

BULLETIN

Welfare to work reforms and the experiences of City Strategy

Introduction

This bulletin considers some of the recent changes in the welfare to work policy domain. Examples are drawn from the IER evaluation of the City Strategy initiative. Other important developments are also discussed with relevance to future implications for the planning, orchestration and delivery of welfare to work services, including the flagship programme of the Coalition Government, the Work Programme and the benefit reform known as Universal Credit.

Reform of the welfare system

Reform of the welfare system was one of the key priorities for the Labour Governments from 1997 to 2010. Within the wider sphere of welfare there was particular concern to reduce the numbers claiming out of work benefits. Not only was the cost of out of work benefits considerable for the taxpayer, but the government wanted to put an end to the waste of talent (for individuals) and productivity (for society), which it felt was being allowed to flourish, partly aided by the existing benefit system.

These benefit reforms have been extensively written about (see for example: Bennett, 2002; Brewer et al., 2002; Lister, 2001; Lund, 1999; Powell, 2000). The Labour government committed to 'work for those who can and security for those who cannot'¹ (DSS, 1998), expressed a clear preference for (paid) work and outlined a series of options for those who were out of work. Famously, there would be no fifth option of a life on inactive benefits; staying at home without either seeking or making preparation to enter work. The rhetoric of the Labour government reset the balance towards responsibilities rather than rights. In this context, the Government launched a series of New Deal options that indicated two welfare policy developments. First, the New Deals suggested greater personalisation or

specialisation of service; there were separate programmes for lone parents, and by age for 18-24 year olds, 25-49 year olds and those over 50. Second, the reforms also suggested a move towards a more active benefits system whereby conditionality was extended to groups who hitherto had few demands placed on them in relation to seeking or preparing for work.

Work (and the government implicitly meant paid work) was held to be good for the individual. Much evidence was produced in policy documents and in published research throughout the Labour administrations to support this, citing not only the monetary benefits, but also the social, psychological and health benefits which followed from employment (see Black, 2008; Waddell and Burton, 2006). Critics of the schemes pointed to the need to consider the types of work that people leaving the programmes were able to enter. People entering low quality, poorly paid and precarious jobs are much more likely to cycle between benefits and employment.

These New Deals had some successes and managed to move people into work (if they would have found work anyway is something of a moot point). Despite the gains made by the New Deals in certain locations, the picture that emerged showed that pockets of entrenched worklessness remained and were difficult to eradicate. These concentrations of high worklessness persisted despite the general economic conditions being favourable.

¹ The commitment to 'security' was subsequently replaced by a commitment to 'support'

City Strategy

It was against this backdrop that the Government announced the City Strategy (CS) initiative. Not referred to by name, the concept was nevertheless first put forward in the 2006 Welfare Reform Green Paper – *A new deal for welfare: Empowering people to work*. The premise of the initiative was to empower local institutions to come together to work in partnership to reduce duplication of services and to fill gaps in existing provision, to provide a more appropriate service tailored to the requirements of the workless population. Local groups and service providers would know the local labour market (both in terms of supply and demand side factors) in greater detail and hence be able to achieve outcomes additional to those resulting from existing provision. Although named City Strategy, the Department for Work and Pensions (DWP) invited expressions of interest from urban areas, not all of which were cities.

When CS went operational, it was initially set to run for two years from April 2007 to March 2009. In 2008, it was announced that the pilot would be extended for a further two years to April 2011. Fifteen areas were selected to become City Strategy Pathfinder (CSPs) – three in Scotland, two in Wales and ten in England – varying in size from a few wards to multiple local authority areas. What they did have in common was that they contained some of the most deprived wards across Great Britain and there were often long histories of high unemployment and incapacity benefit.

Prior to CS, the local welfare to work landscape was cluttered and confusing for practitioners, benefit claimants and employers. There was a lack of coordination in the commissioning, planning and delivery of services. Multiple points of access existed and there were few referrals between providers; the funding system encouraged providers to hold on to clients, especially those with better chances of entering employment. Few systems were in place for tracking or supporting an individual's progress through the system, so it was possible that people could drop out at various points and this information would not be recorded.

Traditionally, welfare to work services have been centrally planned and local bodies have been charged with putting into operation those plans. There has also been a historical distinction between those who are mandatory clients and those who are non-mandatory. Recipients of Jobseeker's Allowance (JSA) were (and are) deemed to be work ready. These were the people who were guided into the various New Deal options after six months of claiming. Those on other out of work benefits (principally those on Incapacity Benefit [IB] and Income Support [IS] for lone parents) were able to access these forms of support on a voluntary basis. CS was designed to tackle problems of worklessness in the most

disadvantaged areas and for the most disadvantaged individuals.

