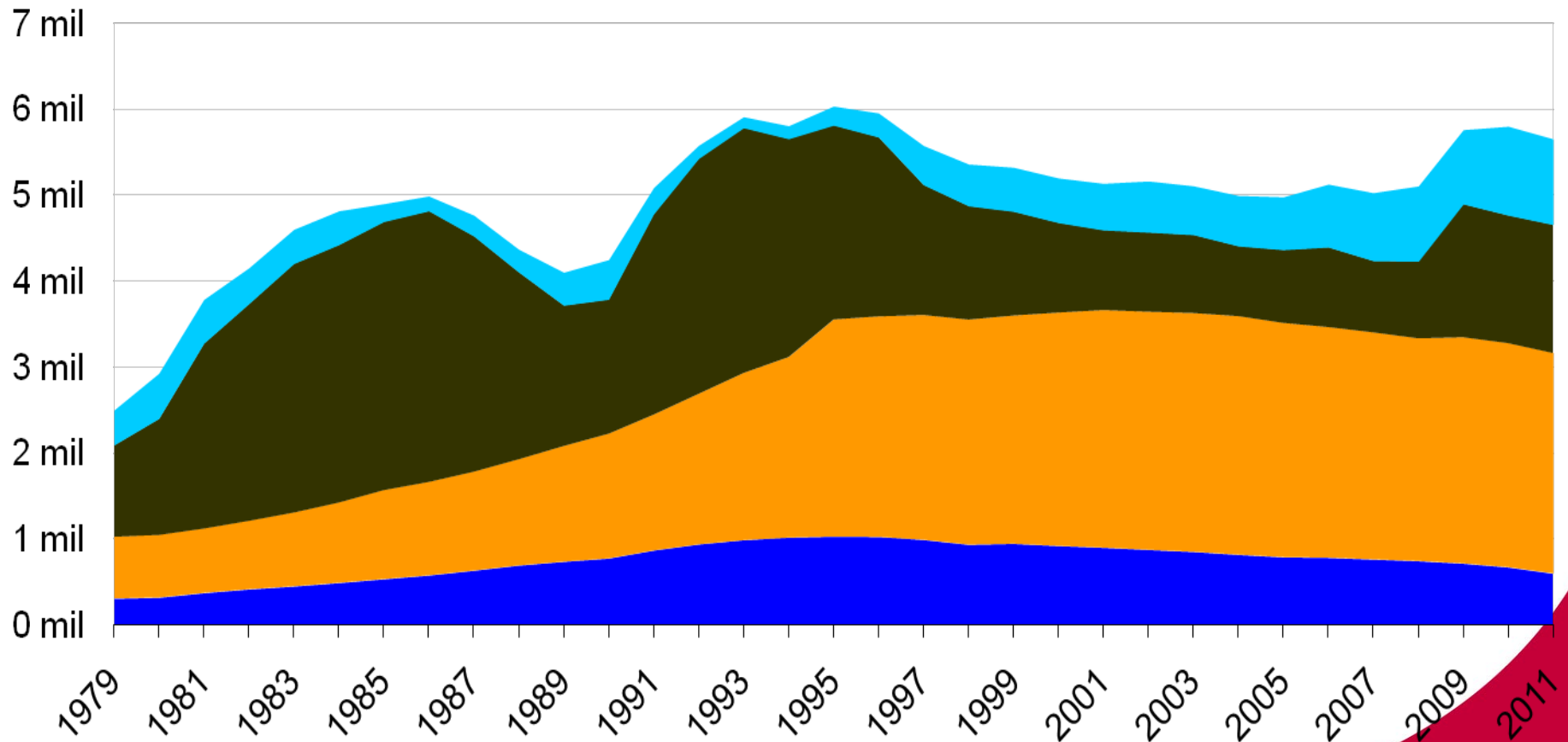
- DWP Commissioning Strategy and the 'welfare market':
  - Prime contractors - fewer, larger and longer contracts
  - Funding programmes from future benefit savings
- Integrating Employment and Skills
  - Jobcentre Plus as Gateway to employment assistance and skills – conditional skills assessments/basic 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
- Incapacity benefits
- Unemployment 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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