

Welfare to Work and the Organisation of Opportunity: Lessons From Abroad

-  Martin Evans has examined the organisation, targeting and implementation of welfare to work programmes in five countries: the UK, France, Germany, Netherlands and the USA. His study focussed on the different definitions of target populations for welfare to work abroad and how their programmes were organised and resourced.
-  Dutch and American programmes place higher priorities on the hardest to serve. In Britain, we may need to rethink how to meet the needs of the hardest to help *and* of easier but higher priority groups such as the young unemployed.
-  Welfare to work policy in Britain tends to focus on a single transition into employment. It should become more dynamic in outlook, with an interest in career progression. Repeated unemployment should not be treated by the system as separate individual events.
-  Similarly, delivering in-work benefits should consider the need for training and up-skilling rather than continuing to pay “passive” benefits for low pay.
-  The amalgamation of the Employment Service and BA into a new unified service will require careful setting of operational incentives. If they are based too strictly on simple turn around and targets for numbers into work they could turn ONE into US style “diversion”.
-  Under-funding of public transport, affordable childcare, public open spaces and other areas represent not only lack of capital investment but a move away from jobs. Employment-based schemes should play a role in reinvestment.
-  The US experience suggests that demonising “welfare” and the people that claim it does not help good quality policy making.

Further Information

Greater details can be found in CASereport 15, *Welfare To Work and the Organisation of Opportunity: Lessons From Abroad* by Martin Evans. Copies are available free of charge from Jane Dickson, CASE, at the address below, or can be downloaded from our internet site: <http://sticerd.lse.ac.lse/case.htm>.

The Research Approach

British welfare to work programmes are dominated by how we define claimant groups. Each has its own New Deal: the young unemployed, the older long-term unemployed, lone parents, those aged over 50, and claimants with long-term sickness and/or disability. A centralised sorting mechanism divides the non-working poor into groups whose labels reflect a complex system of rules, entitlements, and demarcations of administrative responsibility. These divisions have continued since 1997 even though the New Deal programmes aim to move claimants, whatever their status, into work. They have opened up access to active labour market policy for many that were previously excluded or ignored. However, resource allocation continues to exclude or ignore some of the most pressing needs.

Cross-cutting policy and organisational change has also occurred through experimental single work-focused gateways into the benefits system – the ONE programme – and the planned integration and merger of the Employment Service and Benefits Agency into a single provider of benefits and services for working age people. Policy since 1997 has thus improved the quality and quantity of employment-related opportunity across the board but still has underlying structural problems in providing equal opportunity for all claimants.

This research examined two questions: Where do we go from here, and what can we learn from abroad? The problem with comparing British policy with that abroad is that our assumptions are often very different. In practice, what we call “welfare to work” would often not be recognised as such elsewhere, even where underlying policy aims and principles coincide. Welfare to work programmes are just one element in a wider organisation of opportunity.

Welfare Target groups

- ◆ The British definition of unemployed claimants contains fewer sick or disabled people than continental European systems dominated by social insurance.
- ◆ American unemployed claimants only represent around one third of the unemployed. British and Continental European systems cover more of them.
- ◆ The American definition of “welfare” represents not only a very small and particular group of claimants but also a policy area with low political support for claimants who are highly marginalised and subject to significant prejudice – often implicitly racial.
- ◆ Britain has lagged behind the USA and Continental Europe in offering welfare to work provision for non-unemployed social assistance claimants. Such claimants tend to have access to a fuller range of services abroad.
- ◆ Britain was able to move more of its unemployed claimants into work during 1990s job growth than the other countries. It has also had a larger and growing proportion of its inactive population who would like to work.

Welfare TO work: Describing activation and training

- ◆ Introducing single gateways to benefit and increasing service co-ordination and integration brings up different views on what is efficient and rational. The balance between giving the system access to service-rich programmes to a wider selection of claimants and being a work-focused entry point that can emphasise “diversion” must be carefully thought through.
- ◆ The US evidence on the effect of ending entitlement on work participation is mixed. Complete withdrawal of benefits only leads to stable employment for around a third of

all who lose benefit. Very tough entitlement rules to discourage entry onto benefits have removed frictional unemployment from US welfare rolls but have led to higher poverty. Tough participation rules and their strict implementation account for around a quarter of the US caseload decline since 1996. Exits from welfare following “sanctions” are associated with the least skilled and least educated claimants and with poor post-welfare employment histories.