Aims of City Strategy

CS was an initiative with multiple aims. There were concrete outcomes which were hoped to be achieved, as well as changes to the ways in which the process of welfare to work was carried out.

In terms of outcomes, the intention was to raise employment rates and reduce benefit claimants counts especially for those furthest from the labour market and those in the most disadvantaged neighbourhoods. At the outset of the initiative each of the 15 CSP areas were given targets by DWP relating to benefit reduction numbers and employment rates. The partnerships were also encouraged to devise further targets appropriate to the requirements of their particular area. To achieve these targets the partnerships were charged with improving the skills and employability of workless residents and by doing so moving them closer to the labour market. Through working with individuals the CSPs would give these people better skills to be able to find and remain in work.

The initiative also hoped to foster new, innovative ways of working among key stakeholders, including, but not limited to sharing data, referring clients between providers, collaboration and working in partnership.

CS was different from what had been undertaken before in terms of the strategy being explicitly driven by local issues and actors, as opposed to being centrally driven by DWP. Partnerships had existed prior to CS, but CS was different as it was a higher profile initiative, backed by DWP seedcorn funding for the 15 partnerships. CSPs were also given control of the Deprived Areas Fund (DAF) money allocated in their areas. This fund was designed to give some flexibility to the types of service, which local bodies could commission. DWP allowed CSPs to submit requests for enabling measures in order that CSPs might achieve better fit with local needs. 'Enabling measures' were intended to allow CSPs to suspend or modify national regulations, particularly relating to eligibility for support.

In keeping with the ethos of a 'bottom up' approach, responsibility for evaluation of each CSP was given over to the CSPs themselves. DWP made explicit that the initiative was an opportunity for the CSPs to try out different approaches and to find out what worked best; DWP stated that there was equal interest in what did not work as well as what did. In the event, commitment to local evaluation varied and even in cases where these were carried out, the emphasis tended (understandably) to be on the successes. The local evaluation reports produced by the CSPs were made available to the national evaluation team at IER and formed part of the evidence for the national evaluation reports.

Impact

Evaluating welfare to work schemes produces numerous methodological challenges, even when they are at their most simple and closely defined. In the case of CS, the challenges to measuring outcomes were abundant. Initially, there was some debate about the parameters of CS. Since the initiative was not primarily about new money and new projects, rather a more effective method of joining up the various initiatives, it was not clear cut as to where CS started and finished. Moreover, CS was not the only provision available to workless individuals. Trying, therefore, to observe effects from data covering all workless people in a locality was problematic. Even if effects were observed at the aggregate level, attributing the changes to CS interventions was difficult. There was the question of deadweight – that is some of those who found work would have found it anyway, regardless of any assistance that they might have received. There was also the question of which intervention was responsible for the final outcome in the instance of an individual receiving help from multiple sources. The time frame for analysis was also pertinent. Given the nature of worklessness in these communities under consideration, it was unrealistic to expect to observe large effects over a two or even four-year period. This was particularly the case given CS's concern with those furthest from the labour market. This raised the question of what was an appropriate measure of success for those who are some distance from being able to participate in paid employment. Measures of distance travelled might be one way of capturing the good work that was undertaken by various interventions. However, for the government the only real measure of success was by looking at job outcomes, as this had a direct impact on expenditure.

Trying to measure the outcomes of the CS initiative against the targets for benefit reduction and increases in the employment rate would suggest that the partnerships were not successful. At the end of the first two years none of the partnerships had achieved the target benefit levels, though at various stages over that time a number of partnerships had benefit populations below the target levels. Of the three main benefits, unsurprisingly, the main driver for changes in the benefit populations was the JSA figure; IB and IS numbers declined steadily – at much the same rate as before the initiative.

Changes between benefits may be one way of measuring progress, but for this to be possible two criteria needed to be met. The first related to data; individual level data needed to be available so moves could be tracked between the benefit categories. Second, benefit categories needed to be consistent over time, so a change between categories reflected a change in material circumstance and was not due to a change in administration of the benefit. Changes to eligibility for

IB (later Employment Support Allowance [ESA]) and IS occurred during the period of the initiative.

In short, aggregate changes in benefit numbers were difficult to find, reflecting the measurement tools that were being used. The targets were changed to relative targets for the second two years of the initiative, but, again, effects of CS were impossible to distinguish from the other more influential effects on benefit numbers. JSA numbers were the main driver of the total benefit claimant count (although secondary in number to IB/ESA claimants) and these figures waxed and waned according to the health of the wider economy.

