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**Working Hard or Hardly Working? Evaluating New  
Labour's Active Labour Market Policy**

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Submitted to the  
Department of Sociology  
in fulfilment of the requirements for the award of  
Ph.D. Social Policy  
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## **ABSTRACT**

When New Labour were elected in 1997, the party's leader, Tony Blair, claimed the dawn of radical labour market reforms that would substantially reduce long-term unemployment and welfare dependency. This thesis is an evaluation of New Labour's active labour market policy (ALMP), and focuses on the three central components of that policy agenda: the New Deal programmes, Tax Credit programmes and the National Minimum Wage. These reforms were targeted at key client groups such as the young (defined as those aged 18 to 25 year olds), the long-term unemployed, those aged over 50, the disabled and lone-parents. This thesis adopts Economics of Conventions (EC) as its focal theory, and uses a range of quantitative methods to analyse official labour market data while drawing into question the trajectories of improvement found in the official statistics. It also provides a systematic review of existing evaluative research including that conducted by the Department for Work and Pensions, Low Pay Commission and HM Treasury.

This thesis found that rates of unemployment declined while New Labour were in power, arguably as a result of strong economic growth but potentially as a result of their ALMP. Rates of economic activity and inactivity did not significantly change, even after the introduction of additional obligations on lone parents. However, due to the introduction of programmes like the New Deal for Young People, individuals were re-categorised, drastically altering labour market statistics and trends. Indeed, when it comes to the justification and evaluation of their ALMP, New Labour made clear moral judgements about 'the deserving poor' and 'the undeserving poor' based on links between rights and responsibilities of benefit claimants. Indeed, the economic policies of New Labour continued and promoted neo-liberal precepts of labour market

management, i.e. they focused on individual behaviour and personal responsibility, at the expense of potentially more effective policy alternatives.

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## KEY DEFINITIONS AND ABBREVIATIONS

**Active Labour Market Policy (ALMP):** “benefit structures that give strong labour-market incentives, together with policies aimed at improving people’s labour-market skills” (Barr, 2012. p. 21). Sometimes known as ‘welfare to work’. ALMP can also involve subsidising employment through Tax Credits and/or imposing a minimum hourly wage.

**Effectiveness:** “focuses on the relationship between the objectives of an activity and its actual outcomes” (Gregory & Lonti, 2008. p. 842).

**Efficiency:** “is a ratio of the outputs of an activity to the inputs used to produce them” (Gregory & Lonti, 2008. p. 842).

**Employability:** ‘Employability’ is best defined as “the capability to move into and within labour markets and to realise potential through sustainable and accessible employment,” (DELNI, 2002).

**Long term unemployment:** The Organisation for Economic Co-operation and Development (OECD) has defined long-term unemployment (LTU) as “involving people out of work and looking for work for 12 months or more” (OECD, 1988). This definition is also the one used by the International Labour Organisation (ILO) and the Department for Work and Pensions (DWP), and will be that used in this thesis.

**Public policy:** Despite the wide range of definitions for public policy, it can effectively be defined as “how, why and to what effect governments pursue particular courses of action and inaction” (Heidenheimer *et al.*, 1990, p. 3).

**Recycling:** ‘Recycling’, ‘re-tread’ or ‘churning’ is the situation where individuals repeatedly claim Job Seeker’s Allowance (the unemployment benefit paid in the UK to those actively seeking work) without finding sustained employment between claims (Carpenter, 2006).

**Welfare reform:** Welfare reform can be defined as reform, alteration or change of “social security and social assistance provision and its relationship to the labour market” (Cebulla, Ashworth, Greenberg & Walker. 2005. p. 1).

**Worklessness:** “Worklessness’ is a term which encompasses more than just those who are of working age and unemployed. It encompasses the entire inactive population – all those who are out of work and are either not actively seeking or not available for work – as well as the unemployed” (Balls, Grice & O’Donnell (eds.), 2004. pp. 175-176).

**NEET:** Young people who are Not in Education, Employment or Training.

## CHAPTER 1 – INTRODUCTION

“Welfare should become more focused on helping people to become independent, rather than locking them into dependency. It should be about ensuring that there is work for those who can, as well as providing security for those who cannot” (Department for Education and Employment, 1998. p.1).

The history of the UK labour market policy has been one of a continuous tension and cycle between expanding provision to help the working-poor and unemployed, and retrenchment to prevent the perceived threat of welfare dependency and reduce public spending (Pierson, 1997; Thompson, 2002; Hill, 2012). The active labour market policy (ALMP) implemented by New Labour upon their ascension to power in 1997 was arguably an attempt to find a more sustainable balance between the rights and responsibilities of those requiring welfare assistance from the state. A key New Labour intellectual, Anthony Giddens wrote at the time, “The welfare state, seen by most as the core of social democratic politics, today creates almost as many problems as it resolves,” (1998. p.16). This observation may demonstrate one of the many perceived policy problems confronting the New Labour government when it was first elected in 1997: the problem of a large and complex welfare system which was failing to tackle long-term unemployment (LTU), welfare dependency and associated social problems often termed ‘social exclusion’ (Levitas, 1996; 1999; Byrne, 2005).

Prior to their ascension to power, New Labour set the tone of their labour market reform agenda to match these perceived challenges: “[...] we will face up to the new issues that confront us. We will be the party of welfare reform. In consultation with the people, we will design a modern welfare state based on rights and duties going together, fit for the modern world” (Labour, 1997a, p. 4). New Labour clearly believed that the welfare state as they inherited it was no longer fit for purpose and had a negative impact on the British labour market. Over their subsequent three terms in office, a total of thirteen years, New Labour implemented a range of labour market reforms and programmes designed to tackle these perceived problems. The largest and most important of these were the New Deal programmes, the National Minimum Wage and various Tax Credit programmes.

These programmes were driven by moral judgements concerning what Daly (2010) described as the “‘deserving and undeserving’ fault line, which existed as far back as the New Poor Law of 1834” (p. 440). New Labour, like the governments which preceded it, made these moral judgements between the ‘deserving poor’ (the very young, the very old and the disabled) and the ‘undeserving poor’, described as “the indigent, the ‘passive’, those compelled or content to subject themselves to the beneficence of the state,” (Daly, 2010. p. 440). Such judgements are at the heart of classical liberal thinking. This is in stark contrast to alternative policies such as the universal ‘Basic Income’ advocated by the Green Party for the 2015 General Election. According to liberal thinking, the poor should always work for their income while those claiming benefits should be policed to avoid dependency, i.e. individuals should be ‘workers not shirkers’.

New Labour’s moral values had a range of influences; these included international sources, evolving ideology, changes in the underlying discourse of social policy and electoral considerations<sup>1</sup>. As this thesis will demonstrate, such moral judgements were not constant over New Labour’s time in office, for example, moral judgements of family structure and the expectations placed on lone parents evolved over time<sup>2</sup>. Such moral judgements underpin the social conventions of New Labour, for example, the treatment of female claimants is indicative of New Labour’s approach which is far less judgemental than the preceding Conservative government. These conventions determined how individuals were categorised into client groups, were counted by administrators and how the basis of their ‘treatment’ was designed. This thesis adopts Economics of Conventions as its focal theory to analyse these conventions, and is explored in greater depth in Chapter 3.

Conventions are collectively acceptable bases of social behaviour and embedded collectively-held moral values. They can be understood as ‘what we know and understand’, sometimes labelled ‘social norms’. They are, therefore, central to our understanding of the social world. What society understands as ‘employed’,

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<sup>1</sup> These are discussed in Chapter 2, the literature review.

<sup>2</sup> This is discussed more in Chapter 8 which examines client groups defined by family structure. It also explores the changing expectations placed on lone parents, especially mothers in general and deserted mothers in particular.

'unemployed' and 'economically inactive' are all conventions. In the post-WW2 era labour markets were highly regularised and clear distinctions existed between these categories. However, as this thesis shows, the definitions used by policy makers have been increasingly challenged as the nature and structure of work changed.

This thesis brings together previous academic and administrative evaluations while analysing previously unscrutinised administrative data in an effort to evaluate the effect of New Deal programmes, the National Minimum Wage and the Tax Credit programmes on social dependency and labour markets. This work raises important questions regarding the continuing use of social statistics as a sole basis for social policy evaluation. This is in light of the categorisation process used to construct those statistics being driven by the under-recognised moral assumptions of policy makers and wider society.

## **1.1. Current body of knowledge**

Despite there being a large body of work in the field of policy examining narrow sections of New Labour's labour market policy, especially on the New Deal for Young People, there remain significant gaps in the current body of knowledge.

Although rates of unemployment fell and rates of employment rose during the majority of New Labour's terms, it is not clear what caused this. Existing literature appears to present a self-evident link between New Labour's labour market policy and changing labour market trends and behaviour (Toynbee & Walker, 2005; 2010; Giddens, 2007; Powell, 2000; 2002; 2008). It could be argued that these researchers fell into the fallacy of *post hoc ergo propter hoc*. This is rarely the case, and economic theory suggests a much more complex policy space. The present author did not find the existing literature convincing. Even a cursory glance at available data suggested a far more complicated labour market and range of possible processes at play that the existing research does not adequately explain.

At the centre of New Labour's labour market policy agenda were the New Deal programmes, Tax Credits and the National Minimum Wage. Although at first sight these programmes are well-researched individually, no research has examined how

they interacted together and the labour market effect they would have had as a result. Most importantly, no researcher has questioned how New Labour came to define those who were ‘unemployed’ and ‘employed’, reflecting moral judgements that are made of such individuals. The body of knowledge is critically reviewed in Chapter 2.

## **1.2. Scope of this thesis**

To fill this important gap in the current body of knowledge, the scope of the thesis includes New Labour’s labour market reform agenda aimed at the working age population (defined at the time as those aged 16-64) between 1997 and 2010; from the ideological birth of New Labour and the development of this agenda, to its electoral demise. Labour market policies explicitly aimed at children and pensioners are not within the scope of this thesis.

This thesis analyses the *prima facie* statistical effect of reforms on the UK labour market. It then probes into the more complex labour market mechanisms occurring, and especially the effect of New Labour’s social policy conventions upon their policy choices and the effect this had on the statistical measures.

Although a range of possible avenues for research were available, a core research question was developed which attempts to address the critical gaps in knowledge identified above:

**What were the effects of New Labour’s active labour market policy on rates of social dependency in the working age population during their time in office?**

This core research question not only allows for the examination of the *prima facie* ‘statistical impact’, but also an examination of the more contestable ideas surrounding New Labour’s social policy. This research question also was chosen because, despite assertions of a self-evident link found in the literature (Toynbee & Walker, 2001; 2005; 2011; Powell, 2002; Diamond & Kenny (eds.) 2011), authors have struggled to establish a clear causal link between New Labour’s welfare reforms and the downward trend in measured ‘unemployment’ and the upward trend in measured ‘employment’.

Although numerous ALMP projects/programmes existed, including the creation of the Jobcentre Plus network, the most central and important were the New Deal Programmes, Tax Credits and the National Minimum Wage. These programmes were designed as part of a strategy of 'joined up government' and intended to complement each other in achieving the policy goals stated in their 1997, 2001 and 2005 manifestos. Therefore, it was decided that these key programmes would form the scope of this thesis.

It is contended that this thesis makes an original contribution to knowledge in the following ways:

Although a limited range of holistic evaluations of New Labour's record have been conducted (Toynbee & Walker, 2001; 2005; 2011; Powell, 2002, Diamond & Kenny (eds.), 2011), these evaluations failed to offer depth of critical analysis, were overly sympathetic and focused heavily on headline social statistics which they accepted at face value. This thesis seeks to correct what Booth, Colomb & Williams argue is a key driver of many research questions: "incomplete knowledge or flawed understanding," (2003. p.59).

There are also many existing evaluations focusing on the impact of individual policies over a limited time period. This thesis differs in that it seeks to analyse the contribution of multiple policies to labour market change over a longer time period.

This thesis adopts Economics of Conventions (EC) as its focal theory. To my knowledge no previous author has adopted EC to evaluate New Labour's ALMP. Therefore, this is a unique and original contribution.

Finally, arguments made and conclusions reached by this thesis push the boundaries of knowledge about New Labour's ALMP. They are supported by evidence deemed credible by fellow academics and they have important implications for future research in labour market policy, especially the development and implementation of ALMP and how it is evaluated.

### **1.3. New Labour's labour market policy agenda in historical context**

New Labour's welfare reforms took place in the broader context of de-industrialisation, structural economic change and an aging population.

Over the course of the late 20<sup>th</sup> century, the UK economy underwent radical structural change. Bazen & Thirlwall (1989) argue that de-industrialisation can be defined in one of two ways: A declining share of total employment in manufacturing, or, an absolute decline in employment in manufacturing. However, this definition is potentially limited as Brazen & Thirlwall's definition relies on measures of unemployment which this thesis demonstrates as being socially constructed and subject to change. Wall (2001) similarly argues that 'de-industrialisation' refers to a shift in resources out of the manufacturing sector and into the service sector of the UK economy. It could also be argued that de-industrialisation can be defined as industry making up a declining proportion of GDP. As a result of de-industrialisation, the UK economy has also shifted geographically with service sector roles located away from formerly industrialised areas. Thus areas of formerly intensive industrial activity such as Lancashire, South Yorkshire, Tyneside, Clydeside, and South Wales amongst many others emerged as geographical pockets of high unemployment (Bartholomew, 2004).

Debate surrounding Britain's alleged relative economic decline can be tracked as far back as the late 19<sup>th</sup> Century. For example, Williams (1896) writes about the rapid industrialisation of Germany and mastery of more modern industries such as chemical engineering (Williams, 1896. cited in Grant, 2002). However, most academics would agree that the strongest period of de-industrialisation has occurred since the late 1960s (Kenny & English, 2001; Grant, 2002). De-industrialisation has not been limited to the UK; it is also a recognised phenomenon in Japan, Canada, the USA, France, Italy and Germany (Rowthorn & Coutts, 2013). De-industrialisation is important because it will lead to unemployment unless the growth of employment in other sectors of the economy is sufficient to absorb the labour shed by manufacturing (assuming a workforce of constant size) (Bazen & Thirlwall, 1989). This explanation is severely limited, firstly by the assumption of a constant size of workforce; the workforce (as defined) is never a constant size. There is a constant flux of school leavers entering the labour market and individuals leaving at various points and for various reasons,

for example, migration. Secondly, it implicitly assumes perfect occupational and geographical mobility, i.e. that workers made redundant in manufacturing can simply walk into a job in another sector without retraining or having to relocate geographically. Neither of these assumptions is very likely. It could, therefore, be argued that de-industrialisation will almost inevitably lead to an increase in unemployment<sup>3</sup>.

Some have argued that although there has been structural change in the UK economy, this is not de-industrialisation as such. Lipsey & Chrystal (2007) suggest that although the number of those employed by manufacturing declined from over 7 million in 1978 to 3.5 million in 2005, actual manufacturing output measured by volume was at an all-time high in the year 2000. Therefore “a key element of the UK manufacturing story is that the industry has achieved growing output with fewer and fewer employees” (Lipsey & Chrystal, 2007. p. 225.). Lipsey & Chrystal speculate that the cause of this change is due to increases in labour productivity, meaning that fewer workers are required. Real wages rose as a result. Alongside this the cost of capital equipment such as computers has dropped substantially<sup>4</sup>. Thus, Lipsey & Chrystal argue, companies chose to substitute cheaper capital for increasingly expensive labour. Routine tasks were also automated by computerised machinery/robotics further removing the need for large numbers of unskilled workers. Lipsey & Chrystal also suggest that globalisation has allowed UK companies to take advantage of cheaper labour costs abroad to support their supply chains<sup>5</sup>. Thus component parts can be imported while final assembly occurs in the UK, e.g. Jaguar Land Rover.

Additional explanations have also been given for the declining number of individuals recorded as working in manufacturing. One that chimes with the arguments advanced in this thesis is that significant numbers of workers have been re-classified from

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<sup>3</sup> The UK also has an ageing population due to declining birth rates. When focusing on older workers placed in such a position, combined with industrial diseases and related health problems from a career in manufacturing or heavy industry it can quickly be seen that this particular client group is likely to face much higher levels of unemployment. Chapter 7 discusses active labour market policy aimed at the over-lapping client groups of older and disabled workers.

<sup>4</sup> Technology such as Computer Aided Design and Manufacture (CAD/CAM) have also revolutionised production processes, requiring considerably fewer but much higher skilled operators.

<sup>5</sup> Although there has been an emergence of newly industrialised countries such as Brazil, Russia, India and China (BRIC) as a result of off-shoring, the USA, UK and other Western countries still have continued structural advantages (Cox, 2012). On the other hand BRIC countries, and China especially, have significant obstacles to continued growth.

working in the manufacturing to alternative sectors (Lipsey & Chrystal, 2007; Rowthorn & Coutts, 2012). This convincing argument says that, while in the past a large manufacturing company may have directly employed all of the services it needed, such as drivers, gardeners, cooks, cleaners, etc., over time there has been a movement towards outsourcing of these and other functions. The externalising of key functions such as marketing and finance through sub-contracting has also allowed firms to externalise risk as well as large numbers of individuals who would previously have been direct employees. Therefore, whereas these workers may previously have been counted as working in the manufacturing sector, they are now counted as service-sector workers. IT has also made this re-classification increasingly possible as workers can work remotely and on a consultancy basis. It can be said that in addition to anti-trade union legislation of the previous Conservative Government (for instance the *Employment Act 1980*, *Employment Act 1982*, *Trade Union Act 1984*, *Public Order Act 1986*, *Employment Act 1988*, *Employment Act 1989*, *Employment Act 1990*, *Trade Union & Labour Relations (Consolidation) Act 1992*, *Trade Union Reform and Employment Rights Act 1993* and the *Employment Rights Act 1996*), de-industrialisation and worker re-classification also contributed to the decline of Union power and employment rights.

It is important to highlight that de-industrialisation in the UK did not occur in isolation, but within a wider context of globalisation. Dicken (2011) argues that we must distinguish between overlapping definitions of globalisations: “the *structural* changes that are occurring in the way the global economy is organised and integrated. The other meaning refers to the neo-liberal, free-market *ideology* of the ‘globalisation project’,” (p. 2). These structural shifts have been characterised in terms of a widening gap between skilled and unskilled workers:

“Countries in the South have increased their production of labour-intensive goods (both for export and domestic use) and their imports of skill-intensive goods, raising the demand for unskilled but literate labour, relative to more skilled workers. In the North, the skill composition has been twisted the other way. Production of skill-intensive goods for export has increased, while production of labour-intensive goods has been replaced by imports, reducing the demand for unskilled relative to skilled workers [... U]p to 1990 the changes in trade with the South had reduced the demand for unskilled relative to skilled labour in the North as a whole by something like 20 per cent [...]. Thus expansion of trade with the South was an important cause of the de-

industrialisation of employment in the North over the past few decades,” Wood (1994) cited in Dicken (2011. pp. 502-503).

