

Restructuring welfare to work policies

Turbulent economic times ahead make it more important for the Government's welfare to work programme to change with the labour market.

At the end of July, the Work and Pensions Select Committee published a wide-ranging report surveying the state of the Government's employment strategy. It proposes reforms that stretch further than many in Government might feel comfortable with. It comes at a time of worrying economic turbulence.

The last quarter of 2001 and the first of 2002 registered economic growth of just 0.1% - pitching the UK perilously close to recession. However, the UK data for the second quarter of 2002 looks much better - the economy expanded by almost 1% and manufacturing industry, which has been in deep recession for almost two years, showed a jump in output.

But will this lead to a healthy recovery in jobs? Experience from previous downturns suggests that jobs do not bounce back straight away. Profit margins are under pressure and firms seek productivity gains and cost cutting. As a result, fresh employment growth will lag behind any expansion in business as firms opt to increase overtime or hire temporary workers during the early stages of recovery.

Over the last year, employment growth in the private sector has been negative. Jobs in public administration, education and health services took up the slack with a net annual growth of 122,000. This pattern is certain to continue following the Spending Review announcement that will see a boost to public expenditure of £61 billion in each of the next three years.

This will have two important consequences for welfare to work strategy. Firstly, there will not be an early flood of new jobs in the private sector. Secondly, new jobs will be more demanding as employers' requirements and expectations of employee capabilities will rise, even amongst entry level jobs. As a result, new entrants and re-entrants will have to be equipped to higher standards of basic employability. Programmes will have to adapt and change to reflect this.

The labour market has changed dramatically after almost a decade of steady growth. The years of mass unemployment are over. But millions of people remain detached from work by the effects of previous recessions, regional imbalances and the historic failure of the social security system to help claimants train, retrain and stay close to the jobs market.

Since Labour came to power, the New

Deals have cleared much of the backlog of under-employment that Labour inherited from the Tories. As the Select Committee reports, the full range of programmes are known to have placed 627,000 people into employment.

Now a qualitative shift is required in the welfare to work programme. It must follow the trends in the labour market and fully recognise the complex characteristics of the new population groups who need help. The JSA claimant count constitutes less than one million of the five million working age adults receiving benefits. Some groups of claimants have actually risen during the relatively buoyant years between 1997 and 2001. Those receiving a sickness or disability related benefit increased by 5% - to 2¾ million people, of whom nearly 4 in 10 actively want to work.

The Committee calls for higher performance and argues that the current structure of programmes for different categories of claimants may not provide this. Every claimant has an individual set of circumstances and the current range of programmes lack the necessary flexibility. The MPs specifically call for the innovative Action Teams and Employment Zones to be extended because they have the flexibility to tailor support packages that fit each person's precise requirements and do not bracket an individual simply based on their benefit status, age or other objective' characteristic.

The Committee endorses the move towards better employer engagement and greater emphasis on job retention. Impressed by examples in the USA and Europe, the MPs argue that retention requires Jobcentre Plus to concentrate on an 'after-care' service that helps new employees stick with work and achieve promotion and onward progression. They suggest that greater emphasis is placed on self-employment, not least because it now constitutes 11% of all employment. They also recommend extending the 'Ambition' sector-driven concept to public bodies that are likely to recruit substantially.

With the Committee's recommendations thudding onto Ministers' desks, a critical mass of opinion is being assembled to make fundamental and lasting changes to the Government's welfare to work strategy. At *Inclusion*, we can only applaud the direction that an influential group of MPs have proposed.