Furthermore, although it was difficult to discern changes in the aggregate benefit data or employment rate estimates, various other indicators did highlight some of the achievements of CS. There were numerous individual level success stories gained from talking to service providers; people who had been inactive or out of work for long periods making great strides towards work and finding work. Partnerships were able to mobilise to utilise funds and services that were commissioned, which achieved targets for engagement and completion of training more often than not. Partnership members were also enthusiastic about the ethos of CS in allowing greater autonomy for decision making to be placed at the local level, although there were tensions around the level of freedom which partnerships were granted. The partnership representatives also felt that value had been added by working with new contacts across different, but related policy domains.

Learning points from City Strategy

The following highlights some of the learning points from the CS evaluation. Timescales are important to take into account. It is unrealistic to expect areas with long histories of worklessness to turn around in two or even four years.

Partnerships require direction and a cause to mobilise behind. In the case of CS having the control over DAF money was a major incentive for partners to get involved with the process and provided a purpose for working together. It is no use creating empty shells and hoping that they will be filled; the purpose and remit needs to be clear from the start.

Partnership activity requires a lot from partners mainly in terms of people's time. Partnership members often needed to 'do' the partnership activity in addition to their 'day jobs'. This highlighted the usefulness of a central team dedicated to work on CS matters. This was only possible because of the seedcorn funding distributed by DWP. Through forming partnerships, there was an increased ability to respond to opportunities when they presented themselves. Future Jobs Fund was a good example of this and many CSPs took responsibility for the delivery of this fund in their area.

Implications for future delivery of welfare and current developments

CS highlighted the importance of local partnerships in the Welfare to Work arena. The CS model was based on co-operation and sharing of information. The advent of the Work Programme (WP)² has changed the welfare to work landscape. Specialisation or personalisation of service remains, though partnership working and co-operation have been replaced by prime contractors and competition. Payments are by results (i.e. a sustained job outcome) rather than for course completion or accreditation. Eligibility criteria for benefits have been altered and conditionality has been increased so that more people have greater imperatives placed upon them to be looking for preparing for work. ‘Mainstream’ support will continue to be given to certain groups of clients through Jobcentre Plus. The types of clients who are referred to the WP are those who previously could have accessed support through CS or through other locally managed schemes. There are still requirements for pre-WP support and it is unclear as to how these needs are being met, and even if there is sufficient capacity for groups to deliver support so that individuals can access WP provision.

WP, of course, relies on the pricing structure accurately reflecting the difficulty of placing the various groups into work. The sliding scale is intended to prevent such problems as taking those who can be easily placed in employment or leaving those who may be more difficult to place or require additional support – problems often referred to as ‘creaming’ and ‘parking’. However, with commercial organisations running the operations, arguably decisions are more likely to be made on grounds of commercial interest than client need.

Knowledge gained through the experience of CS may not necessarily be lost as CS partners are often involved in the supply chain of prime contractors. CS explicitly advocated cross-domain working which may be lost in the WP. In many cases those with multiple barriers to overcome before entering the labour market require services not directly work-related, for example to deal with issues of mental or physical ill-health, or with housing. The challenge for the WP is to see how these services can be integrated into the approach so that individuals can access the full range of support which they might need.

Looking ahead, Universal Credit may help WP providers get people into work by changing the incentives and

marginal deduction rates for those entering employment. If it works effectively, it will remove some of the barriers to taking work and go some way towards removing the risk of going to work versus the certainty of life on benefits.

Economic circumstances have changed substantially since the beginning of CS and although there has been some upturn in the economy, the situation still gives much cause for concern. Given this backdrop the aim of sustainable employment becomes more challenging, but despite that WP providers and others operating in the welfare to work arena ought to be concerned with job quality and prospects for advancement (and thus creating space at entry level) to help guard against the danger of welfare / work cycling.

Reports

The CS evaluation reports undertaken by IER can be downloaded from:

Green, A.E. and Adam, D. (2011). *City Strategy: Final Evaluation* (DWP Research Report No. 783). London: DWP. Available from: <http://research.dwp.gov.uk/asd/asd5/rports2011-2012/rrep783.pdf>

Green, A.E., Adam, D. and Hasluck, C. (2010). *Evaluation of Phase 1 City Strategy* (DWP Research Report No. 639). London: DWP. Available from: <http://research.dwp.gov.uk/asd/asd5/rports2009-2010/rrep639.pdf>

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- Lister, R. (2001). New Labour: a study in ambiguity from a position of ambivalence. *Critical Social Policy*, 21(4), pp. 425-447.
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- Waddell, G. and Burton, A.K. (2006). *Is work good for your health and well-being?* London: TSO.

² See <http://www.dwp.gov.uk/policy/welfare-reform/the-work-programme/>