Therefore, the breakdown in trade barriers which began with the General Agreement on Tariffs and Trade (GATT) in 1947 and which has evolved into the World Trade Organisation (WTO), has led to the shift in low-skilled industrial production from the industrialised North and the industrialising South, i.e. nations like China and India. The emergence of Neo-liberalism as the dominant political paradigm has meant that such dramatic structural change is seen as not only inevitable, but desirable. However, both this structural change and ideological dominance have undermined the power of nation states and their ability to continue classic welfare policy. It could, therefore, be argued that New Labour had little choice but to re-define the role of the welfare state in the face of a globalisation tide they could no hope of commanding. Neo-liberalism with its central belief in individual responsibility has further undermined the social values which underpinned universal benefits.

The UK's 'classic welfare state' was also based on an industrial working class in permanent, structured employment whose welfare rested on sustained social insurance contributions designed to bridge any gaps between permanent full-time jobs. This was William Beveridge's vision and promise, firmly located within a policy of full-employment. As a consequence of de-industrialisation, the relationship between benefits and contributions collapsed, in part due to flexible and self-employment that falls outside its remit. Consequently, conditionality and compulsion have replaced universality and social responsibility.

Kitson & Michie (2014), as an interesting counter to the negativity of the de-industrialisation debate, argue in favour of 'positive de-industrialisation'. Firstly de-industrialisation reflects shifts in comparative advantage, i.e. advanced economies specialise in producing services because they are relatively more efficient at it, while developing countries can produce cheaper goods for export. Secondly, as countries develop, the structure of their domestic consumption will shift anyway towards services and away from manufactured goods. Thus, de-industrialisation is inevitable. Kitson & Michie (2014) also support previous arguments of increasing labour productivity and the shifting of global supply chains. De-industrialisation, they conclude, is not a major

problem, but creates an over-reliance on financial services and stimulates a balance of payments deficit.

Despite the arguments for 'positive de-industrialisation' by writers such as Kitson & Michie (2014), all writers in this field acknowledge de-industrialisation has had an impact on the UK labour market. Geographical areas which had previously been dominated by heavy industry appear to have been particularly affected<sup>6</sup> by de-industrialisation, for example, steel and cutlery making in South Yorkshire, shipbuilding on Tyneside, cotton weaving and coal mining in Lancashire, pottery making in Staffordshire, slate quarrying in North Wales and coal mining and steel in South Wales. Skills from these industries do not translate into the new industries such as IT and pharmaceuticals which have emerged. Geographical pockets of long-term structural unemployment have appeared as a result<sup>7</sup>. Within the context of fiscal retrenchment of the 1980s there had been pressure to reduce the cost of providing welfare payments to these new claimants (Grant, 2002). Consequently, in the UK and other European countries experiencing such labour market change active labour market policy (ALMP) emerged in response. Indeed, ALMP policies are central to the EU and its Employment Strategy which was introduced in 2000. ALMP seeks to encourage and help individuals into employment by supporting job-search activity, for example, by improving information on job vacancies or helping with CV writing, through training and through employment subsidies. However, issues have emerged with the 'work-first' agenda which tries to force workers into the first available job. It often encourages a mis-match between the skills of the worker and the role. This can lead to sporadic employment and an increasing incidence of recycling/re-tread between work and out-of-work benefits (see Carpenter, 2006 and Hill, 2012 for a thorough discussion of recycling).

It can be argued that New Labour's labour market agenda was a perfect example of ALMP in practice. However, the changes of de-industrialisation have not been the

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<sup>6</sup> Although as this thesis will argue in Chapters 3, 4 and 9, the nature of work has changed over time. 'Unemployment' as a classification for social policy makers emerged in the 1930s as a necessary component of Keynesian economic management. 'Employment' has also moved away from '9 to 5', 6 day a week jobs to something more fluid.

<sup>7</sup> With many older workers being pushed out of the Labour market. These are discussed in Chapter 7 of this thesis.

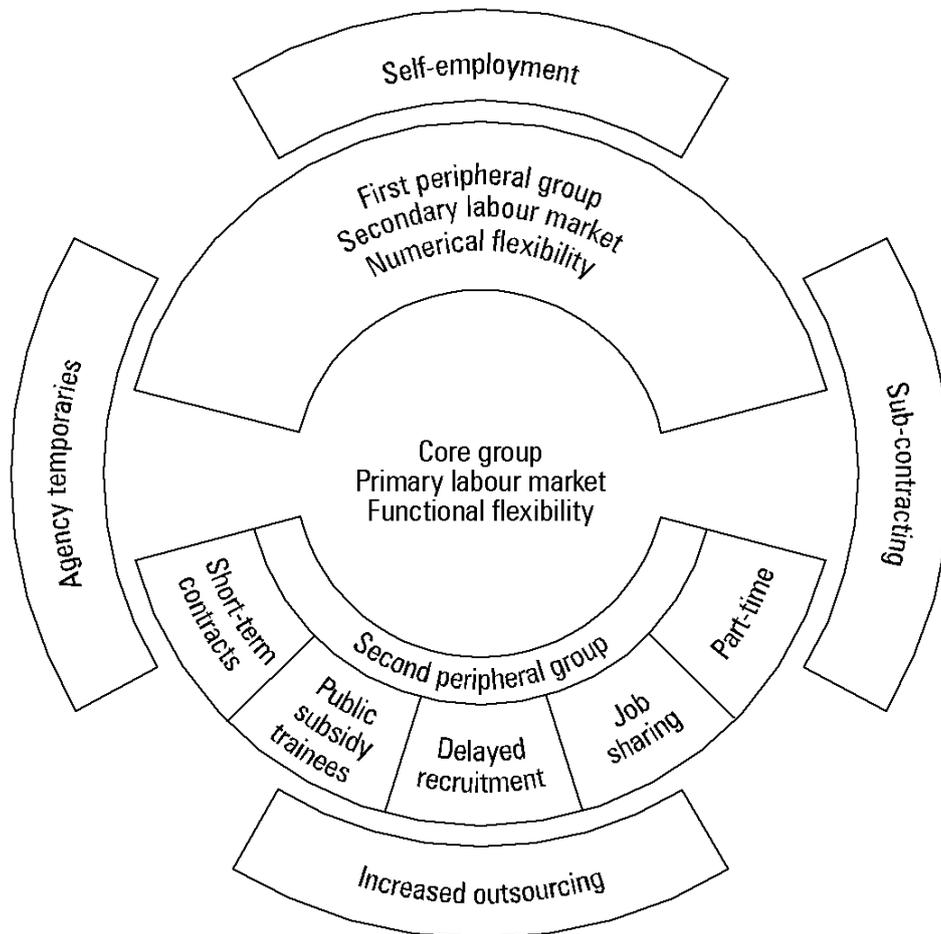
only ones impacting the UK labour market prior to New Labour's election in 1997. 'Flexibility' has emerged as an important strand of academic debate relevant to this thesis.

'Flexibility' as a key feature of the UK labour market arose long before New Labour's time in office. As a result of the economic contraction and the collapse of trade union influence in the 1980s, the personnel management concept of flexibility materialised. This was noted in academic debate in the highly influential papers of Atkinson (1984; 1985). Atkinson observed that in increasingly uncertain economic conditions firms were becoming more flexible in their approaches to manpower/staffing. Atkinson identifies a range of types of flexibility which can be adopted: functional flexibility (matching skills to needs, multi-skilling), numerical flexibility (adjusting numbers employed according to current business requirements), temporal flexibility (variation in working hours, for example, zero hours contracts which do not guarantee an employee any hours, but where an employer has absolute flexibility with regards how many hours work they offer), financial flexibility (matching pay to performance) and behavioural flexibility (encouraging adaptability and versatility amongst staff). According to Atkinson's 'Flexible Firm' model, shown in Figure 1.1. below, a company's workforce is increasingly like the layers of an onion: a core group with functional flexibility, a first peripheral/variable group with functional but also increased numerical flexibility, i.e. part-time/flexitime workers, job-share, annualised hours contracts, fixed term and self-employed workers. This is followed by a secondary peripheral group who are part of the external labour market made up of freelancers, agency workers, the self-employed, sub-contractors and outsourced workers. Atkinson also argued that some of those on the periphery were closely associated with secondary labour market characteristics (low-skilled labour with limited training or career prospects, mostly undertaking tasks not seen as central to the organisation's business) (Atkinson, 1985. cited in Hunter *et al.* 1993).

It should be noted that it is not clear exactly what types of firm/industry Atkinson had in mind while writing his papers or whether they were a reflection of prevailing market conditions. Atkinson offers little evidence to support his claims. However, the argument appears strong in an era of self-employed professionally qualified 'consultants'. For instance, the emergence and spread of sub-contracting and IT-

based communication has also enabled the transformation of the structure of firms from hierarchies to networks.

**Figure 1.1. The Flexible Firm**



Source: Atkinson, 1984. p. 29.

As Atkinson's 'Flexible Firm' model developed over time, it came to dominate discourse within the labour market focused academic disciplines from the 1980s onwards (MacInnes, 1988; Cordery, 1989; Guerrier & Lockwood, 1989; Hunter *et al.* 1993; Kelleberg, 2003; Cloonan, 2004; Bryson, 2004; Maggs, 2004; Watson, 2005; Schmidt, 2005; Conley, 2006; Gabriel *et al.* 2013).

However, the concept of 'flexibility' has received extensive criticism. It is seen by many as a smokescreen to legitimise the erosion of employment rights, encouraging casualisation, increasing the insecurity/precariousness of work (Bryson, 2004; Maggs,

2004; Watson, 2005; Schmidt, 2005; Conley, 2006; Standing, 2011; Gabriel *et al.* 2013).

Standing is under no illusions about what was really meant by 'flexibility':

"Flexibility had many dimensions: wage flexibility meant speeding up adjustments to change in demand, particularly downwards; employment flexibility meant easy and costless ability of firms to change employment levels, particularly downwards, implying a reduction in employment security and protection; job flexibility meant being able to move employees around inside the firm and to change job structures with minimal opposition or cost; skill flexibility meant being able to adjust workers' skill easily.

In essence, the flexibility advocated by the brash neo-classical economists meant systematically making employees more insecure, claimed to be a necessary price for retaining investment and jobs. Each economic setback was attributed in part, fairly or not, to a lack of flexibility and to the lack of 'structural reform' of labour markets" (2011. p. 6).

Standing develops his argument further saying that in addition to other economic forces the flexibility agenda has led to the emergence of a new social class, the 'precariat'. This class is characterised as:

"[...] younger and older individuals alike that flit between jobs, are unsure of their occupational status, possess little labour or work security, lack income security, experience a precariousness of residency (migrants) and often encounter "status" frustration whereby jobs do not fit their acquired skills and qualifications" (Orton, 2012. p. 121).

New Labour was explicitly supportive of flexibility but with reservations. In their own words: "New Labour believes in a flexible labour market that serves employers and employees alike" (Labour, 1997. p. 13). It could also be said that New Labour did not go as far as clarifying publicly exactly where they felt the balance of the benefits and burdens of flexibility should reside. Although arguably set up to reduce in-work poverty, the introduction of the National Minimum Wage (NMW) and Tax Credits enabled those who had been defined as unemployed and economically inactive to participate in the labour market in what Atkinson called 'peripheral groups' (1984; 1985). Chapter 9 argues that this may have occurred due to NMW and Tax Credits allowing individuals to work flexibly as a periphery worker while being able to maintain

a minimal income just above the breadline. This is evidenced in Chapter 9 by a dramatically increasing rate of self-employment and underemployment.

#### **1.4. Structure of this thesis**

The first half of Chapter 2 of this thesis is a literature review exploring the roots of New Labour and its labour market reform agenda. The second half critically reviews previous evaluations of the same agenda and demonstrates where the gaps in existing knowledge lie. Chapter 3 explores evaluation studies and the limitations of current evaluative methods. It also outlines the theory and methodologies used in this thesis. Chapter 4 addresses the pertinent macro-economic and labour trends which were occurring both before and during New Labour's time in office. The chapter attempts to untangle the effect New Labour's reforms may have had on those trends.

Chapters 5 to 8 represent an intensification of focus towards key client groups, namely 'the young', the long-term unemployed, 'the disabled' and 'older workers', lone parents, and their partners by analysing ALMP designed to address their situations and the consequences for the client groups concerned.

Chapter 9 explores the National Minimum Wage and Tax Credits programmes in the context of New Labour's mantra of trying to "*make work pay*" (Grover, 2005). The thesis concludes in Chapter 10 which draws together the previous chapters and presents plans for future research following on from this thesis.

## CHAPTER 2: LITERATURE REVIEW

Tony Blair was elected as Leader of the Labour Party in July of 1994, heralding the birth of the political project which became known as 'New Labour'. From this point onwards, New Labour came under intense academic and media scrutiny. This was particularly the case in the area of labour market policy, where New Labour adopted a range of labour market activation policies.

To explore the current state of knowledge in this area, this chapter is structured as follows:

- 2.1. A literature review of the roots of New Labour and its labour market reform agenda.
- 2.2. Literature evaluating New Labour's labour market reform agenda
- 2.3. A summary and critique of this literature.

Section 2.3. seeks to address the important questions:

- What debates are occurring in the discipline?
- Where are the tensions/issues?
- Where do gaps in knowledge exist?, and
- What does the research in this thesis add to current knowledge?

From this foundation, a research question and methodology were developed to explore this area more fully to make an original contribution to this debate. The literature is reviewed thematically following the strands of debate.

### **2.1. Literature focusing on the roots of New Labour's labour market reform agenda**

To date, a wide range of literature has been written focusing on the roots of New Labour, with more limited attention devoted to the formulation phase of their active labour market reform agenda. Intense debate by commentators and academics means there appears to be little consensus regarding the origins of New Labour or the sources

of their policy ideas. Instead, the literature comprises various strands of debate, some contradictory, some over-lapping and mutually supportive. These strands attempt to explain what may have led to the emergence of what became known as New Labour.

### **2.1.1. International sources**

Some academic commentators argue New Labour's active labour market policy can trace its origins back to international sources. The key works in this strand of debate are Walker (1998), Deacon (2000), Dolowitz (2000), Ramsey (2002), Daguerre & Taylor-Gooby (2004), Hale, Leggett & Martell (2004), Page (2009) and Fergusson (2009). The central thrust of this argument is that an 'Americanisation' of British welfare reform occurred (Walker, 1998). Here, the thinking and language within UK public policy, especially in the area of welfare, were influenced by, and drawn from, the US.

To better support this strand of argument, attempts have been made by Dolowitz (2000) to create a theoretical framework for this Americanisation; the idea that 'policy transfer' can be applied across social policy in an increasingly globalised world. This could explain the influence of US policy on the changes in British public policy which occurred in the 1980s and 1990s. Under New Labour, policy transfer can best be seen in the decision to implement the Working Families Tax Credit (WFTC). This was very similar to the Earned Income Tax Credit (EITC) in the US. Policy transfer in this case is attributed to the rise of the New Right in both the UK and US and the strong personal relationships between Thatcher and Reagan. This also existed between Blair and Clinton leading to strong ideological and political similarities (Dolowitz, 2000).

The importance of these formal and informal policy networks between the UK and the US meant that:

“[...] during the past twenty years governments around the world (to a certain extent) have been actively borrowing the ideological rhetoric emerging from the American New Right in relation to welfare reform. This is particularly true in terms of the New Right's ideological rhetoric in relation to 'welfare dependency'; the need to 'enforce' obligations upon 'lazy' welfare 'scroungers'; and the growing use of concepts such as rights and responsibilities' and 'duties,'" (Dolowitz, 2000. p. 23).

Dolowitz cites Murray 1984; Mead 1986; 1997; Katz 1989; and Pierson, P. 1994; 1996 as examples of influential New Liberal ideological rhetoric. It could be argued that locations of policy transfer could include Anglo-American think tanks such as the American Enterprise Institute, the Heritage Foundation, the Hoover Institute, the Institute of Economic Affairs, The Cato Institute, The Centre for Policy Studies and the Adam Smith Institute. These organisations, and others, are important, since they maintain strong informal policy networks through influential policy thinkers, for example, Dr Madsen Pirie of the Adam Smith Institute who advocated the privatisation of British Railways in the years prior to its implementation in 1994.

Policy transfer is occurring on a more frequent basis thanks to globalisation and the development of international policy networks linking politicians, academics, policy wonks and advisors (allowing for the faster exchange of knowledge and ideas) (Dolowitz, 2000). The breaking down of social and economic barriers has also allowed for cultural exchange, e.g. educational schemes such as Fulbright Scholarships and EU *Erasmus Mundus* programme. Linked to this is the importance of the English language as the language of business. However, while policy transfer occurs, Dolowitz argues, the reasons are not always rational, nor are they always successful (*ibid*).

Both Deacon and Dolowitz argue that not only did New Labour draw on US experience but also “the design and delivery of the so-called New Deal for the unemployed owes much to the experience of active labour market policies in both Europe (especially Sweden, Denmark and Holland who have been at the forefront of Active Labour Market Policies (ALMP) due to their higher developed (large and expensive) welfare states. See also Bonoli (2010) regarding influence of Sweden on other OECD countries) and Australia [...] however [...] these other influences have been much less marked in respect of the wider issues of welfare reform” (Deacon, 2000, p. 6). Therefore, the Americanisation of welfare reform remains central to this strand of debate, despite other influences.

The US was a central and “continuing source of ideas for Britain” (Daguerre & Taylor-Gooby, 2004. p.29.), despite there being three competing paradigms for welfare

reform: the French model of social inclusion, the Nordic model of activation policies and the US workfare model. Daguerre & Taylor-Gooby claim that the American model was the most influential due to an absence of policy networks between Continental Europe and Britain. There were, however, some imports from Europe in terms of an emphasis on rights and responsibilities. It has been argued that this was an oscillation between US inspired intellectual emphasis on “fighting a dependency culture with an emphasis on mutual obligations between the state and welfare recipients” and the European emphasis on “solving the problem of social exclusion” (Annesley, 2003; Trickey, 2000 cited in Daguerre & Taylor-Gooby, 2004. p.29). Furthermore they argue, the lack of networking between British and European officials meant that British officials were inclined to look to American social experimentation for inspiration. They argue this was partly due to the ‘Special Relationship’ which had been especially strengthened under Reagan and Thatcher and was later developed further under Clinton and Blair. It is not clear why Daguerre & Taylor-Gooby completely overlook the European Union, the European Commission, other trans-European institutions and the increasingly important role they play in European social policy.