- ◆ European approaches are often “tougher” on lone parents than Britain but are usually predicated in the *actual* availability of childcare. This contrasts with the British childcare subsidies that usually come into payment only on or after moving into work.
- ◆ Britain lies between Continental Europe and the USA in the implementation of a stronger work focus. The evidence of Work First’s efficacy from the USA has become less clear as the approach has been implemented more widely. Growing evidence favours a more mixed approach with short periods of work-focused training and skills development. Continental social insurance schemes provide such reskilling in cases of partial disablement and industrial restructuring. Similar schemes with a widened scope could bridge the gap between unskilled and skilled work.
- ◆ The success in Britain of Personal Advisers and their strong individual focus is a solid foundation. Evidence suggests that the individual approach works less well when the resources behind it mean a very restricted choice.
- ◆ Britain is keen to develop and expand the role of labour market intermediaries and should take more note of successful themes and models rather than specific providers. Successful intermediaries appear to have the following characteristics:
 - Active job development and matching to client caseload,
 - The ability to be industry-specific and to match local employer needs
 - Providing training in a work environment by employing claimants
 - Strong individual-based approach to casework
 - Intermediaries providing temporary work providing public goods

Supporting and Providing Work

- ◆ General and/or targeted subsidies to employers have been introduced in all five countries. Employer take-up of targeted subsidies is a common problem: subsidy is less important to employers than hiring the right sort of person.
- ◆ All five countries have in-work benefits targeted at low income families either to smooth transitions into work and/or support low pay. As programmes are not limited to those moving into work, they must also be viewed as anti-poverty programmes.
- ◆ In the USA “anti-welfare” rhetoric may have led to deteriorating take-up of in-work benefits.
- ◆ The Dutch experience of using subsidies for a particular geographical area should be investigated further in the Neighbourhood Renewal Strategy. Temporary employment-based programmes could be expanded in Britain and targeted on hard to serve populations and areas of high unemployment. They should:
 - Be targeted on those with poor work experience and who are difficult to place in work and on geographical areas with low vacancies,
 - Provide social goods (which should be measured as an outcome),
 - Provide temporary placements not permanent jobs to prepare people to move into the regular labour market, and
 - Provide real paid work experience that will be valued by other employers.

American Policy “Success” Needs Careful Consideration

- ◆ British policy makers should not be taken in by headlines and rhetoric. The high profile gainers – the single moms on welfare that go to work at Salomon Barclay and get to go to the White House as an icon of welfare reform – are a small part of the story.
- ◆ Many US claimants have left welfare and many are working but, while 62-75% work at some point in the first 12 months after leaving welfare, only 36% are in employment 12 months after leaving. 20% of leavers are not in work and have no evidence of income. 30% return to welfare.
- ◆ Most states’ studies of welfare leavers show that the majority are either financially the same or worse off than on welfare. Wisconsin, a state with very high caseload reductions had only one third of welfare leavers above the poverty level.
- ◆ US welfare to work programmes have made the poorest quintile of lone mothers lose in real income terms. The majority of this income is loss of means-tested benefits. While child poverty rates have declined from 16% to 14% overall in the US, the net *per capita* poverty gap for children has grown in real terms by 9% since welfare reform.
- ◆ The US debate is increasingly concerned about income progression and sustainable work. Successful job retention and progression schemes have not been easily transferable. US practice may well be hampered by structures that deter welfare claimants or make them leave as soon as possible. If the aim is to have fewer gaps in work records and better earnings this should be integrated in the initial design of welfare to work approaches and not added at the end.

Other Lessons from Abroad

- ◆ Helping the hardest to serve should include individual profiling of needs. There is a fundamental unfairness in encouraging those with substantial barriers to work to fail at job search and thus become less motivated before giving them foreseeable help.
- ◆ Assessments of employability and job readiness rarely establish a trusting relationship with the claimant. Assessment of individual needs and potential has been shown to work by private intermediaries who rely on good quality long lasting job placements to make money. Their experience is that giving in-depth assessment of psycho-social stability as well as the standard assessments of human capital and job-readiness is crucial, not just work experience, skills, welfare history and verbal proficiency.
- ◆ Services for lone parents could ensure that childcare is settled *before* providing employment opportunities and/or training as in Continental Europe.
- ◆ Combining training with employment gives the experience of a work environment, of the need for punctuality and good personal presentation and dress requirements. It also allows a smooth transition from benefits and employer subsidies into work.

About the study

The research was based on interviews and policy analysis undertaken in each country alongside assistance by national experts. The Nuffield Foundation financed this study. The Foundation is a charitable trust established by Lord Nuffield. Its widest charitable object is “the advancement of social well-being”. The Foundation has long had a special interest in Social Welfare and has supported this project to stimulate public discussion and policy development. The views expressed are however those of the author and not necessarily those of the Foundation.