Work after welfare, employment after benefits

The road to success gets ever steeper. So it is with welfare reform.

Under the ‘welfare to work’ banner, the Labour government has re-forged the UK welfare system since coming to power in 1997. While commentators squabble over figures, unemployment is still at historically low levels and, although this is largely due to a buoyant economy, only the churlish would deny that welfare reforms have helped. Long-term unemployment has technically been abolished. Employment rates among lone mothers are rising rapidly and embryonic policies are in place to assist disabled people to work (let it not be forgotten that, already, more disabled people are in paid employment than ever before) (Walker with Howard, 2000). Even jobseekers approve of New Deal, although given the disreputable schemes that it replaced this may be no big deal.

However, as contributors to this issue of Benefits make clear, getting people from welfare to work is last year’s problem, and a comparatively easy one at that, certainly when compared to the task of keeping job entrants in employment. Work after welfare or, dropping the now mind-numbing alliteration, sustaining people in rewarding employment, is a much greater challenge. Moreover, as Richard Dickens shows, if Labour fails in this task, it will also miss its showpiece target of halving child poverty and, within 18 years, abolishing it altogether. Indeed, a pessimist reading Dickens’ article would conclude that Labour will fail in its quest to end child poverty even if it does succeed in fostering mass, sustained progress in the labour market.

The structural problem – one that has existed for at least 30 years and which shows no sign of easing – is that very few people who move into low-paid work, students and trainee professionals excluded, ever succeed in attaining even median wages. Dickens provides the figures. He shows that most continue to earn low wages and that many rapidly return to unemployment, some moving from one transient low-paying job to another.

In Karen Kellard’s article, she provides complementary supportive evidence of unstable employment. She reports that entrants to the labour market are most at risk of losing their job in the first few weeks. As one might expect, young people, people working part time, women and those with limited qualifications or poor health seem to have the most tenuous hold on the labour market.
Kellard also reveals that government is becoming aware of the issues and has begun the search for solutions, scanning experience across the Organisation for Economic Co-operation and Development (OECD) and perhaps even mounting a US-style demonstration project to test a preferred strategy. What is clear, however, is that – as Anu Rangarajan concludes in her report of US experiments – one policy is unlikely to resolve all problems. Kellard notes that both supply- and demand-side factors are important in fostering sustained employment but that research does not yet allow their relative importance to be assessed.

It is also evident that the goals of employment sustainability and advancement are more important than job stability, the length of time that someone stays in a job, and even job retention – the ability of individuals to remain in their job when circumstances change. Some people are able to advance in employment through rapid job moves but comparatively few jobs, especially in the lower reaches of the labour market, offer internal routes to promotion. To date, performance targets associated with government schemes have mostly focused on a 13-week, non-return to benefit target and long-term tracking of clients' progress has been very limited. If the policy goal is to be the maintenance of stable or upward employment trajectories in the longer term, as has been suggested (Walker and Kellard, 2001), this situation will have to change.

The government's review of post-employment measures is likely to rely heavily on US experience; the US administration is already engaged in a second round of experimentation in this field. Rangarajan assembles results from the first experiments, which were conducted in four states. They were mainly concerned with in-work support for lone mothers leaving US welfare and show that hope is sometimes the product of failure. At face value, the initiatives, which all placed a heavy emphasis on case management (personal advisers in UK parlance), were effective in keeping between 60% and 80% of people in employment over a two-year period. These levels are comparable with results reported by Kellard for intermediate labour market initiatives in Britain. However, unlike in the UK, Rangarajan was able randomly to assign welfare leavers to either the programme or to a control group that was denied the extra service. This revealed that for all the expertise and energy that personal advisers devoted to their work, they failed to increase the number of ex-welfare recipients who retained employment.

The hope and the lessons that Rangarajan draws are undoubtedly pertinent for the UK, even allowing for the very different world of US welfare. She points to the need to target people who stand to benefit most, to integrated pre- and post-employment support, noting the importance of securing the right match between job and person, and to support quality case management. But she also concludes that case management by itself is insufficient, suggesting further wage supplementation, additional training, and incentives for workers and employers.

But alongside hope, there are also the stark facts that Dickens reports; job mobility is simply not yet great enough to lift sufficient numbers of people out of poverty and off long-term receipt of in-work benefits. There are legions of small employers without access, even on a peripatetic basis, to human resource expertise. Skill levels remain pitifully low despite the best efforts of the government, and people most in need of devising a viable career plan are often the least able to do so.
While in policy terms the road ahead is uncertain, it will undoubtedly be steep. Labour’s laudable quest for accountability through targets means that the goal of swapping welfare for work is countered by a second goal, one that acknowledges that replacing the claimant poor with the working poor amounts to political failure.

Robert Walker

References