The wider Americanisation of social democratic politics has been linked to ‘The Third Way’, an ideology that claims to be a compromise between Neo-Liberal and traditional Socialist politics (Hale, Leggett & Martell, 2004). The Third Way originated in the Clinton administration, first elected in 1992. It was then drawn upon by Blair’s New Labour Government in what has been dubbed the ‘Clintonisation’ of Labour (Powell, 2000). These arguments have also been echoed by a number of writers including King & Wickham Jones (1999); Holmwood (2000); Drive (2004) and Page (2009). As New Labour drew on the lessons of various US ‘Workfare’ programmes, work became central to the Third Way under the slogan ‘Making work pay’ (Hale, Leggett & Martell, 2004). According to Hale, Leggett & Martell, New Labour sought to promote work, education, training, life-long learning, and employability through active labour market policy.

The effectiveness of the ‘work first’ approach has been negatively compared to New Labour’s previous Human Capital Model which sought to improve the skills and qualifications of the unemployed:

“While significantly more broadly based and service-rich than US-style ‘work first’ programmes, the New Deal for 18-24 year-old unemployed people nevertheless places overriding emphasis on assisting transitions into paid employment.’ This reinforces what they see as the neo-liberal policy orthodoxy on flexible labour markets, and it erodes, not builds, the stock of human capital [...]. The implication, then, is that the Labour Government’s New Deal becomes orientated more around ‘work first’, its ‘progressiveness’ declines because it re-enforces existing labour market inequalities” (Theodore & Peck, 2000. cited in Hale, Leggett & Martells, 2004. p. 136).

In summary, the arguments advanced by the majority of writers are that New Labour’s labour market policy originated from international sources are highly convincing, presenting strong evidence of US (and to a lesser extent European) influence on the ideology and agenda of New Labour before and during their time in office. However, Powell summarises this strand thus:

“There is little agreement on the international roots of the Third Way. While commentators such as Driver and Martells (1998) and Jordan (1998) argue for a transatlantic route, Blair (1998a) and Giddens (1998) point to links across the Channel towards European social democracy” (1999. p.13).

There does appear to be an intellectual and political convergence in the late 1970s and 1980s between Thatcherites and Reaganites, and the increasing prevalence of the ideas and language of Charles Murray and Lawrence Mead in the UK press. For instance *Charles Murray and the Underclass: The Developing Debate* by Charles Murray (1996) was a publication by the IEA Health and Welfare Unit in association with the Sunday Times which included commentary by Frank Field MP. This work suggests an influence by Mead not only on the Conservative party during the 1980s but a continuing influence on the welfare reform debate and New Labour in the run up to 1997.

The legacy of trans-Atlantic discourse could be argued to have inspired and encouraged New Labour’s language and policies in the run up to the 1997 General Election, especially given the contribution of the influential Labour thinker Frank Field to the debate.

It could be argued that the strength of the trans-Atlantic relationship, cultural links and common history may also have played a role. UK think tanks such as the Adam Smith Institute regularly draw on ideas from centre-right US think tanks such as the Heritage Foundation and the Cato Institute. The work of the Adam Smith Institute has then been regularly drawn upon by both the Conservative and Labour parties, such as in the case of the railways and other privatisations during the 1980s and thereafter.

Although this evidence demonstrates a self-evident connection between welfare reform in countries such as the US and New Labour's own welfare reforms, there is by no means a consensus over these alleged international roots.

### **2.1.2 Evolving ideology**

The second strand of debate is the influence of evolving ideology within the Labour party. The key works in this strand are Hutton (1996), Levitas (1996; 1999); Deacon (2000); O'Brien (2000); Giddens (2000); Powell (2000); Hale, Leggett & Martell (2004); McDowell (2004); Byrne (2005); Wiggan (2007) and Corry (2011). The central thrust of this strand of debate is that the shift in Labour's thinking around welfare reform was influenced by evolving ideology, i.e. a shift to the political right.

Lund and Deacon both argued that the Christian Socialist beliefs of key figures in the Labour party such as Jack Straw (although not directly involved in welfare reform, he was a central New Labour thinker), Frank Field, and, most importantly, Tony Blair himself challenged Titmuss' non-judgmentalism and emphasised welfare responsibilities rather than rights (1999; 2000). Blair advocated a 'progressive alliance' between 'New' Liberals, Christian Socialists and elements of Fabianism (Blair, 1996). This meeting of religious and political values has been labelled 'Anglicanised communitarianism' (Deacon, 2000). It has been argued that Blair borrowed language from the works of Scottish philosopher John Macmurray (1997; 1999), the theological writings of Askonas & Kwan (1997) as well as frequently borrowing the language of Amitai Etzioni (1993; 1997) and Phillip Selznick (1996) in terms of emphasising the notions of personal responsibility within a community (Deacon, 2000; also supported by O'Brien, 2000; Hale, Leggett & Martell, 2004). However, it is, unclear to what extent New Labour has borrowed this language, and

where specific examples can be found, raising questions regarding the validity of these claims.

Although the changes in the use of language were important, others have emphasised the evolution of socialist philosophy towards the centre and the resulting Third Way in response to “specific dilemmas conceived largely in terms associated with the New Right,” (O’Brien, 2000. p. 403), and that as a result, New Labour sought to create what they defined as an ‘enabling’ welfare state that promoted ‘social and economic inclusion’. O’Brien argues that New Labour borrowed the philosophy that was an amalgamation of recent communitarian and stakeholder research from thinkers such as Etzioni (1995; 1997), Giddens (1994; 1998), and Hutton (1995). O’Brien further argues that Blair’s belief in an active society upheld by reciprocal rights and duties drew heavily from traditional socialist belief in individual freedom accessed through communities and within communities (Blair, 1996. cited in O’Brien, 2000). Thus “the roots of New Labour [...] extend far beyond either the New Right or thinkers such as Giddens, Etzioni and Hutton,” (O’Brien, 2000. p. 408).

However, Giddens’ contribution to the evolving ideology of the Labour party is still noteworthy. For example, he argued that welfare reform was a key part of the Third Way for three reasons: firstly, the dynamics of inequality have changed; secondly, in at least some aspects the welfare state has become unsustainable, and can undermine social solidarity, and; thirdly, the welfare state has its own limitations and contradictions (Giddens, 2000). Key elements of the Third Way approach to welfare reform are therefore tackling social exclusion and the mechanisms that produce or sustain deprivation. There also should be investment in human capital and a new social contract appropriate to an age of globalisation and individualism that stresses both the rights and responsibilities of citizens. It could be argued that this, as well as his previous works, exerted a strong influence on New Labour, especially during the development of their New Deal programmes. Giddens’ language of rights and responsibilities also appears regularly in New Labour discourse (Blair, 1996; Labour, 1997) suggesting a strong influence.

Despite arguments for an evolving ideology within the Labour party and its approach to welfare reform, there are also those who say it was not a clearly distinctive approach

from earlier strategies, as had been argued by Blair (Labour Party, 1997. cited in Powell, 2000). Powell claims that New Labour had an unmistakably different and unique approach when compared with Old Labour. 'Old Labour' was the name given to the more Social Democratic Labour Party before the election of Tony Blair. It was characterised by a discourse of rights, equality and market failure, values of equality of outcome and security, policy goals of full employment through state finance and universal delivery based on redistributive taxation (Hale, Leggett & Martell, 2004).

However, there were some clear trends of policy convergence between New Labour and the Conservatives. Nowhere was this truer than in the areas of public expenditure, the mixed economy of welfare and welfare-to-work. Powell (2000) claims that old linguistic battle lines were abandoned for new, less sharply defined positions. The Third Way can be seen not as a coherent concept but as "a poorly specified, pick and mix strategy, largely defined by what it is not. Neither does it appear to be new: arguably some of its key components such as the centrality of work and civil society have their historical roots in the New Poor Law and in the writings of New Liberals such as Beveridge," (Powell, 2000. p.57). Powell raises the question of the newness of 'New' Labour, i.e. can it be defined as something radically different from the past, moving beyond ideology to an almost scientific use of evidence to support policy making?

Further criticisms against the impact of the evolving ideology are that the social communitarianism of the Third Way did not have a socially progressive impact on New Labour policy (Hale, Leggett & Martell, 2004). Hale, Leggett & Martell argue that despite Etzioni's progressive influences upon New Labour thinking, Etzioni would have been disappointed by the realisation of policy through the New Deals. For example, the New Deal for Lone Parents suggests a deep mistrust of a single mother's ability to cope alone rather than trusting parents in non-traditional family units. The Working Families Tax Credit (WFTC), so Hale, Leggett & Martell claim, could help to re-establish the male breadwinner model among some low-income households, and the 'Sure Start' element of the New Deal for Communities including a consultation proposal for a male mentoring scheme.

The Third Way could arguably demonstrate a convergence between neo-liberal and traditional social-democratic ('Old Labour') ideology rather than a marked change in ideology. The following table demonstrates how the 'Third Way' summarises the language and ideology of this convergence.

**Table 2.1. Dimensions of the Third Way in social policy**

<i>Dimension</i>	<i>Old social democracy</i>	<i>Third way</i>	<i>Neo-liberal</i>
<i>Discourse</i>	Rights Equity Market failure	Rights <i>and</i> responsibilities Equity <i>and</i> Efficiency Market <i>and</i> state failure	Responsibility Efficiency State failure
<i>Values</i>	Equality of outcome Security	Inclusion Positive welfare	Equality of opportunity Insecurity
<i>Policy goals</i>	Equality of outcome Full employment	Minimum opportunities Employability	Equality of opportunity Low inflation
<i>Policy means</i>	Rights State State finance and delivery  Security Hierarchy High tax and spend High services and benefits  High cash redistribution Universalism  High wages	Conditionality Civil society/market State/private finance and delivery Flexicurity Network Pragmatic tax to invest High services and low benefits High asset redistribution Pragmatic mix of universalism and selectivity National minimum wage/tax credits	Responsibilities Market/civil society Private/state finance and delivery Insecurity Market Low tax and spend Low services and benefits Low redistribution Selectivity  Low wages

Source: Hale, Leggett & Martell, 2004. p. 15.

This use of convergent language can be seen clearly in Blair (1996) and Labour (1997) with much of this vocabulary being seen in both.

Despite the rise of the Third Way within New Labour, the ideology was far from fixed over the course of their time in office. There was not an entrenchment of a progressive consensus in British politics nor across wider society either (Leggett, 2007). Leggett claims that regardless of attempts by positive-modernisers to renew the New Labour project, it was going to face growing competition from a modernising Conservative Party, better able to align itself with a position of individual aspiration expressed

through market-based choice. The election in 2010 of a Conservative and Liberal Democrat coalition government has since seen the continuation of Third Way thinking and language usage in their welfare reforms along similar lines, i.e. increasing responsibility, conditionality and reducing eligibility.

As well as arguments against a fixed ideology, it has also been argued that New Labour was heavily influenced by emergent macro-economic theories such as endogenous growth theory. New Labour's claim to a Third Way, independent of Keynesian social democracy and Conservative Neo-Liberalism, rests on an endogenous growth-inspired strategy. Many claim it was this strategy that informed New Labour's introduction of new governance and performance frameworks for social security administration, specifically the creation of Jobcentre Plus and the Department for Work and Pensions (Wiggan, 2007; Dolowitz, 2004a; 2004b and Buckler & Dolowitz, 2004). However, it should be noted that the previous Conservative government had also commissioned private providers of job search/placement services, for example, under their *Youth Training* (YT) scheme (1989-1995). Influential members of New Labour within the Treasury, such as Ed Balls and Gordon Brown, favoured policy strongly influenced by endogenous growth theory and adapted this to Labour's political traditions and priorities (Wiggan, 2007). The beliefs of these influential people at the heart of New Labour had important implications for the development and implementation of welfare reform policy before and during the party's time in office.

Neo-liberalism as an influence on New Labour has been a serious concern for some authors (McDowell, 2004; Dorling, 2010; Corry, 2011). The dominance of individualism in the labour market and welfare state undermines ideas of collective welfare and what McDowell called an 'ethic of care'. This is often called the 'financialisation' of childcare and other caring responsibilities, i.e. where what was previously free within the family unit becomes an external service that has to be bought to support paid employment. Arguably this has important consequences, especially for women being placed in the difficult position of having to sacrifice direct care of their children so that they can go out to work. Dorling (2010) calls attention to New Labour's structuring of childcare as a two-tier system split between the childcare element of WTC for low-income households and tax relief on childcare vouchers for middle-

income households. This and other related tax policy did little to reduce the growing gulf of post-tax income inequality that had occurred since 1977 (*ibid*). These issues are discussed in greater depth in Chapter 8 which examines the New Deal for Lone Parents and the New Deal for Partners. Perhaps the most scathing criticism of Neo-liberalism's influence comes from Corry (2011) who claims that Labour made a 'Faustian pact' with the City and capitalism more generally. Smith (2009) made a similar argument highlighting that New Labour would do little to help trade unions, collective bargaining or workers' rights. Corry concedes that it would have been difficult for New Labour to have done otherwise: "As social democrats operating in a world where options are significantly constrained – from mobile capital to tax-resistant voters – Labour will always have to make tough choices" (2011, p. 137). Others such as Heffernan (2011) similarly argue that the Thatcherite economic settlement was perhaps too strong a tide to challenge and only incremental change was possible.

In preparation for the 1997 General Election, measures were taken to modernise the Labour party. Blair and other senior intellectuals within the Labour Party sought to redefine the ideology of the party (for instance Blair (1996) and Mandelson & Liddle (1996)). Mandelson & Liddle proposed the principles that would underpin New Labour's welfare reforms, and ultimately fed into the 1997 election manifesto, especially the commitments to reducing long-term and youth unemployment (Labour, 1997).

Blair's *New Britain: My vision of a young country* (1996) is perhaps one of the best works for understanding the internal debates and soul-searching that was occurring in the Labour Party at this time. In his book, a compilation of his speeches and deliberately written chapters, Blair outlines his vision for New Labour, and for the country as a whole. This work covers a range of Blair's beliefs and the values which Blair argues are behind New Labour. On the topic of labour market policy, he outlines New Labour's values and policy ideas of long-termism, welfare rights balanced with responsibilities, a minimum wage, building a knowledge-based economy by improving education, promoting skills and training, reforming the benefits system so that welfare payments are used to support work and not unemployment, and reforming childcare and training opportunities to support single parents to enter the labour market. What

he wrote in this book went on to be developed and clearly informed the 1997 Labour party manifesto.

A related argument (also linked to international sources) is that the entire nature of the public debate surrounding the welfare state had also changed due to the impact of conservative governments on both sides of the Atlantic (Pierson, 1994). Conservative governments in both the United States and United Kingdom pursued policy agendas of retrenchment during the 1980s in an attempt to reduce the size and scope of the welfare state. Although they only made limited progress in pursuing this agenda, Pierson argues, the UK Conservative government weakened welfare state advocates including trade unions. This change in the terms and language of the debate ultimately limited the scope for a return to more traditional socialist/social democratic terms of reference. This is an idea echoed by Thompson (2002) who strongly laments New Labour's shifting ideological foundations towards the Third Way language of 'stakeholderism' advanced by thinkers such as Hutton (1996). This, Thompson felt, was too much of a compromise with the iniquitous capitalist economic model. Thompson especially dislikes that even New Labour do not appear to fully subscribe to their own rhetoric, and "the Labour Party could no longer realistically be viewed as a potential agent of change" (2002. p. 287). Thompson also notes that no sooner had Labour come to power than they abandoned all language and ambitions towards creating a stakeholder society. I would tend to agree with this analysis: there appears to have been a move away from radical banking reform, instead embracing traditional Anglo-American conceptions of capitalism rather than the more German language of a negotiated compromise in industrial relations, for instance. Under the German tripartite system of industrial relations industry, unions and government work cooperatively together through frequent negotiation and seek consensus.

### 2.1.3. Changing discourse

Strongly related to the rightward shifts in New Labour ideology is that of a rightward shift in wider political discourse. It has been argued that this shifting discourse was an important influence on New Labour, especially the increasing use of the vocabulary of welfare reform and 'workfare'. US academics Murray & Mead (1987) were the first to explicitly introduce the concepts and language of 'welfare dependency' and 'underclass' to UK political debate. This phenomenon became known in the early 1990s as 'Moral Underclass Discourse' (MUD) (Levitas, 1996; 1999). The strength of Murray & Mead's contribution is claimed to be such that "their ideas [...] had a profound impact upon all points of the party political spectrum in Britain. They all but furnished some members of the Conservative government with a new vocabulary," and as a result, "more than anyone else it was the American dependency theorists who pushed onto the agenda issues which had been neglected, indeed all but suppressed, by the then dominant academic tradition" (Deacon, 2000. p.8). This influence came to define the terms of the debate surrounding welfare reform for all UK political parties.

Murray & Mead appear instrumental in the move away from Titmuss' dominant paradigm of universal welfare which formed part of the post-WWII political consensus, and the move towards the language of dependency. Titmuss advocated a universal, unconditional, non-judgmental welfare state and the importance of altruism rather than self-interest in understanding human behaviour and motivation. His work was also characterised by a denial of agency and almost total emphasis on structural factors (Welshman, 2004). Deacon argues that the movement away from Titmuss occurred within academic circles and even the highest echelons of British government. He concludes that "the importance of the Americanisation of the British welfare debate [...] lies primarily in the contribution which it has made to the shift in the focus of New Labour thinking from the problem of inequality to the problem of dependency" (Deacon, 2000. pp.16-17).

The discourse surrounding 'social exclusion' also made an important contribution to New Labour thinking, particularly after the 1997 election (Hutton, 1996; Levitas, 1996;

1999; Byrne, 2005)<sup>8</sup>. Walker & Walker define social exclusion as “the dynamic process of being shut out [...] from any of the social, economic, political and cultural systems which determine the social integration of a person in society” (1997. p. 8). The term ‘Social exclusion’ is actually derived from a French concept to describe those unable to find work, who as a consequence, lose their right to elect representatives to local social security administration (and other political activities). It is therefore a deeper idea than just poverty and subsistence, but is about an individual’s ability to participate in the customary life of society (Levitas, 1999). This is not to say there are not ‘weak’ and ‘strong’ versions of this discourse. The weak version argues that:

“[...] the solutions lie in altering these excluded peoples’ handicapping characteristics and enhancing their integration into dominant society. ‘Stronger’ forms of this discourse also emphasise the role of those who are doing the excluding and therefore aim for solutions which reduce the powers of exclusion” (Veit-Wilson, 1998. p. 45).

Levitas (1999) was highly critical of New Labour’s approach to social exclusion, especially the limited progress of the Social Exclusion Unit, the lack of clarity of causal processes that lead to social exclusion, and the politicisation of indicators and targets so that ‘success’ can be claimed. Although this is a common criticism of the evaluation process<sup>9</sup>, Levitas strongly argues that there is a failure to address the fundamental issues of poverty and inequality affecting wider society. It is, of course, possible that evaluation processes designed to measure the ‘social problem’ to be solved can so easily be manipulated or ‘spun’ to maximise positive media coverage of a government’s work.

The New Labour thinker Hutton (1996) similarly strongly argued for the importance of social exclusion due to its costs to firms and government alike. Hutton advocated a ‘stakeholder society’ response to the problem of social exclusion. This would have involved radical changes to British banking to foster a more German-style of co-operative capitalism between finance, industry and (organised) labour. Alongside many other changes, he advocated strong active labour market intervention after 18 months of unemployment: “Either it would train those out of work, or provide them with

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<sup>8</sup> Social exclusion is discussed with reference to ‘young people’ and the New Deal for Young People in Chapter 5.

<sup>9</sup> This is discussed at length in Chapter 3.

some form of subsidy to help lower their wage costs to an employer, or it should pay relocation costs for those who find work in a new area” (Hutton, 1996. pp. 309-310). This policy idea fed into some of the highly conditional aspects of the New Deals, especially the training and wage-subsidy components.

#### **2.1.4. Electoral considerations**

Whilst some believe that international ideas have influenced New Labour and their approach to welfare reform and others describe their approach as one of changing ideology, there is a third strand of debate which focuses on the influence of populism/domestic political factors, and electoral considerations (Powell, 1999; Stepney, Lynch & Jordan, 1999; Lund, 1999; White, 2000; Deacon, 2000; Lister, 2001; Hills, 2002). The central thrust of this strand of academic debate is that New Labour was driven by their desire to get elected after so many years in opposition, and thus changed their policies to increase their electability.

New Labour differed greatly from Old Labour in that less emphasis was placed on inequality, redistribution and social justice, and that instead New Labour sought to reduce unemployment through a continuation of the Conservative’s labour market ‘activation’ policies such as the conditional benefit of Job Seeker’s Allowance (JSA) which requires recipients to be ‘actively seeking work’ amongst other job search and/or preparation activities (Powell, 1999). New Labour added to this its flagship welfare reform policy ‘The New Deal’ programmes to aid the unemployed still struggling to find work after six months. They were funded through a windfall tax on the privatised utilities (Labour, 1997a)<sup>10</sup>. In addition to changes to benefits, New Labour introduced Working Families Tax Credit (WFTC), Childcare Tax Credit (CTC) and Disabled Persons Tax Credit (DPTC) along with the National Minimum Wage (NWM) in an effort to reduce the replacement rate of benefits to in-work income, thus encouraging low-income families, lone parents and the disabled into work (*ibid*). Powell (1999) speaks

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<sup>10</sup> The New Deal introduced between 1998 and 1999 was split into 6 ‘Gateways’ depending on the nature of the claimant: the New Deal for Young People (NDYP), the New Deal for the Long-Term Unemployed (NDLTU) (renamed as the New Deal 25+ in April 2001), the New Deal for Lone Parents (NDLP), the New Deal for Partners of the Unemployed, the New Deal for Disabled People (NDDP) and the New Deal for People Aged 50 Plus. The New Deal programmes are evaluated in chapters 5 to 8.

positively about New Labour's 'carrot and stick' approach where workers are given greater incentives to work, or face an increasingly conditional benefits regime.

This shift in policy stance was not accidental or sudden, but in fact the result of moves by modernisers within the Labour Party working after the 1992 General Election defeat to make the party more appealing to middle class voters (Powell, 1999). By 1995 "both the Labour and the Conservative parties were moving in the same direction in terms of policy on work and welfare, partly as a direct result of electoral impulses and the perceived preferences of voters" (*ibid.* p. 261). This line of argument is strongly and convincingly supported by a number of other writers (Lund; 1999. Stepney, Lynch & Jordan, 1999; White, 2000; Deacon, 2000; Lister, 2001; Hills, 2002). New Labour was changing what it thought and said, and " [...] without doubt the origins of that rethinking [on welfare] lay in successive election defeats and in changing perceptions of what the electorate was prepared to pay for" (Deacon, 2000. p. 11).

It has been argued that New Labour was driven by the populist tendency to follow rather than lead the electorate using a pragmatic 'what works' approach (Lister, 2001). As part of this populist tendency, New Labour "[spoke] the language of welfare 'dependency'" (Lister, 2001. p. 430) and sought to continue the then government's approach to welfare where "paid work [was] fetishised as *the* citizenship responsibility over other forms of work such as care work and community or voluntary work" (*ibid* p. 432). New Labour, therefore, failed to challenge the values of a Thatcherite legacy in British politics and "tended to subordinate other principles of judgement to the managerial calculus of economy and efficiency" (Clarke *et al.* 2000. p. 10)<sup>11</sup>. Therefore, despite their language of inclusion, New Labour's agenda and policies had the potential to be as socially excluding as their predecessor's. They failed to consider the important roles played by those with caring responsibilities such as mothers and carers who could have inevitably taken pressure away from state-funded services such as nurseries and care homes. Perhaps this reflects the move away from the male-breadwinner family paradigm and the 'emancipation' of women to become wage earners in their own right. Lund (1999) described the 'atomisation of British

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<sup>11</sup> The emergence of managerialism is often linked to New Public Management (NPM). NPM is discussed in greater depth in Chapter 3 within a broader examination of evaluation studies.

communities and society' as having a part to play in diminishing the perceived importance of these unwaged caring roles. This is related to the argument that there was an increasing financialisation of welfare, i.e. from non-waged to waged social care.

## **2.2 Literature evaluating New Labour's labour market reform agenda**

The following section focuses on works which have sought to evaluate New Labour's active labour market agenda, including the various New Deal pathways. These works include: Stepney, Lynch & Jordan, (1999), Dickens, Gregg & Wadsworth (2000), Taylor-Gooby (2000), Hyland & Musson (2001), Lindsay (2002), Fieldhouse, Kalra & Alam (2002) Giddens (2002), Powell (2002), Finn (2003; 2005), Clarke (2005), Dingelday (2007) and Fergusson (2009). These works were reviewed thematically. The themes are:

- Positive evaluations
- Potential criticisms
  - Informal labour market participation
  - The New Deal for Young People (NDYP)
  - Worklessness
  - Organisational obstructionism
  - Support for the newly employed
  - Divesture of responsibility
  - Increasing numbers on Incapacity Benefit
  - Failure of capitalism

This section concludes with a further summary and critique of this literature linking both the origins of New Labour with prior attempts to evaluate the welfare reform agenda.

### **2.2.1. Positive evaluations**

There have been a number of studies that have attempted to evaluate New Labour's welfare reforms. A minority have been generally positive towards the outputs and outcomes of these reforms.

Those who advance its success argue that programmes such as the New Deal 25+ represents a great leap forward in terms of tackling joblessness amongst groups who would otherwise rapidly lose touch with the job market (Lindsay, 2002). Lindsay argues that the long-term unemployed face complex and multi-dimensional barriers to work. The New Deal interventions for job seekers provided basic learning and training opportunities whilst supporting them as they sought to secure employment through low-skilled entry-level positions. However, despite these advances, Lindsay claims New Labour had no coherent strategy in place to ensure continued opportunities for skills development and lifelong learning. Thus former New Deal participants were likely to be susceptible to repeated spells of unemployment without gaining the skills which might allow for long-term mobility in the labour market. This would appear to be an important failure, given New Labour's rhetoric of joined up government and lifelong learning. Arguably it failed due to a narrow focus during policy development with a move away from the human capital model they had previously adopted. It would appear that New Labour failed to take an holistic approach to improving the employability and welfare of individuals and families.

It has also been argued that the New Deals did much to help ethnic minorities (Fieldhouse, Kalra & Alam, 2002). Fieldhouse, Kalra & Alam claim that there was an overall positive perception by ethnic minority participants who were interviewed. This was especially true of the subsidised placements which gave them jobs they might not have previously thought open to them. Furthermore, many NDYP participants felt that the NDYP provided the right opportunity at the right time; participants mentioned an improvement in skills, confidence and motivation, helping them to overcome previous barriers to employment. 41,700 or 12% of NDYP leavers had dropped out prior to the initial interview since its inception, the figure for ethnic minorities was a very similar 11%. Reported reasons for leaving the NDYP included domestic responsibilities, deliberate avoidance and finding alternative employment. It was also found that the

experiences of young Asians in Oldham appeared similar to those of white unemployed people elsewhere with no evidence of direct racism in the delivery of the programme. Fieldhouse, Kalra & Alam point to a number of other studies conducted around the same time which also examined the NDYP and which corroborated their findings (Bonjour *et al*, 2001; Bryson *et al*, 2000; Hasluck, 2000a; 2000b; Legard & Ritchie, 1999). These studies are important as they show no significant differences between ethnic groups.

The New Deal, the Working Families Tax Credit, National Childcare Strategy and other innovations have proved effective in increasing employment rates amongst single parent households (Giddens, 2002). Attempts to improve the employment rate of single parents by reducing benefits and increasing opportunities and job training via the New Deal were encouraging, although the UK still fell far short of the 90% employment rate for single parents in Denmark. It could be argued that many lone parents who found work were easy to place 'low-hanging fruit' in that they were already well qualified, had recent work experience and were therefore much closer to the labour market, perhaps having only taken a short career-break before returning to work once their children went into childcare. In pursuing the goal of higher employment rates in single parent households, however, Giddens argues state agencies are unable to deliver public services efficiently and equitably without working collaboratively with non-state agencies such as non-profit, third sector organisations and private companies. However, this argument and those which are positive about New Labour's reforms appear to rest on an implicit assumption that state-funded and state-led efforts to improve employability and find work are always necessary, and were the only possible factor in contributing to falling unemployment. The importance of strong economic growth and favourable macro-economic conditions has not been widely discussed or given the prominence that empirical evidence would suggest it might deserve<sup>12</sup>.

Finally, it has been argued that targets set out in New Labour's 1997 manifesto pledges were being met by the end of the first term (Powell, 2002). Using a balanced

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<sup>12</sup> Chapter 4 includes an examination of the relationship between rates of economic growth and unemployment first observed by Okun (1962).

scorecard approach for each social policy area, each was assessed by New Labour in their annual reports, and, seemingly arbitrarily, assigned a score out of 10. The results were as follows:

<b>Table 2.2.: Progress against Manifesto/Annual Report targets for social security</b>		
<b>Pledge</b>	<b>New Labour's Assessment</b>	<b>Score/10</b>
<b>27:</b> 10p starting rate for income tax	Done	10
<b>28:</b> Cut VAT on fuel to 5%	Done	10
<b>46:</b> Introduce NMW	Done	5
<b>47:</b> Get 250,000 long-term unemployed young people back to work	On course	8
<b>48:</b> Tackle long-term unemployment	On course	7
<b>50:</b> Help single parents back to work	Kept	5
<b>52:</b> Crack down on benefit fraud	On course	2
<b>83:</b> National Childcare Strategy	On course	8
<b>85:</b> Retain universal child benefit	Done	7
<b>94:</b> Protect BSP	Done	7
<b>95:</b> Help poorest pensioners	Done	7
<b>96:</b> Retain SERPS	Kept	6
<b>97:</b> Produce framework for stakeholder pension	On course	5
<b>98:</b> Create citizenship pensions for carers	On course	4

(Source: Powell, 2002, p. 198)

Across the board Powell concludes that “from an ‘intrinsic’ viewpoint, it is possible to credit government reforms with a degree of success” (Powell, 2002. p. 199). Analysis of New Labour’s welfare reform record to 2002 shows that “existing verdicts give a mixed but generally positive evaluation on New Labour’s welfare reforms [...] however, the exaggerated promises, the two-year spending freeze and the obsession with meeting ‘targets’ is viewed as ‘poor or indifferent’ policy, ” (*ibid.* p. 231).

Although Powell’s work was a seemingly systematic analysis, he acknowledges the limitations of using a balanced scorecard approach: “Clearly, on one level this is a crude and impressionistic exercise to be regarded ‘just for fun’ like the famous swingometer on election nights. However, on another level, it is no less crude and impressionistic than the verdicts provided by the civil servants in the Annual Reports”

(2002. p. 239). This is possibly an oblique reference to New Public Management's use by the UK Civil Service. The results of his balanced scorecards, like many previous works in this field, contribute to the debate, but ultimately rely upon a somewhat shallow and subjective judgement of the success or otherwise of New Labour's reforms.

The creation of Jobcentre Plus has also been praised as representing the culmination of the New Labour's policy solutions. It was seen as enhancing the capacity of the working-age population to take advantage of new technological and economic developments, and expanding the effective supply of labour (Wiggan, 2007). By combining the Employment Service and the Benefits Agency, their separate individual objectives and targets no longer hinder each other but instead provide for effective joint working towards the new socio-economic goals underpinning New Labour's welfare-to-work policy (Wiggan, 2007). Nevertheless, there remained shortcomings of New Labour's welfare reforms. For instance, the active labour market policies put in place to encourage individuals into the labour market have failed to raise skill levels successfully and simply pushed people into insecure contingent employment (Peck & Theodore, 2000. cited in Wiggan, 2007). Welfare-to-work programmes also emphasised the improvement of basic soft skills, and yet large numbers of the working population continue to lack basic literacy, numeracy and job ready communication skills (Work and Pensions Committee, 2002a; Leitch, 2006, cited in Wiggan, 2007; Hill, 2012).

Very few evaluations have attempted to provide an holistic evaluation of New Labour's record with the exception of Toynbee & Walker (2001; 2005; 2011) and Diamond & Kenny (eds.) (2011). While these works attempt to cover a considerable amount of ground, they fail to offer the depth of critical analysis and are generally sympathetic. They focus instead on headline social statistics which they take at face value and lack the curiosity which would have yielded more constructive conclusions.

## **2.2.2. Potential criticisms**

Despite the arguments made for New Labour's success, there are a range of reservations and insightful criticisms aimed at the actions, and often inaction of New Labour during their time in office. These are discussed thematically below.

### **2.2.2.1. Informal labour market participation**

A strong initial criticism is that attempts to reduce fraud and increase participation in the formal labour market would inevitably lead to a reduction in informal labour market activity, thus damaging productivity, increasing coercion of the poor, and intensifying exclusion of a small minority (Stepney, Lynch & Jordan, 1999). According to Stepney, Lynch & Jordan, the New Deals were built on the dominant poverty discourse of the time with two assumptions: firstly, that the benefits of a largely unregulated labour market outweigh the associated social costs; secondly, that what they perceived to be a growing underclass posed a threat to the prevailing economic recovery and stability. Given these assumptions, they claim the New Labour government was morally justified in using its coercive power to push people off benefits and into work using such measures as benefit disqualifications, tighter conditionality and stricter enforcement. Jones & Novak (1999) made a very similar criticism referring to a 'disciplinary state' which demonised the poor. They also claim that New Labour, as a continuation of the New Right, sought to police the unemployed through measures such as Job Seeker's Allowance and the New Deals which instead forced the poor into low-wage exploitative work. Stepney, Lynch & Jordan are also highly critical of what they argue are flawed assumptions by New Labour, i.e. that the New Deals would do little to improve productivity or reduce unemployment and public expenditure. They conclude even if this approach to informal labour market activity can be morally justified it is questionable whether programmes such as the New Deal made economic sense.

These arguments can be developed further. Once the unemployed or those working in the informal labour market have been forced into the formal labour market, they would inevitably be worse off, given the low tax-free allowance and wages, in spite of the National Minimum Wage. The high replacement rate of benefits to income would

continue to create negative incentives to work. The Conservative-Liberal Democrat coalition government elected in 2010 recognised this issue and committed themselves to raising the tax-free allowance to £10,000 during their time in office. It could be argued that New Labour's strategy to 'make work pay' and reduce poverty – especially child poverty – rested more upon the use of Tax Credits rather than allowing workers to independently work themselves out of poverty without state assistance. One could easily question the motivations of a government that seemingly seeks to encourage dependency on Tax Credits, and subjugate the low-paid workforce in this manner. A cynical argument would be that this may perhaps have been done for electoral reasons; i.e. to leave the working class in the position where they have no choice but to vote New Labour, or face a less generous welfare provision under a Conservative government. Although plausible, it would be very difficult to prove this to be the case. Alternatively, a more traditional liberal perspective of the labour market would understand Tax Credits as a temporary stage in the rising value of the worker as a consequence of increasing work experience.

#### **2.2.2.2. The New Deal for Young People (NDYP)**

The NDYP is included here as it was the New Deal programme which received the most public funding, had the most participants, and also received the most attention from researchers. Critics highlighted the worryingly low success rate of a variety of New Labour's programmes including the New Deal for Young People (NDYP) (Hyland & Musson, 2001; Fieldhouse, Kalra & Alam, 2002; Finn, 2005; Fergusson, 2009). Using a range of quantitative measures and a case study of the NDYP in the West Midlands, an evaluation was carried out that focused on the first two years of the NDYP (Hyland & Musson, 2001). Hyland & Musson found that the NDYP had made few positive steps: of the 379,000 NDYP 'start ups' by the end of 1999, 251,600 of them had left the programme; of these 251,600, 43% went into unsubsidised jobs, 12% transferred to other benefits, 18% left for known reasons and 27% for unknown reasons. DfEE statistics also show that from April 1998 to October 1999, 169,000 youngsters entered employment from the New Deal Gateway with 126,189 entering sustained jobs, and 42,870 going into subsidised employment. This all suggests poor performance of the NDYP (DfEE, 1999c. cited in Hyland & Musson, 2001). The NDYP was also found to have had other shortcomings. In research conducted by the Institute

for Employment Studies there was found “unresolved operating difficulties which are not yet properly understood and which are now important priorities to get right,” including “a smaller and more difficult to assist client group than was originally planned for [...], longer than expected average duration of clients in the gateway [and] problems in coordinating employers offering potential vacancies for New Deal clients [...] with suitable applications from the programme” (Institute for Employment Studies, 1999. p. 7. cited in Hyland & Musson, 2001. p. 27). Finn (2003), also echoed the criticism that the NDYP struggled to assist the ‘hardest to help’ into jobs. This was made worse by the excessive range of options, the increasing focus on unsubsidised job entry and the frequently inappropriate sanctioning of benefits. Integrating job search and placement alongside other services through the Jobcentre Plus would continue to pose a major challenge he argues, and that modernisation could lead to the creation of new barriers in addition to reinforcing existing barriers, i.e. closing 300 local offices and increasing the use of call centres and computerised access points would significantly reduce face-to-face contact for those with limited proficiency in English or IT skills. In Hyland & Musson’s West Midlands case study it was also found that 27% of Gateway leavers entered unsubsidised jobs. This fell way below the national target of 40% and the achievement rate of 43%, although 21% entering full-time vocational education and training was in line with other regions.

Criticism has also been made of the low success rates across the NDYP (Fergusson, 2009). Examining the administrative data Ferguson found that by June 2001 over 640,000 young people had started the NDYP since its inception. However, of those, only 33% had gained unsubsidised employment. Of those who had, 43% did not sustain their new job for the 13 week period which was deemed to constitute ‘sustained employment’. This means that only around 40% (260,000 of the 630,000 ‘starts’) gained as little as 13 weeks of unsubsidised work despite up to a year on the NDYP programme (Unemployment Unit/Youthaid, 2001c. cited in Fergusson, 2009). These figures may even have been over-optimistic. Stewart (2001) highlights The National Institute for Economic and Social Research’s (NIESR) independent study on the NDYP. This study found that the government’s estimates of 250,000+ young people for whom the NDYP would find work was greatly exaggerated. A more accurate figure would be 45,000, and that many of those on the programme would have found jobs anyway during this period of economic growth (Stewart, 2001. cited in Fergusson,

2009). It was also found that the value of the NDYP was a 0.1% per annum boost to GDP, and the scheme was estimated to return only 60% of its cost to the government in reduced benefit costs and additional tax revenues (Fergusson, 2009). These are scathing figures which suggest that the NDYP failed to achieve its targets (an essential component of New Public Management is the belief that targets help to push up standards), and ultimately that government finances would have been better had the government not launched this programme at all. This raises the question of whether reducing welfare spending was the object of the exercise.

NDYP training was also found to be wanting, i.e. it performed badly or failed to perform at all (Ritchie, 2000. p. 309. cited in Ferguson, 2009). Provision was noted as being disorganised and often absent. Workplace training linked to the NDYP was viewed as weak or non-existent and was heavily criticised by young people. The effects of the mandate of the NDYP appear to have been to speed up and intensify movement in and out of activity slots rather than slowing down and stabilising the churning and instability which characterises much of young people's early post-school lives<sup>13</sup> (Ferguson, 2009). Ferguson argues that as a result of these criticisms, New Labour's claims of social inclusivity can be called into question and, that in fact, new exclusions may be emerging as a result of the NDYP. Mizen (2003) is equally distrustful of New Labour's youth policy, questioning whether young people were being equipped for a future in the knowledge-based economy or perhaps that there was a retreat away from traditional forms of support and shifting responsibility for poor employability onto young people themselves. The compulsory nature of the NDYP was also associated with higher than average turnover, disappointing rates of job placement, and obvious indications of tactical resistance by programme participants, and the perpetuation of unstable trajectories into the 18+ age group (Ferguson, 2009).

It could also be argued that all of the New Deals suffered a fatal flaw in that they attempted to treat the symptoms of unemployment rather than tackling the root causes, i.e. poor educational achievement, skills mismatch, limited work experience, geographical immobility, incentive, childcare and related socio-economic issues.

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<sup>13</sup> See also Carpenter (2006) and Hill (2012) for in-depth discussion of the problem of recycling/re-tread.

Chapter 5 of this thesis examines the NDYP in greater detail and presents conclusions which challenge the veracity and usefulness of the administrative data that it generated.

### **2.2.2.3. Worklessness**

A very strong criticism of New Labour is that, despite strong economic growth and an active labour market strategy, there remained concentrations of worklessness amongst key individuals, households and socio-economic groups, and that skills development has been limited, (Dickens, Gregg & Wadsworth, 2000).

According to Dickens, Gregg and Wadsworth, New Labour's strategy consisted of:

- i. Skills improvement and attempting to reduce the supply of low-skill labour by improving basic education;
- ii. The New Deal Gateway which intensified the pressure to search for work and apply for and take up available vacancies. Work placements were compulsory if claimant's independent search was unsuccessful and the monitoring of search activity was intensified; and finally,
- iii. Increasing the take-home pay from low-wage work through the NMW, reductions in income tax, such the so called 'starting rate of income tax', also called the 10p tax rate, was in place from 1999 to 2008 which replaced the previous 23% basic rate for those in the lowest income bracket. Also national insurance contributions, and the Working Families Tax Credit for low-income families with children.

However, Dickens, Gregg and Wadsworth drew attention to what they saw as the clear limitations to this strategy:

- The scale of these interventions was modest, and skills development was limited;
- A large proportion of the jobs found during the Gateway or Off-flow periods of the New Deals were likely to be short term/insecure. Dickens, Gregg and Wadsworth felt that not enough was done to raise the probability of sustained employment or wage progression for members of the marginalised groups targeted by the New Deals;
- The potential effectiveness of the strategy for unemployment black spots or for those facing labour-market discrimination by employers was questionable; and finally,
- What they felt was a tightening labour market linked to the relative success of intensive job-search enhancing schemes suggested that the Employment

Service (which became the DWP) should have used a more specific vacancy referral.

Similarly, Dingelday (2007) found that of the LTU aged 25 and over, few participated in one-year programmes such as Education and Training Opportunities (ETO). ETO would have led to a recognised vocational qualification. The majority instead opted for much shorter programmes designed to improve basic skills (BET), update work-related skills (LOT) and job-search skills (SJFT) (Somerville & Brace, 2004. cited in Dingelday, 2007). Training and skills enhancement was underdeveloped in the UK with low expenditure on labour market training (0.02% of GDP) and apprenticeships (0.10%) in 2002-2003 (Dingelday, 2007). The positive accomplishments of the provision of nursery and childcare places meant that whereas less than 11% of under-fives had childcare places in the 1990s, in 2001 in England this figure stood at 90% for 3-4 year olds. The New Deal for Lone Parents also saw an increase in the activity rate of lone mothers to over 55%. However, this disguised the fact that most of the labour market activation in this group was due to mostly short-term part-time work which did not pay a living wage (Dingelday, 2007). Dickens, Gregg and Wadsworth, perhaps very rightly, claim that the New Labour government's failure to tackle disincentives associated with the housing benefits system may also be a reason for the limited success of the New Deal for the Over-50s. I would add to my previous criticisms that New Labour was failing to tackle the underlying problems behind unemployment. Perhaps the myopic viewpoint of the welfare-to-work policy and the 'work first' agenda failed to consider welfare beyond gaining employment. It seems almost inevitable that pushing individuals into occupations for which they are not suitable, or motivated to succeed in, will lead to their inevitable return to out-of-work benefits. It could also be argued that despite the government's attempts to make a life on benefits less appealing, it seems that it still remained a more desirable choice for many when compared to a minimum wage job with no prospects, and no easily discernible route out of poverty.

#### **2.2.2.4. Organisational obstructionism**

The reforms which New Labour introduced faced considerable opposition from within the 'state sector salariat' i.e. welfare state professionals, managers and policy makers (Taylor-Gooby, 2000). Taylor-Gooby claims this was due to conflict arising between public sector workers and the New Labour government during the initial implementation of their welfare reform policies during the years 1997 to 2000. Conflict arose because of different assumptions implicit in many of New Labour's policies compared to those underlying the approach of public sector workers involved in welfare reform implementation. New Labour emphasised individualism and personal responsibility, but "[did] not pursue the overtly individualistic model of straightforward market competition that was the keynote of Thatcherism and Majorism", (Taylor-Gooby, 2000, p. 333). Thus, New Labour was said to operate in a more sophisticated social framework which stresses empowerment and the redistribution of opportunity, and builds on the individualist perspective. Public sector workers, on the other hand, appeared to expect a more traditional socialist/social democratic approach to welfare such as generous indefinite universal benefits, rather than the US-based workfare/welfare-to-work programmes being advanced by New Labour. New Labour's approach was, therefore, out of step with the 'state sector salariat' and may explain why reformers found a 'conservative force' within the state sector, and a lack of enthusiasm for the reforms that were being implemented. The state sector salariat, Taylor-Gooby argued, can be seen as being much closer to the working class than to the private-sector workforce in terms of their attitudes toward state spending, access to wealth, union power, self-respect and private enterprise. According to Taylor-Gooby these findings suggest that many public sector professionals did not embrace the new individualism or other attitudes held by the private sector middle class whose votes New Labour sought to attract.

I would argue that Taylor-Gooby fails to fully explain what he believes the implications of this conflict are, and whether it was a case of deliberate politically motivated obstructionism, or simply an unwillingness to alter the conventions and working practices of the public sector, for example, the increasing amount of outsourcing/private commissioning. Although his arguments are internally logical and convincing, it would be necessary to further examine the reaction of public sector

unions such as the UNISON, GMB and PCS to gain a better understanding of the public sector's attitudes at the time.

### **2.2.2.5. Support for the newly employed**

Criticism has also been made of the lack of support for the newly employed to develop their careers beyond entry-level positions (Hirsch & Millar, 2004). Drawing upon a wide range of studies to evaluate welfare reform from 1997 to 2004, Hirsch and Millar claimed that the New Deal programmes were well-developed that have been very successful during implementation compared to previous welfare-to-work programmes. They have, however, suffered from some key problems; that although incentives for non-working households to return to work have been successful, they have not been matched by incentives and support for the same clients once within work to progress in their current or future roles. This suggests that New Labour's reforms were strongly motivated by the centrality of work as a route out of poverty (relative poverty being defined as less than 60% of median income). However, despite the positive rhetoric towards life-long learning by New Labour, their reforms do not appear to have looked beyond the unemployed gaining employment. Hirsch & Millar also drew attention to the tendency of households without earnings seeing their benefits fall behind average incomes unless they had children. The implied meaning of this argument being that those who do not work should still receive a high replacement rate level of benefits so as not to fall into poverty. There was, however, little discussion of the possible negative incentive to work that a high replacement rate creates<sup>14</sup>. It could be assumed that Hirsch and Miller would claim that both wages and benefits in the UK are too low. The structure of the benefits system, especially the high levels of Housing Benefit, may also have been important.

Although largely positive about the New Deal and related programmes, Hirsch & Millar (2004) argue there were further issues that ought to have been tackled. There needed to be more support for those unable to enter the job market immediately, ensuring that incentives for second earners were not diminished too much. Furthermore, New Labour needed to maintain the Tax Credits system in the long-term as a way of

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<sup>14</sup> These may have been a consequence of the post-industrial nature of the UK economy as discussed in Chapter 1.

redistributing wealth and reducing poverty. Hirsch & Millar conclude that “If work is the best form of welfare, public policy needs to pay close attention to the welfare for people in work” (p. 10).

I agree with the sentiments of Hirsch & Miller that supporting individuals into work, helping them to sustain that employment and getting them out of poverty are part of the same journey. However, it could be debated whether the earnings of the long-term unemployed falling behind the earnings of those in employment was an issue at all, especially during years of positive economic growth when earnings had been increasing. Although perhaps not always at the same pace as inflation. This is not to say that earnings in many geographical areas such as former industrial areas did not remain depressed. The economic slowdown post-2007 unfortunately created considerable involuntary unemployment. This may have meant that the low replacement rates of Job Seeker’s Allowance and associated benefits were not enough to support the newly unemployed, especially if they had mortgages and other large financial commitments.

Criticism has also been made of the ‘make work pay’ strategy from employers who suffered from increased costs and bureaucratic complexity (Brewer & Shephard, 2004. cited in Finn, 2005). Brewer & Shephard claim that administrative failures in the payment and calculation of Child Tax Credit (CTC) and Working Tax Credit (WTC) blunted work incentives, and workers facing an effective marginal tax rate of over 50% increased by almost 900,000. I would also add to this that New Labour frequently failed to increase the tax-free personal allowance in line with inflation, leading to bracket creep. This is the process by which inflation pushes wages and salaries into higher tax brackets. At the bottom end, this means workers who would previously not have paid tax being subject to it. This had a major negative impact upon the working poor as more were drawn into higher rates of taxation.

#### **2.2.2.6. Divesture of responsibility**

An overly pessimistic criticism of New Labour’s welfare reforms is that under New Labour, the state was systematically divesting itself of welfare state responsibilities by emphasising individual responsibility (Clarke, 2005). Clarke claims that New Labour

were enthusiastic about the notion of 'activation', drawing on their social democratic and communitarian conceptions of the citizen<sup>15</sup>, but debates have remained dominated by the neo-liberal concern to 'liberate' the citizen from the state. Clarke further argues that New Labour inherited the views of Thatcherite conservatism; that the people required rescuing from an over-bearing, intrusive and dominating public power. As a result, there has been the "dismantling of the protections and defences constructed in post-war welfare capitalism against the rigours, vagaries, demands and iniquities of the market and the unconstrained powers of capital," (*ibid.* p. 452). Thus the language of 'activation', 'empowerment' and 'responsibility' act as a rhetorical smokescreen behind which New Labour is systematically divesting the state of responsibilities. This can again be linked to the individualisation and financialisation of welfare that appears to be running through many of these threads of argument. As part of this divesting process, differentiation was taking place between different target groups of citizens: those to be rewarded, those to be aided to improve themselves, and those requiring continued surveillance and control.

I would contend that Clarke (2005) presents his conclusions as self-evident, with few explicit examples of where this divestiture of responsibility is taking place. I would also be tempted to question why he assumes large-scale intervention in welfare provision is inherently desirable or that it represents the default position. Subscribers to moral underclass discourse (MUD) could perhaps counter-argue that New Labour were in fact attempting to liberate individuals from welfare dependency, encouraging individual responsibility to individuals who had been denied it since the creation of the welfare state, as has been argued by Bartholomew (2006). Workers interests may not in fact be best served by excessive interventions which can encourage dependency. Interventions by government may instead be better designed as a safety net, followed by a ladder of social mobility. However, MUD ignores structural and social factors shaping individual choice and possible trajectories in life.

Others have been less critical of New Labour's motivations. Towards the end of New Labour's first term, the debate around welfare reform increasingly shifted towards Asset Based Welfare (ABW) as the third step in a trinity of welfare reform (Powell,

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<sup>15</sup> See 2.1.2. for further discussion of New Labour's evolving ideology.

2002; Watson, 2009). Firstly, New Labour pronounced that all who can work should work (encouraging a work ethic), secondly, that all who can work and earn should then save, and thirdly, that individuals who have saved can take greater responsibility for themselves and their family's future and retirement (a prudential ethic) (Powell, 2002). Proponents of labour market activation would claim this is highly commendable as it encourages independence from state support, individual responsibility and the development of an individual's own reserve of assets/wealth which can be drawn on when required. However, Watson (2009) argues that ABW is based on questionable assumptions: that 'financialised economic agents' would become active saver-investors who accumulate assets to fund future welfare consumption. The housing market, he argues, dominated asset accumulation over recent years therefore posing significant challenges when the mortgage and housing markets were no longer growing, reducing confidence and excluding many from private ownership. Watson presents an important counter-argument to ABW and any movement away from social insurance schemes. Watson's argument links closely to the recurring claims of the individualisation of welfare. This individualisation can perhaps most clearly be seen in the National Minimum Wage and Tax Credit programmes discussed in Chapter 9.

### **2.2.2.7. Increasing numbers on Incapacity Benefit**

Despite improvements in all other measures of unemployment, there continued to be an increasing number of claimants for Incapacity Benefit (IB) (Finn, 2005), to such an extent that by 2009 IB was costing more than JSA. The overall progress of New Labour's welfare reform seemed positive between May 1997 and June 2004. The number people in employment in the UK rose from just over 27 million to over 28.3 million, and the unemployment rate (i.e. the unemployment rate as measured by the Labour Force Survey) fell from 8% to 4.7%. Alongside this, the JSA Claimant Count fell from 1.6 million to just under a million. By 2002, long-term continuous claimant unemployment had effectively disappeared for those under-25<sup>16</sup>. Numbers of those over-25 and those unemployed for over 18 months had fallen to about 100,000. Finn also draws attention to the working-age employment rate for men and women combined having increased to 74.6%, the employment rate for lone parents had

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<sup>16</sup> However, as Chapter 5 demonstrates, this apparent statistical success for New Labour hides a more complex labour market situation for young people.

increased from 47% to 53.4%, and for people defined as disabled or those with health problems from, 43.5% to 49% (DWP, 2004a. cited in Finn, 2005).

Even with such positive performance, there continued to be an increase in the number of IB claims. This increase was at a slower rate than the previous government. However, it was fast approaching 2.7 million as of 2005 (Finn, 2005). Although there was intense political discussion regarding the emergence of 'sick note Britain' by the media, Finn suggests a more complex explanation; that the collapse in the demand for unskilled labour was strongly linked to 'social prescribing' by medical 'gatekeepers' who take non-clinical circumstances into account and rely heavily upon the claims made by patients, and ultimately this had fed into increases in the overall figures (Wainwright, 2004. cited in Finn, 2005). There is a possible broader issue, i.e. that employers prefer young (cheap) and fit labour. Those with minor impairments find that they cannot get work and may decide that 'disability' is the reason for this. During periods of sustained high unemployment the market therefore expels those with physical and psychological problems leading to an increase those claiming disability-related benefits<sup>17</sup>.

Finn (2005) concludes that the effective implementation of the then second wave of welfare reform represented a significant achievement, but that a third term Labour government should have done more than consolidate its existing strategy. Clarke further argues that it was unlikely the Jobcentre Plus could concentrate on employment assistance without a radical simplification of the benefit system, or the DWP would risk becoming mired in administrative complexity, exacerbated by continuing IT inadequacies. It could be argued that Finn identified the important issues of structural and technological unemployment, skills mis-match, and de-industrialisation (i.e. the changing nature of the UK economy) has left many workers without the skills needed<sup>18</sup>, often leaving them trapped in areas of high unemployment and with incapacity benefit presenting a more lucrative source of income than JSA. For example, Bartholomew (2006) provides an excellent discussion of this

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<sup>17</sup> This is discussed in greater detail in Chapter 7 alongside how disability is defined and the New Deal for Disabled People (NDDP).

<sup>18</sup> Discussed in greater detail in Chapter 1.

phenomenon focusing on former industrial areas such as South Wales, Liverpool and County Durham.

Although Finn attempts to explain the reasons behind reductions in unemployment, he notes that they may simply reflect the strength of the British economy. I would argue that this is a very important criticism and one that I intend to explore throughout this thesis.

#### **2.2.2.8. Internal contradictions of welfare capitalism**

There has been a strong wave of criticism from more traditional liberal writers. The thrust of these criticisms is that unemployment is not a result of individual failure, as argued by advancers of Moral Underclass Discourse (MUD) such as Murray and Mead (1986; 1987), but a failure of the capitalist economic system and associated paradigms of welfare (King, 1995; Pierson, C. 1998, Coates, 2000). King argues that far from being about reducing unemployment and social inclusion, welfare-to-work programmes are “constructed around categories of inclusion and exclusion rather than designed to transcend such divisions” (1995. p. 213). According to King, these programmes are therefore more about social control than genuinely equipping the workforce with the skills necessary for inclusion in the workforce and thus wider society. However, as this thesis argues, New Labour’s reforms focused on the moral distinction between claiming groups, i.e. the ‘deserving’ versus the ‘undeserving’ poor.

Pierson, C. (1998) argued that modern welfare states face a three-pronged attack from globalisation, societal ageing and the emergence of ‘new’ social risks such as family breakdown, de-industrialisation and de-standardisation of employment and the weakening of the position of low-skilled labour. Pierson argued that New Labour’s ‘Third Way’ was a reaction to these attacks and that it had some claims to success, for instance increasing childcare provision and in-work benefits. Pierson concludes that despite these challenges, the welfare state may yet prove to be part of the solution in the face of challenging economic and social changes.

Coates (2000), however, does not share Pierson’s optimism. Coates is highly critical of what he calls “social ends [...] generated through market exchange and the clash of

individual self-interests” (*ibid.* p. 264). He instead calls for “a fundamental resetting of the structure, distribution and rewarding of paid work” (p. 264). For example, by increasing the tax on speculative capital, the democratisation of financial institutions, the re-imposition of capital controls, and a move back towards local self-sufficient production and state-directed manufacturing investment.

## **2.3 Summary and critique of the literature focusing on the roots of New Labour’s welfare reform agenda**

This section will revisit the questions previously set out earlier in this chapter namely:

- Where are the tensions/issues?
- Where do gaps in knowledge exist?, and
- Where does the research in this thesis fit in the field?

### **2.3.1. Where are the tensions/issues?**

I would argue that although there are a variety of strands to the debate on the roots of New Labour and their welfare reforms, none of these strands of debate are mutually exclusive. In reality, the roots of New Labour and their welfare reform agenda would appear to lie in a combination of these strands coming together to create the New Labour phenomenon with its inherent ideological traits and policy agenda (Deacon, 2000), and I would agree with this analysis.

Issues remain, however, in that these arguments are all sufficient, but not necessary. The evidence advanced by academics, although internally logical, remains in many cases circumstantial rather than proving conclusively that a particular line of causality took place. Only those within the Labour party, such as Blair and Mandelson had insights into the internal discourse at the time. Unfortunately their subsequent autobiographies have not offered a complete story of exactly what took place at the time (Blair, 2010; Mandelson, 2010).

There are methodological problems with the literature. A large proportion of the literature adopts a positivistic approach, with works only occasionally drawing upon

qualitative sources of data. Quantitative/statistical analysis is quite cursory and usually limited to comparisons of percentages. Of those that use quantitative methodology, little discussion is made of welfare recipients' experiences of the welfare state, or indeed the barriers they feel they face as the unemployed and what New Labour could have done to help. Analysis therefore appears far removed from the day-to-day reality of life on welfare or the operations of the DWP.

Reference is often made to programme-specific measures of success. However, as some writers have acknowledged, it is difficult to establish a clear causal link between New Labour's welfare reforms and rates/measures of unemployment. The strong growth of the British economy between 1995 and 2007 (there was, however, a significant slowdown around the year 2000 due to the dot-com bubble collapse in the US and elsewhere) may therefore present a better explanation of reductions in welfare rolls than the 'success' of welfare-to-work programmes<sup>19</sup>.

### **2.3.2. Where do gaps in knowledge exist?**

As mentioned above, the full internal discourses of the development of New Labour and their welfare reform agenda, i.e. thought processes and phases of policy development, are not in the public domain.

Also, although all sources appear to be important, it is again unknown as to what the relative importance of each was. Some sources may have been far more influential than others, such as the entire change in the language and rules of debate surrounding welfare reform (for example Murray & Mead, 1986). What is important is how New Labour's ideology informed New Labour's labour market policy.

There are a number of gaps in the current knowledge surrounding New Labour and their welfare reforms. For instance, no writer has yet attempted to evaluate the entire labour market reform agenda, nor covered New Labour's entire time in office. No writer has clearly established a causal link between New Labour's welfare reforms and

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<sup>19</sup> This is explored in Chapter 4.

decreases in unemployment during their time in office, and therefore whether they were an economic and efficient use of public money.

### **2.3.3. What does the research in this thesis add to current knowledge?**

This thesis attempts to fill the gaps within this field of research by asking the following research question:

**What were the effects of New Labour's active labour market policy on rates of social dependency in the working age population during their time in office?**

The research of this thesis will allow for an understanding of what the ultimate implications of New Labour's entire welfare reform agenda were, especially for different client groups, i.e. whether it had an effect, and the nature of any effect which occurred. The working age population (those aged between 16 and 64) was chosen as they were the subjects of New Labour's ALMP.

The following chapter outlines the methodology through which the research question will be answered. Chapter 5 to 9 address the New Deal Programmes, Tax Credits and National Minimum Wage which made up the key programmes of New Labour's labour market policy. Chapter 10 summarises the arguments made and concludes this thesis.

## CHAPTER 3 – THEORY AND METHODS

Chapter 2 examined the literature seeking to explain the roots of New Labour and its welfare reform agenda, and also previous attempts to evaluate the outcomes of this agenda. This thesis is an exercise in evaluation; it evaluates historical social policy but it also evaluates evaluation. As Robson (1993, p. 174) argues: “[...] evaluations are essentially indistinguishable from other research in terms of design, data collection techniques and methods of analysis”.

This chapter will introduce and explain the theoretical approach, Economics of Conventions (EC), adopted by this thesis. EC represents an alternative and original approach to existing evaluations of New Labour’s labour market policy. The remainder of this chapter explores relevant evaluation theory in relation to this thesis and outlines the research design used.

### 3.1. Focal Theory

Focal theory can best be defined as the theoretical model or paradigm used as a framework through which data is analysed and explained. It is the lens through which the world is viewed and analysed. EC is an interpretivist research paradigm which entails certain epistemological and ontological assumptions. Interpretivism accepts that concepts within the social sciences are subjective; that meaning is socially constructed<sup>20</sup>, and relativism exists<sup>21</sup>.

The following section outlines EC, the reasoning behind its adoption, and an evaluation of its strengths and weaknesses.

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<sup>20</sup> Traditional epistemology (theory of knowledge), i.e. Plato’s tripartite conception of knowledge as ‘justified true belief’ is no longer adequate (i.e. because of the Gettier counterexamples). Instead, knowledge of real people in real communities is defined in terms of the beliefs that are generally accepted on the basis of the knowledge standards of criteria of a community (which may differ and develop historically). This means that knowledge is not just a social psychological notion of ‘shared belief’, but also defined in the socio-cultural terms of epistemic communities and their specific criteria or standards (Dijk, 2008).

<sup>21</sup> An ontology (theory of meaning) of relativism argues that the constructed nature of social reality naturally leads to variations between societies. Thus morality cannot be judged against any objective standard, i.e. there is no absolute truth or validity, only relative and subjective values.

### 3.1.1. L'économie des conventions

After considering the wide range of available schools of thought, the Economics of Conventions (*L'économie des conventions* or EC for short) was chosen as an appropriate focal theory for this thesis. EC was chosen as it would provide an enlightening and original approach to the study of New Labour's labour market policy which would challenge some of the evaluative conclusions reached and complement some of the criticisms in the existing literature.

Although the academic study of conventions goes back as far as David Hume (1738; 1748)<sup>22</sup>, it re-emerged in the 20<sup>th</sup> Century with *Convention* by David Lewis (1969). It is within this broader philosophical tradition that an approach to economic institutions and conventions emerged in France in the late 1980s called *L'économie des conventions* (The Economics of Conventions)<sup>23</sup> (Dequech, 2011). The definition of conventions has evolved as a result. Hume first defined a convention as:

“...a sense of common interest; which sense each man feels in his own breast, which he remarks in his fellows, and which carries him, in concurrence with others into a general plan or systems of actions, which tends to public utility” (1748. p. 257).

Hume was clearly linking individual behaviour to wider systemic and perhaps institutional behaviour. This is a link developed more recently in *L'économie des conventions* (Defalvard, 2002; Bessy & Favereau, 2003. cited in Dequech, 2011).

Lewis more recently and succinctly defined conventions as: “a regularity in behaviour” (Lewis, 1969. p. 51). Lewis developed his argument further by introducing the concept of ‘common knowledge’. To quote the argument directly:

“Let us say that it is *common knowledge* in a population *P* that \_\_\_\_ if and only if some state for affairs *A* holds such that:

- (1) Everyone in *P* has reason to believe that *A* holds.
- (2) *A* indicates to everyone in *P* that everyone in *P* has reason to believe that *A* holds.
- (3) *A* indicates to everyone in *P* that \_\_\_\_.

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<sup>22</sup> Followed soon after by Adam Smith (1759).

<sup>23</sup> Key thinkers included Jean-Pierre Dupuy, Eymard-Duvernay, Olivier Favereua, Andre Orlean, Robert Salais, Laurent Thévenot and Alain Desrosières.

We can call any such state of affairs *A basis* for common knowledge in *P* that \_\_\_\_\_. *A* provides the members of *P* with part of what they need to form expectations of arbitrarily high order, regarding sequences of members of *P*, that \_\_\_\_\_. That part it gives to them is the part peculiar to the content \_\_\_\_\_. The rest of what they need is what they need to form *any* higher-order expectations in the way we are considering: mutual ascription of some common inductive standards and background information, rationality, mutual ascription of rationality, and so on” (pp. 56-57).

To help understand how this works, one can substitute into the argument a reasonable and subtle convention. For instance, how to greet friends: a kiss or a handshake, or another example may be what signs signify binding agreement prior to the signing of a contract. Such signals also help to distinguish between those who are (or not) part of a given community and worthy of trust, which enables collective action to be coordinated. Therefore, as a society we are able to solve problems of coordination in situations of uncertainty by following conventions with their associated expectations, and by assuming that such conventions are common knowledge.

So, how does this link with evaluating New Labour’s labour market policy? The important link is how social phenomena are problematised (identified as a problem), analysed, categorised and quantified to become social statistics which are then used for evaluation purposes. Social scientists often appeal to the claimed ‘objectivity’ of social statistics. As Centemeri argues:

“Quantification and objectivity are strictly associated, since historically objectivity emerged in our societies as a fundamental category in the construction and organisation of modern politics, to quantify a knowledge produced according to conventions (rules and procedures) supposed to guarantee impersonality, impartiality and fairness” (2014. p. 1).

However, as Centemeri goes on to argue, such conventions of quantification (or statistical conventions) are not value-free but in fact loaded with the social conventions of those who create them:

“Quantification is guaranteed by ‘conventions of quantification’ that are the outcome of controversies about the good, or convenient, way to evaluate persons and things, according to desirable social goals aimed at” (Centemeri, 2014. p. 1).

Therefore, according to Centemeri, 'conventions of quantification' are underpinned by the moral values and social expectations of those who then decide how to quantify social phenomena. As this thesis will demonstrate, such moral judgements and expectations are important to the way individuals with certain features were categorised by New Labour and how such categories were defined. Thus individuals are 'counted' and ultimately 'treated' in different ways by policy based on their statistical treatment.

An excellent example of this process can be seen in Robert Salais *et al* (1986) in their work *L'invention du chômage* (The Invention of Unemployment). Salais *et al* argue that 'unemployment' is a social and historical construction that emerged towards the end of the 19<sup>th</sup> Century and culminating in the 1930s in France. 'Unemployment', they argue, was not a re-naming of a previously existent social reality, i.e. being out of work, but this category was created as a central pillar of Keynesian economic management, i.e. that not having work was a social problem requiring public action, and therefore measurement. Therefore, "[...] unemployment is not the reflection of a pre-existing social problem but a quantified social object whose founding conventions are embedded in a specific form of regulation [...]" (Gautié, 2002. cited in Centemeri, 2014. pp. 14-15). More importantly, the emergence of the convention allows for the changing of behaviours. In this case French employers began to discharge surplus employees (who became 'unemployed') rather than re-distributing the available work between them. Thus the emerging convention re-shaped both public and private manpower management strategies<sup>24</sup>.

As a consequence of this process "To quantify is to reshape our world, introducing new entities that are clearly separated from us, and that, once created, have an independent life" (Centemeri, 2014. p. 16). Once established, a convention of quantification becomes "the 'natural' way to measure a reality" (Centemeri, 2014. p. 17) as these conventions stabilise and ultimately solidify in academic and wider nomenclature. The emergence of New Public Management (NPM) (discussed later in

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<sup>24</sup>As discussed in this chapter, the legal/economic category of 'unemployment' emerged between the turn of the 19<sup>th</sup> Century and the 1930s.

this chapter) has also led to the financialisation of social issues and social policy (to gain value for money) further encouraging quantification.

As will be seen in later chapters, New Labour appears to have adopted, co-opted and re-defined numerous statistical and social conventions surrounding labour market concepts and categories of 'unemployment' and 'employment', 'youth', 'disability', 'single-parenthood', and 'older workers'.

### **3.2.5.2. The social construction of meaning within evaluations**

An important criticism of evaluation, and indeed any academic discourse which relies upon the use of statistics, is that meaning is socially constructed. Walker (2001), for example, argues that all reality is contested and cannot be categorically defined in terms of the worldview of policymakers. This is important because whose meanings do we adopt? What are the moral convictions driving those meanings? Who is to decide the measures/indicators used? These are all important questions as the decisions made at this stage may come to affect the statistical outcomes, i.e. the headline statistics. To solve this problem, some have argued that evaluation must focus on understanding the meaning stakeholders ascribe in their use of language (Bezzi, 2006). The evaluator should, according to Bezzi, not seek an 'objective' truth, but just the 'truth' surrounding the evaluand (those individuals who are the subject of evaluation).

However, within political, practitioner and academic discourse it has been argued that no framework exists to explore the nature of policy 'success' in a comprehensive way (Marsh & McConnell, 2010). There are, however, some attempts to develop a framework that is at least credible for making such judgements. Hurteau *et al* (2009) argued that, for an evaluation to be considered credible, judgements made by programme evaluations must be not only legitimate but justified. Hurteau *et al* drew their conclusions from a meta-analysis of 40 programme evaluations. They found that only fifty per cent of these programme evaluations generated judgements, and that although they seemed legitimate, they were rarely justified. They also suggest that perhaps a reason for judgements not being presented in written reports is that it would not serve the purposes of those running the programme, i.e. a critical judgement would

undermine the self-interest of those running the programme<sup>25</sup>. This is a very compelling argument, and it links well with the idea of 'dysfunctional bureaucracy' advanced by Mieczkowski (1991)<sup>26</sup>. Mieczkowski argued that dysfunctional bureaucracy occurs when there is the creation and growth of a self-serving elite who recruit new members, not on the basis of their functional excellence, but based on their usefulness to other bureaucrats. This raises some useful questions for looking at programme evaluations conducted by others: who is conducting the evaluation? What is their relationship to the organisation/programme/individuals being evaluated? If the research was funded, who funded it? Have they made a judgement? If not, why not?<sup>27</sup>

More recently, attempts have been made to develop a more heuristic<sup>28</sup> approach for practitioners and academics to utilise when approaching the question of whether public sector improvement is, or was successful (Marsh & McConnell, 2010). The authors note that previous works, such as Bovens *et al* (2006), have distinguished between two approaches: a rationalist, positivist approach versus an argumentative, interpretative or constructivist approach, and thus they seek to develop a middle ground drawing on Bovens *et al* (2001) to argue that success is defined within three dimensions: process, programmatic and political. This is demonstrated in table 3.1 which shows the dimensions, indicators and evidence of 'policy success':

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<sup>25</sup> More importantly, it would also challenge the policy behind the programme which was implemented by a democratically elected government, thereby challenging the validity of democracy as the basis for policy-making. It might also block future employment/contracts on evaluation programmes.

<sup>26</sup> Max Weber writing in 1922 similarly argued that bureaucracy had the potential to become corrupt and almost an oligarchy.

<sup>27</sup> However, it should be noted that to make a judgement about the success of an intervention is to accept it on its own terms, i.e. to accept its conventional assumptions.

<sup>28</sup> Pertaining to or based on experimentation or trial-and-error methods.

**Table 3.1 Dimensions of policy success**

<b>Dimension</b>	<b>Indicators</b>	<b>Evidence</b>
<b>Process</b>	Legitimacy in the formation of choices: that is, produced through due processes of constitutional and quasi-constitutional procedures and values of democracy, deliberation and accountability.	Legislative record, executive minutes, absence of legal challenges, absence of procedural challenge (for example, Ombudsmen), absence of significant criticisms from stakeholders.
	Passage of legislation: was the legislation passed with no, or few, amendments?	Analysis of legislative process, using legislative records, including identification of amendments and analysis of legislative voting patterns.
	Political sustainability: did the policy have the support of a sufficient coalition?	Analysis of support from ministers, stakeholders, especially interest groups, media, public opinion.
	Innovation and influence: was the policy based on new ideas or policy instruments, or did it involve the adoption of policy from elsewhere (policy transfer/diffusion)?	Government statements and reports (for example, White/Green Papers), academic and practitioner conferences, interest group reports, think tank reports, media news and commentary, identification of similarities between legislation and that in other jurisdictions and that in other jurisdictions identification of form and content of cross-jurisdictional meetings/visits by politicians and/or public servants.
<b>Programmatic</b>	Operational: was it implemented as per objectives?	Internal programme/policy evaluation, external evaluation (for example, legislative committee reports, audit reports), review by stakeholders, absence of critical ports in media (including professional journals).
	Outcome: did it achieve the intended outcomes?	Internal programme/policy evaluation, external evaluation (for example, legislative committee reports, audit reports), review by stakeholders, absence of critical ports in media (including professional journals).
	Resource: was it an efficient use of resources?	Internal efficiency evaluations, external audit reports/assessments, absence of critical media reports.
	Actor/interest: did the policy/implementation benefit a particular class, interest group, appliance, political party, gender, race, religion, territorial community, institution, ideology, etc?	Party political speeches and press releases, legislative debates, legislative committee reports, ministerial briefings, interest group and other stakeholder speeches/press releases/reports, think tank reports, media commentary.
<b>Political</b>	Government popularity: is the policy politically popular? Did it help government's re-election/election chances? Did it help secure or boost its credibility?	Opinion polls, both in relation to particular policy and government popularity, election results, media commentary.

Source: Marsh & McConnell, 2010. p. 571.

It could be argued that table 3.1 above is quite comprehensive in defining the dimensions of evaluation in the context of the public sector. It also presents some potentially useful indicators and supporting evidence that would be required to make such judgements. Table 3.2, also developed by Marsh & McConnell (2010), suggests

the important choices that need to be made during the process of assessing policy success.

**Table 3.2. Critical choices to be made in assessing policy success**

1. Form of political success	Which form or forms of success is/are being assessed? Process? Programmatic? Political?
2. Timeframe	What time period(s) is/are being assessed? Short-term? Medium-term? Long-term?
3. Interests	In relation to whose interest is success being assessed, for example, target group? Stakeholders? Institution? Interest group? Individual? Collective?
4. Reference points	What is the standard by which success is being judged? Compared to intentions? Compared to policy domain criteria, for example, efficiency and effectiveness? Compared to the past? Compared to ethical or moral principles? Compared to another jurisdiction?
5. Information	Is there sufficient and credible information to assess the extent of success?
6. Policy isolation	With what degree of certainty and credibility is it possible to isolate and assess the impact of a policy from other factors such as other policies or media influences?
7. Conflict and ambiguity	What significance should be given to conflicts and ambiguities, and how should they be weighted in the overall judgement of success? For example: <ul style="list-style-type: none"> <li>- Process vs. programmatic vs. political success</li> <li>- Short-term vs. long-term</li> <li>- Interests benefiting vs. interests losing</li> <li>- One reference point vs. another, for example, moral principles vs. stated intentions</li> <li>- Availability of information vs. lack of information</li> <li>- Certainty in isolating the 'policy effect' vs. uncertainty in being able to do so</li> <li>- One formal objective vs. another formal objective</li> <li>- One informal objective vs. another informal objective</li> <li>- One formal objective vs. another informal objective</li> <li>- Unintended consequences vs. actual or intended consequences</li> <li>- Foreseeable shocks vs. unforeseeable shocks.</li> </ul>

Source: Marsh & McConnell, 2010. p. 580.

These tables provide a broad outline that could allow an evaluator to define what it means for a policy to be 'successful'. As other authors have suggested, however, the nature of 'success' remains highly contestable. As Marsh & McConnell (2010) also note, there are significant methodological difficulties posed by lack of information and attempting to identify the causal chain of the policy compared to other overlapping policies, exogenous influences and economic forces, etc.<sup>29</sup>. Therefore, any attempt at making a judgement regarding 'success' or 'failure' is inherently normative.

<sup>29</sup> This difficulty is demonstrated in the following chapter.

### **3.1.1.1. Strengths of ‘The Economics of Conventions’**

It can be argued that the Economics of Conventions (EC) has a number of strengths. Firstly, it is able to offer an analytical framework for the underlying behaviour of individuals, and thus the behaviour of institutions, social and political groups. This was found to be useful when trying to explain how and why New Labour formed their policies and evaluative constructs.

Secondly, it offers a greater depth of explanation than a simple positivist statistical analysis would be able to offer. While a positivist analysis would merely observe and count what it claims to be ‘social objects’, EC asks how statistics are constructed including the social expectations and moral values which become intertwined with the definitions used and are used to encourage conformity towards what could be called conventional behaviour<sup>30</sup>. This was important in de-constructing the statistics surrounding New Labour’s work-first labour market policy which emphasised the importance of work and flexibility supporting the traditional liberal view that the role of the welfare state should be to create a sustainable independence from state support. Headline statistics, such as a falling Claimant Count, may therefore tell us very little about what is occurring in individuals lives as they interact with the UK labour market.

### **3.1.1.2. Limitations of ‘The Economics of Conventions’**

The Economics of Conventions is not without limitations. While positivism claims to be able to ‘objectify’ the world and reach conclusive answers, EC accepts that any findings remain contestable due to their subjective nature. This is unlikely to be viewed as a limitation by readers within social sciences. However, it may be viewed as such by readers from positivist disciplines who claim that statistical objects are sufficiently external from the observer to not remain contestable.

Similarly, EC would suffer criticism from those who subscribe to traditional definitions of ‘reliability’ and ‘validity’, i.e. given that EC argues that statistical realities are

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<sup>30</sup> Such moral judgements have been made since the introduction of the Poor Laws to discern between the ‘deserving’ and ‘undeserving’ poor. New Labour, for example, introduced Lone Parent Obligations (LPOs) in 2008 because of changing moral judgements made of their family structure and the ‘proper behaviour’ expected of lone parents.

constructed, would other academics examining the same social issue using EC consistently reach the same conclusions? These limitations could simply be ignored as a reflection of the dominant positivist paradigm. It could also be said that constructivism is not static or located, i.e. it changes with place and time. It could also be said to exist in a reflexive relationship in that there is a bidirectional relationship between cause and effect and self-reference such that any claim of objectivity is false.

Therefore, a more constructive approach may be to overcome the limitations through strong inductive reasoning where compelling propositions are posited that leads to the most probable conclusion. As mentioned earlier, it is accepted that the conclusions will remain, by their nature, contestable.

### **3.1.2. Conventions of employment and unemployment**

It is important to understand the key terminology or conventions adopted by New Labour to both define and measure social problems. Employment and unemployment are both definitions of central importance to New Labour's labour market policy.

The existing academic literature suggests that New Labour adopted the administrative definitions already in use by the Office for National Statistics (ONS) when they entered office. The definitions used by the ONS for the Labour Force Survey (LFS) are the international standards agreed in Resolution 1 of the 13<sup>th</sup> International Conferences of Labour Statisticians (1982) held by the International Labour Organisation.

According to the ONS LFS classifications, the 'employed' comprised all persons above a specified age (16 years old) who during a specified brief period, either one week or one day, were in 'paid employment' or 'self-employment'. Employed and self-employed individuals were 'at work' during the reference period when they performed 'some work' for wage or salary, in cash or in kind (ONS, 2006). It is very interesting to note that for ONS 'operational purposes', the notion of 'some work' was interpreted as an individual working for at least one hour per week<sup>31</sup>. It could be argued that with such a minimal work requirement the ONS classification of who is in

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<sup>31</sup> As was discussed in Chapter 1, the emergence of 'flexibility' requires that the category of 'employment' be as broadly defined as possible.

employment is overly generous about who could be counted; the result being a potentially higher number of individuals counted as being in employment.

In the area of unemployment there is not a single clear definition/measure but a range of definitions/measures used. Juxtaposed with who is classified as 'employed', these 'measures' may only be indicative of labour market activity. However, as we will see later in this chapter and in Chapter 4, these limitations did not deter New Labour from continuing the use of the Claimant Count as a measure unemployment once they entered office. Therefore, despite attempts at the objectification of employment and unemployment, the definitions/measures used by New Labour suffer serious weaknesses. The consequence being that definitions/measures mask far more complex labour market dynamics than headline figures would otherwise suggest.

The following chapter explores relevant quantitative macroeconomic and administrative data to understand what the statistical impact may have been according to such 'headline figures'. These statistics are discussed in the context of relevant qualitative sources through the focal theory of EC.

Chapter 9 argues the New Labour's labour market reforms were a catalyst to further casualisation of 'employment' in the UK labour market. New Labour not only adopted existing neo-liberal conventions of 'employment' with its claimed virtuous nature, and 'unemployment' with its associated vice-like nature, but, through the introduction of the New Deal programmes, Tax Credits and the National Minimum Wage went further than previous Conservative administrations by moving the line between notions of the 'deserving' and 'undeserving' poor.

The 'work first' proposition of the majority of New Deal programmes appears to have pushed many into work while often failing to tackle underlying barriers to long-term sustained employment in full-time work. Only the New Deal for Musicians appears to have adopted a serious approach to improving the human capital of participants (Cloonan, 2002; 2003). In the place of full-time, permanent and secure employment, many of the formerly 'unemployed' were pushed towards self-employment<sup>32</sup>. These

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<sup>32</sup> It could be argued that self-employment is in reality a form of under-employment as hours and pay are not guaranteed. This is demonstrated in this thesis' findings in Chapter 9.

individuals survived only thanks to the introduction of Tax Credits and the National Minimum Wage. The neo-liberal virtue of 'work' was progressed to the point at which ANY small amount of work supported by in-work benefits was preferable to out-of-work benefits.

These reforms were introduced under the guise of Active Labour Market Policies (ALMPs) in conjunction with the *mantra* of 'flexibility'. It has been argued that labour market flexibility broadly conceived has led to the emergence of a new class of precarious employed working class individuals, 'the precariat'<sup>33</sup> (Standing, 2011). This chapter presents evidence that links welfare-to-work policies to this emerging group.

### 3.1.3. Economics of Conventions and Statistics

As Bovens *et al* so eloquently argued:

“Policy evaluation is an inherently normative act [...] it is only a slight exaggeration to say, paraphrasing Clausewitz, that policy is nothing more than the continuation of politics by other means” (2006. pp 319-321).

It could be argued this claim is true because the process of social policy evaluation is not a simple case of counting physical objects. Unlike the physical world, the evaluator must make decisions about the very nature of the social 'object' or social problem they wish to evaluate, i.e. what is the object/problem, what is to be counted and how? In the case of this thesis, who is to be counted as 'unemployed'?

Within these conventions are also attitudes: social expectations and moral values inextricably tied with these counted objects which positivism neither can nor does not seek to explain. For example, the 1834 Poor Law Commission created within social policy discourse the moral judgements between those benefit recipients perceived as 'deserving', and those perceived as 'undeserving'. The elderly, the young and disabled have traditionally been perceived as 'deserving' while the able bodied who do not work, and the voluntary unemployed have been judged to be 'undeserving. EC

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<sup>33</sup> A combination of 'precarious' and 'proletariat'.

has therefore been adopted to better explore these issues and associated moral judgements.

“Politicians use statistics in the same way that a drunk uses lamp-posts – for support rather than illumination” (Lang, 1900).

Lang’s observation identifies the common mistrust of politicians using statistics; not to inform policy making, but to legitimise policy decisions already reached by other means. As Desrosières (1998) highlights, the genesis and history of statistics is tightly interwoven with that of modern political economy: “As the etymology of the word shows, statistics is connected with the construction of the state, with its unification and administration” (p. 8). Desrosières outlines how both statistics and political economy emerged from the enlightenment where scientific method led to a belief in the ‘objectification’ of the social. Inevitably, that which must be recorded for statistical analysis and use by policy makers must first be defined. The social construction and definition of ‘social problems’ and use of statistical measures is therefore of great importance.

Concepts such as ‘unemployment’ and the belief that ‘it is a problem’ can be argued to be social conventions which emerged as a result of industrialisation and modern employment relations (Desrosières, 1998). New Labour’s development and appropriation of these and other conventions, and how they impacted their policy decisions and implementation, are the foci of this thesis. EC is therefore appropriate as the focal theory of this thesis.

## 3.2. Evaluation theory

### 3.2.1. Defining evaluation

In the literature there exist a number of contrasting and often overlapping definitions as to what evaluation means (Dye, 1987; Parsons, 1995; Bovens & 't Hart, 1996; Gerston, 1997; Howlett & Ramesh, 2003; Hill, 2005). A helpful departure point is the definition by Dye that evaluation is “the objective, systematic, empirical examination of the effects ongoing policies and public programmes have on their targets in terms of the goals they are meant to achieve” (1987, p. 351). This definition, however, does not appreciate the fact that many evaluation studies are *ex ante* (formative) or *ex post* (summative). *Ex ante* studies are often used by policy makers during the development phase of the policy cycle to decide which course of action will maximise ‘outputs’ and ‘outcomes’, for example, cost-benefit analysis (CBA) is used extensively for infrastructure projects such as HS2 to ensure that the project’s benefits exceeds cost by a given margin or ratio. *Ex post* evaluation, on the other hand, is carried out after a project or programme has been implemented to study the effects against the desired goals.

Dye’s claims that evaluation is “objective” is very strong and difficult to support. True objectivity is impossible, and as this thesis and its focal theory contends, language, meaning and significance are socially constructed by the policy maker and evaluator. This thesis argues that the conventions that policy makers assume/adopt in their definition of social problems and client groups determine the significance of specific social statistics as well as the methods underpinning their compilation.

Perhaps a broader and more inclusive definition could be that evaluation is made up of two interconnected components:

- The evaluation of policy and its constituent programmes; and
- The evaluation of people who work in the organisations responsible for implementing policy and programmes (Parsons, 1995).

This definition is similar to those of others (Garston, 1997; Howlett & Ramesh, 2003). However, as has been warned; “the absence of fixed criteria for success and failure, which apply regardless of time and place, is a serious problem for anyone who wants to understand policy evaluation” (Bovens & ‘t Hart, 1996, p. 4, cited in Howlett & Ramesh, 2003). This lack of fixed success criteria is an important point as this thesis seeks to evaluate New Labour’s ALMP. The conclusions reached, however well-argued and supported by evidence, will inevitably remain contestable.

### **3.2.2. The purpose of evaluation**

The purposes of evaluation, like attempts to define it, are also highly contested. Evaluation has traditionally been focused on assessing the achievement of the ‘three E’s’: economy, efficiency and effectiveness<sup>34</sup> (HM Treasury *et al*, 2001; Micheli & Neely, 2010). Under New Labour, however, there was also concern given to a fourth ‘E’, equity, which addresses equality of access to services (Flynn, 2007). Nevertheless, it has been argued that areas of the public sector in which market-based strategies have been adopted have ‘economy’ and ‘productive efficiency’ innate within them, and that there was no need for any independent measurement or analysis of their costs (Flynn, 2007). The belief being that using New Public Management and applying private sector principles the project would automatically deliver the three Es. I would be critical of any such an assertion and posit the numerous criticisms pitted against Public Private Partnerships (PPP) and Private Finance Initiatives (PFI). These policy financing vehicles have been highly criticised for undermining the public service ethos, being used to keep borrowing off the public sector balance sheet, costing more due to private sector demands for high returns despite the very low exposure to risks, suffering scope and cost escalation requiring subsidy from the commissioning public body and creating a two-tier workforce in the public sector. It has also been argued that: “The private sector borrows at higher rates than the public sector since governments can borrow at much lower rates. Audit Scotland has calculated these costs as adding £0.2-£0.3 million each year for every £10 million invested” (Unison, 2012). This is perhaps an excellent example of the accounting conventions which

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<sup>34</sup> Economy is related to the cost of inputs and their economic use. Efficiency relates to the cost of producing outputs. Effectiveness relates the production of ‘results’, either outputs and/or outcomes. All three of which involve subjective judgement, especially about relevance and time spans included.

dominate public sector finances and which have a significant impact upon what is portrayed to the reader of accounts, i.e. what 'counts' on the books, the timespan<sup>35</sup>, the underlying and consequent judgements made. This allows for alternative portrayals as the debt is profiled in a more favourable way. Therefore, there is no evidence to suggest PPPs/PFIs are more efficient<sup>36</sup> or offer value for money, but there are suggestions that the private companies involved in such relationships make unacceptably high profits<sup>37</sup> (Unison, 2012). There have also been a number of high profile PPP/PFI failures including Tube Lines, Metronet BCV and Metronet SSL<sup>38</sup>, RAF Future Strategic Tanker Aircraft, National School of Government refurbishment, Norfolk and Norwich Hospital and the provision of military accommodation at Colchester Garrison (The Telegraph, 2011). Based on this evidence, it can be concluded that 'economy' and 'productive efficiency' are not innate in any programme within the public or private sector and evaluation remains an important process for policy makers.

During New Labour's tenure in office, HM Treasury developed their own framework for the explaining the *raison d'être* of collecting information for evaluative purposes. HM Treasury argued that collecting performance information for evaluation fulfils a number of important purposes:

- It can be indicative of organisational performance against the organisation's aims and objectives<sup>39</sup>;
- Good performance helps identify which policies work, which do not, and why. This permits policy makers to use available data and knowledge<sup>40</sup> better which is critical to improving the performance of government as a whole;

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<sup>35</sup> Time is very important: a five year government programme is portrayed very differently to one year public accounts. The same thing appears differently, and can be made to appear differently depending on the underpinning conventions adopted by those constructing the accounts.

<sup>36</sup> For example, the MOD Main Building PFI saved only an estimated £100,000 out of a total project cost of £746.1 million (NAO, 2002).

<sup>37</sup> For example, "At Fazakerley prison the National Audit Office reported that the net result is that the rate of return for the initial shareholders has tripled from 12.8% at the start to 39%." (Unison, 2012).

<sup>38</sup> Three PPPs were created to modernise London Underground's infrastructure. London Underground Limited was forced to buy 95% of Metronet's outstanding debt obligations rather than paying over the 30 years of the contract. The Department of Transport (DfT) made a £1.7 billion grant available for this purpose (NAO, 2009).

<sup>39</sup> Usually expressed as performance against targets under New Public Management.

<sup>40</sup> However, NPM and performance management encourages those faced by targets to push at the margins, leading to a slow re-definition of meaning underpinning statistical appraisal.

- Such information can be used to support effective management, including business planning, monitoring and evaluation; and,
- It also supports effective accountability by external stakeholders. For instance, with appropriate performance information, Parliament and members of the public, etc. are able to demand performance improvements (HM Treasury *et al*, 2001).

The driving force behind such frameworks was the hegemony of New Public Management (NPM) which emerged in the 1980s and was encouraged by organisations such as the OECD (Noordegraaf, 2015)<sup>41</sup>. Noordegraaf claims that NPM arose in reaction to feeling that government was no longer the agent of change. It was instead bureaucratic, insular and in fact a contributor to some economic problems. Therefore, NPM, despite being a mishmash of ideas and theories rather than a single coherent strategy, sought to make public management more 'business-like' and entrepreneurial leading to a more efficient use of resources and the emergence of empowered citizen-consumers (Noordegraaf, 2015). The OECD claims that evaluation as performance management is a central part of NPM:

“Over the past two decades, most OECD member countries have implemented reforms to modernise their public administrations with the aim of increasing efficiency and quality in service delivery. A cornerstone of these reforms has been the implementation of performance-oriented management of public organisations, including the use of performance assessments for individual staff, work groups and the entire organisation. Performance assessment can allow for the recognition of individual and collective efforts in an objective and transparent manner. Such practices can also clarify organisational goals for staff so that they can gain a better understanding of their role within the organisation (OECD, 2014. cited in Noordegraaf, 2015. p. 35).

New Labour's commitment to evidence based policy making (EBPM) where 'what matters is what works' (Labour, 1997) appears to fit firmly within their NPM narrative<sup>42</sup>.

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<sup>41</sup> NPM has also allowed the Treasury to exercise strong central control of other government departments and reinforcing the significance of collective measurement to assess performance.

<sup>42</sup> In the academic literature, evaluation is also increasingly being linked to issues of democratic accountability due to the rise of New Public Management (Howlett & Ramesh, 2003; Hill, 2005). NPM, it is claimed, allows the electorate to better hold public bodies to account by providing numerical/quantitative measures of success.

However, despite its hegemony, some have argued that New Public Management had significant internal contradictions. For instance, while stressing strong accountability, at the same time NPM attempts to reject traditional forms of top-down control (Hill, 2005). This top-down control became strongly linked with New Labour's obsession with target setting<sup>43</sup>.

Similar arguments have been made by Freidson (2001 cited in Noordegraaf, 2015) who highlights the multiple management logics of NPM:

“On the one hand [NPM] favours top-down managerial control, with clear targets, cost-conscious decisions and predictable production. On the other hand it favours bottom-up consumer-based incentives, with flexible production and dynamic innovation, including market development. [...] On the one hand, it embodies *managerial* control, on the other hand *consumer*<sup>44</sup> control (Noordegraaf, 2015. p. 34).

It has been argued that towards the end of New Labour's time in power the management and evaluation public services provision was trending away from NPM towards concepts of 'governance' within a citizen-driven<sup>45</sup> provision of public services (Bovaird & Löffler, 2009).

Boaz *et al* (2008) argued that evaluation is closely linked with the increased use of evidence-based policy and practice. With this in mind “it is both desirable and practical to ground policy and practice in reliable knowledge about social problems and what works in tackling them” (Bovaird & Löffler, 2009. p. 327). They also note that there are four main uses of evaluation research being used to improve public policy and practice:

- to design and develop policy (also referred to as 'ex ante evaluation' or 'option appraisal');

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<sup>43</sup> Target setting during New Labour's time in office has been argued to result in excessive managerialism (Flynn, 2007), 'gaming' (Hood, 2005; 2006), unintended consequences and constant organisational change (Fielding, 2006), and overwork (Bunting, 2005).

<sup>44</sup> This is derived from market-based principles that stress the significance of rational individual behaviour. Economics of Conventions stresses the opposite, i.e. that the formation of rational behaviour is based on convention.

<sup>45</sup> However, it is important to distinguish between citizens (who is a voter that declares political preferences) from a consumer (who is a client who declares market preferences).

- to assess the impact of policy interventions (also referred to as ‘*ex post* evaluation’);
- to improve policy implementation (referred to as ‘on-going evaluation’ or ‘monitoring’);
- to identify tomorrow’s issues (Bovaird & Löffler. 2009. p. 328).

However, as with all evaluation it has been highlighted that “unlike a sausage factory, the output of public agencies are not so well-defined and quantified – or ‘evaluated’ – and what actually counts as success and failure is a matter of controversy and conflict” (Parsons, 2005. p. 461).

### 3.2.3. Summative evaluation (*Ex post* evaluation)

Although evaluation can occur at various points of the policy cycle, such as during policy formulation (*ex ante* evaluation) and during implementation (*ex nunc* evaluation). This thesis focuses on *ex post* evaluation due to the subject matter’s now historical nature. *Ex post* means literally means ‘from after’ and is therefore based on actual historical results rather than forecasts. Summative, or *ex post* evaluation focuses on evaluating the outputs/outcomes<sup>46</sup> of a course of action after the course of action has been implemented, for example, following the end of a project or programme<sup>47</sup>.

Just like evaluation conducted at other stages of the policy cycle, there is no consensus as to an ‘ideal’ methodology. Some writers have argued, however, that evaluation carried out at this stage of the cycle has gained prominence because it is increasingly seen as part of the process of policy learning, i.e. actors involved in evaluation discovering the lessons about which policy instruments have ‘succeeded’ or ‘failed’ and in what circumstances, which have enjoyed public support, and an examination of the goals of programmes including the underlying assumptions that informed policy goals (Howlett & Ramesh, 2003). It has also been argued that *ex post* evaluation can also include a multiplist approach, i.e. because there is no ‘correct’ policy option or evaluation, we should seek to use multiple measures from several

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<sup>46</sup> Outputs are usually direct changes, e.g. achieving x GCSEs, while outcomes are considered to be broader effects, e.g. less time spent unemployed.

<sup>47</sup> Although effects are rarely immediate, evaluation should occur when it is expected that positive effects will be realised.

different approaches and methods (Cook, 1985). This seems plausible and seems to echo the Value for Money (VFM) Framework used by the National Audit Office and reflects a more business-oriented government<sup>48</sup>.

More recently, the move toward social experimentation (including comparative analysis with other countries acting as control groups) has been noted. This includes the use of meta-analysis, and Monte Carlo simulation in Cost Benefit Analysis<sup>49</sup> (Carlson, 2011). Meta-analysis is the arguably rigorous, systematic collection of all studies in an area that estimate the effects of a specific policy on a particular outcome. Evaluators then standardise the impact estimates (i.e. ensure that measures are in a similar format) presented in each study, and then systematically analysing the effect sizes<sup>50</sup> (Carlson, 2011). However, as this thesis argues, the definitions adopted and their underlying social and statistical conventions will carry through to any results, i.e. different interpretations of behaviour will generate different measures. For example, the desirability of female employment varies between Roman Catholic and Protestant countries and whether it is measured, how it is measured and the social policy aimed to promote will vary as a result.

### **3.2.4. Measures and indicators**

Evaluation methodology generally has a number of main approaches. These can include techniques which measure the costs of a policy in relation to benefits and utility, techniques which measure performance, and techniques which use experiments to evaluate policy and programmes (Parsons, 1995).

The use of target setting and evaluation in NPM tends to necessitate the use of 'measures' and 'indicators' of performance. However, across the literature there is no widely accepted definition and the two terms seem to be often used interchangeably. Measures often refer to quantitative variables, for example, in the area of education,

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<sup>48</sup> Recent shifts towards market-based forms of evaluation appear to focus less on the public good (perhaps even denying its existence) and instead assuming a liberal rational-choice basis to the development and thus evaluation of policy.

<sup>49</sup> Layard & Glaister (1994) *Cost Benefit Analysis* offers a useful and thorough discussion of the uses and limitations of Cost Benefit Analysis.

<sup>50</sup> Discussed at great depth in Lipsey & Wilson, 2001; Cooper, Hedges & Valentine, 2009.

the percentage of school leavers at a particular school achieving 5 GCSEs grades A\*-C. Indicators on the other hand appear broader and are instead suggestive of change that may be occurring, i.e. they are 'indicative' of what may be occurring. An example of this may be the qualitative responses from the employers who employ the same school leavers when asked about their work-readiness<sup>51</sup>.

It has been argued that performance measures provide an excellent proxy for profits as a measure of success when evaluating public sector outputs/outcomes (Jackson, 1998)<sup>52</sup>. However, Jackson clarifies that to work well, performance indicators (PIs) should ideally have nine characteristics. They should be consistent over time and between units, be comparing like with like, be clear and well defined, not be independent of the environment in which the decisions are made, be comprehensive and reflect important areas of concern, be limited to key areas of performance, be relevant to the specific needs and conditions of the organisation, and, be realistic in the targets they set (Jackson, 1988)<sup>53</sup>. It could be argued that indicators also offer the same utility to the public sector manager so long as the same nine requirements would also apply.

This thesis draws upon a range of measures and indicators including:

- Measures of economics growth;
- Percentage rates of unemployment (as measured by the Claimant Count);
- Percentage rates of Labour Force Survey unemployment;
- Percentage rates of unemployment vs targets;
- Percentage participation rates, inflows and outflows rates on the various New Deal programmes;
- Percentage rates of unemployment amongst key client groups, such as young people, those over 50, lone parents, etc. including inflows and outflows;
- Percentage rates of long-term unemployment (LTU), especially amongst key client groups;
- The costs of various welfare reforms including programme costs;
- Rates of Incapacity Benefit claims, including inflows and outflows;
- The percentage rates of claims of other benefits aimed at the working-age population, such as Tax Credits.

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<sup>51</sup> Assuming this is the objective of education.

<sup>52</sup> Assuming that market mechanisms happily transfer across from the private to the public sector.

<sup>53</sup> However, behaviour often changes in response to a requirement and/or definition is reframed to force a profile of improvement.

The methods of analysis of these measures and indicators is set out in the research design section later in this chapter.

### **3.2.5. Criticisms of evaluation**

Despite its prominence in informing current and future social policies, evaluation has been subject to a number of related and strong criticisms. These range from the misuse of evaluation to the validity and reliability of evaluation findings. These criticisms have important implications for this thesis and will be discussed in greater depths within Chapters 4 to 10.

#### **3.2.5.1. Lack of trust and demoralisation of professions**

It has been argued that far from pushing up standards within public services, evaluation of the ‘untrustworthy professions<sup>54</sup>’ has had the opposite effect by severely damaging morale (Power, 1997; Barton, 2008). While New Labour was in power it has been argued that they were attempting to colonise the professions and introduce organisational isomorphism through the use of audit and evaluation as tools to ensure the ‘right’ type of professional development takes place (Barton, 2008). There was also a demonstrable lack of trust in the public sector professions to self-regulate, and that explicit threats were made against professionals to ensure their acquiescence<sup>55</sup>. This, it was argued, will ultimately limit the vision, scope and confidence of the professions and that service users will suffer (*ibid*).

This presents a very strong argument that central control through evaluation processes can, in due course, damage the professions, and especially their ability to develop their professional knowledge and competences without being continually micro-managed or undermined. As others have rightly argued:

“From time to time it may be desirable for government to intervene and try to re-align the way a group of social professionals perform their services, on the grounds of national interest, such as cost to the public exchequer, or perceived future predicaments. But such intervention should be cautious and short-lived, for

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<sup>54</sup> i.e. teachers, Doctors, nurses, social workers, emergency services, etc.

<sup>55</sup> “If you are unwilling or unable to work the modern agenda, the government will have to look to other partners to take your role” (Blair, 1998. cited in Barton, 2008. p .5).

inevitably it distorts the ways in which the social professionals relate to those whom they seek to serve and weakens their capacity to make their own decisions” (Bassey, 2005. p. 7).

Bassey continued that intervention in education, and especially an obsession with target setting under New Labour, reached the point of restricting children’s development and was especially destructive for teacher morale.

The arguments advanced by Bassey (2005) and Barton (2008) are especially convincing. There is a reasonable expectation that members of any profession should be given a certain level of trust, independence and respect due to the training they have received and the hard-won experience they have gained. It is, therefore, interesting to compare the levels of audit and evaluation between professions such as teaching and nursing under New Labour with professions such as medicine and law<sup>56</sup> which were also commissioned to provide services at public expense. It can also be said that there are competing value structures underpinning the evaluation process following the introduction of NPM, i.e. market judgement versus a social judgement.

### **3.2.5.2. The symbolic use of evaluation**

In addition to the claimed motive of improving public service delivery, and linked to the social construction of meaning, it has been argued that evaluation has been used to fulfil a more symbolic role (White & De Charnatony, 2008). It has been claimed that the extensive use of evaluation formed part of New Labour’s re-branding and promotion of being seen as the party of ‘competence’, an explicit break from the image of ‘Old Labour’ (*ibid*). This symbolic use of policy making and evaluation appears well supported by other authors over a number of years. Harrop (1992), for instance, argues that the symbolic nature of policies should be considered; it may be that policy outcomes are best understood as involving ‘symbolic’ rather than purely ‘substantive’ outcomes. As Dye (1987) echoes regarding the use of symbolism more generally:

“Policies do more than effect change in societal conditions; they also hold people together and maintain an orderly state. For example, a government ‘war on poverty’ may not have any significant impact on the poor, but it reassures moral

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<sup>56</sup> Through Legal Aid.

persons, the affluent as well as the poor that government 'cares' about poverty." (p. 355).

A related criticism of evaluation is advanced by Hanberger (2001); evaluators must be aware that evaluation can be used 'strategically' to legitimise a certain course of action being advanced by politicians. A good way to be aware of this, Hanberger advises, is to pay attention to the rhetoric, as well as the views, goals and solutions presented in official documents used in public policy-making to see whether legitimacy<sup>57</sup> is being sought. Taylor & Balloch (2005) similarly claim: "Evaluation research should be understood as inherently political [...]. While most commentators recognise that evaluation operates within political constraints, we go further and suggest that evaluation itself is socially constructed and politically articulated," (p. 1).

Therefore, when researching for and writing this thesis, care has been taken to be aware and critical of the symbolic use of evaluation by others. Where assertions have been made, data has been sought to judge whether such claims are valid and justifiable. The motives of writers have been assessed wherever possible.

### **3.2.5.3. Establishing cause and effect**

A very strong and frequent criticism is that cause and effect cannot be adequately established between, for example, a government programme and its intended consequences<sup>58</sup>. This is especially so given the complex and multi-dimensional nature of modern society (Virtanen & Uusikyla, 2004). Virtanen & Uusikyla continue that a clear linear causal process between programmes and perceived effects cannot be established. We can, at best, argue that a programme interferes with a complex 'intervention field' whose reactions produce effects. This point is strongly supported by evidence from Walker (2001) who examined attempts to evaluate NDYP, NDLP, NDDP and Educational Maintenance Allowance (EMA). There was, according to Walker, extensive 'policy contamination and externalities' such as the introduction of the National Minimum Wage and Working Families Tax Credit which overlapped with the objectives of the aforementioned programmes. All of which were introduced within

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<sup>57</sup> i.e. Policy makers are trying to convince the electorate of the necessity of their decisions.

<sup>58</sup> Also known as the fallacy of *Post hoc ergo propter hoc* (after and therefore because of it). Just because two events occur concurrently, even if on a regular basis, it does not mean the two have or share a causal link.

a broader environment of increasing economic growth and falling unemployment. Walker argues that only through experimentation and formal impact analysis can effective evaluation take place. This did not occur under New Labour, leading to evaluation that was cumbersome, costly, inefficient, slow and scientifically ineffectual (Walker, 2001).

These are all strong criticisms but, as Bovens *et al* warn, “policy evaluation is an inherently normative act” (2006. p. 319). Therefore, any statistical analysis attempting to establish cause and effect between New Labour’s reforms and effects on the UK labour market will inevitably be tainted by the social and statistical conventions adopted by the evaluator. This thesis fully accepts this and that any conclusions reached will remain contested.

### **3.2.5.4. The poor use of evaluation**

Finally, it has been argued that evaluation has been poorly used by policy makers. Often previous evaluations have not been the starting point for new policy decisions (Weiss, 1999). According to Weiss, policy makers face the conflicting pressures of special interests, ideologies, excessive amounts of information and strict institutional constraints. Overall, Weiss is full of praise for evaluation: “it challenges old ideas, provides new perspectives and helps to re-order the policy agenda” (p. 468), but equally he warns, “evaluators will never take the politics out of policy making” and “[...] for evaluators to interpose their reading of the issues and their preferences into the system would re-ignite the old debate about the incompatibility of democracy and expertise” (p. 483)<sup>59</sup>. The sentiments of Weiss are echoed by Radnor & McGuire (2004) who argued that performance management (which includes evaluation) in the public sector was closer to fiction than fact. Evaluation has often had excessive focus on measurement and diagnosis with no room for interaction and ownership of the evaluation process by those within it (*ibid*, 2004).

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<sup>59</sup> Weiss appears to be appealing to evaluation as offering an objective view of the world. As this thesis argues, this is impossible. Evaluation is inherently political and driven by social and statistical conventions, moral expectations and interpretations of behaviour.

In light of these criticisms, this thesis exposes how evaluation interacts with policy processes to reshape both the ‘problem’ and its ‘solution’ driven by the underpinning social and statistical conventions of policy makers. This thesis seeks to make a contribution to policy learning for both academia and makers of social policy.

### **3.3. Research Design and Methodology**

Being mindful of the body of research, this thesis attempts to answer the research question: What were the effects of New Labour’s active labour market policy on rates of social dependency in the working age population during their time in office?<sup>60</sup>

To answer the research question, this thesis adopted predominately quantitative research methods. Quantitative data was collected to observe the statistical history and statistical effect of New Labour’s labour market reforms.

Given that economic/labour market statistics are the current way that New Labour’s record has typically been evaluated, this thesis explores the same social and administrative statistics from the time. This also made sense due to the now historic nature of the New Labour period in government. The remainder of this chapter lays out this research design.

#### **3.3.1. Data collection**

Secondary quantitative data was collected from various administrative data sets, including those held by the Office for National Statistics (ONS)<sup>61</sup>, The Department for Work and Pensions (DWP), Her Majesty’s Revenue and Customs (HMRC) and the Low Pay Commission (LPC). Many government departments collect data and feed this data directly to the ONS who compile the statistical returns and also provide summary analysis. For international comparison, the International Monetary Fund (IMF) and World Bank also collect appropriate datasets and these were accessed for this thesis. As most of the data used includes the entire UK population being studied, not just a sample, it can be said to be highly representative.

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<sup>60</sup> However, as this thesis will show, an important supplementary question emerges: Is it possible to evaluate the effect of New Labour’s labour market policy? Especially using social statistics where categories depend on social conventions.

<sup>61</sup> A number of government agencies feed their own data into the ONS.

Administrative data sourced from independent governmental organisations, such as the ONS, can be argued to have data which is standardised, has integrity and can be used with confidence. Data from the DWP and HMRC should also be regarded as being of equal quality and consistency as their statistical returns to the ONS must conform to their standards. Data collected from organisations such as, for example, outsourced providers of welfare-to-work programmes, will also be required to conform to ONS standards in their statistical returns. Some ONS datasets are, by their nature, averages of each month's measure of indicators/measures. It could be argued that this averaging creates only minimal loss of data.

The use of secondary data that is pre-anonymised and aggregated and already in the public domain negates the vast majority of ethical considerations that would have arisen through primary data collection.

Data was collected as early as possible in the research process. There was insufficient time to conduct primary research collection. In addition, primary research would also not have been appropriate given the historic nature of the topic being researched<sup>62</sup>.

When it came to the collection of qualitative data, a range of collection methods were considered, such as surveys of service users, interviews with Job Centre staff, and elite interviews with key New Labour policy makers to gain first-hand accounts of the development and implementation of New Labour's welfare reform agenda. However, these methods proved difficult to operationalise: Labour left office in May of 2010, only 7 months after this Doctoral project was started. Therefore, it no longer made sense to interview service users at the point this project reached the stage of data collection. Equally, when the Job Centre was approached, few staff remained who had worked there at the time of New Labour's due to high rates of staff-turnover. Finally, despite a number of approaches to the Labour Party, individual Labour MPs and the Department for Work and Pensions, no interviewees were willing to be interviewed. It

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<sup>62</sup> However, analysis conducted of secondary data was of an original nature.

has, therefore, been necessary to rely upon a systematic review of secondary qualitative data.

Qualitative data was collected from existing academic research, non-academic research and research reports conducted by the DWP, HMRC and LPC. Databases such as Google Scholar, Sage Journals, Wiley Journals and Oxford University Press Journals were searched between September 2009 and July 2016. Key search terms included “New Labour”, “Welfare reform”, “Active Labour Market Policy”, “New Deal”, “Tax Credits”, and “National Minimum Wage”. Initial literature searches allowed for the snowballing of related research to ensure that the systematic review as was comprehensive as possible.

### **3.3.2. Quantitative data analysis**

#### **3.3.2.1. Data preparation**

Data was downloaded in Excel format. Analysis was done in Excel 2013 which had been upgraded to include the ‘Analysis ToolPak’. No weighting is required as it is assumed that, for example, the measures of ‘unemployment’ were taken from entire UK Labour Force<sup>63</sup>.

To provide a *prima facie* analysis of the quantitative data collected a range of statistical tests were employed to test causality, and the strengths of causal relationships. Analysis included standard descriptive statistics such as percentages and proportions, rates and ratios, and where appropriate measures of central tendency (mean, mode and median) and measures of dispersion (range, inter-quartile range and standard deviation).

Tests of Correlation measure the strength of association between defined variables. In the case of a perfect positive correlation, a value of +1 would be calculated

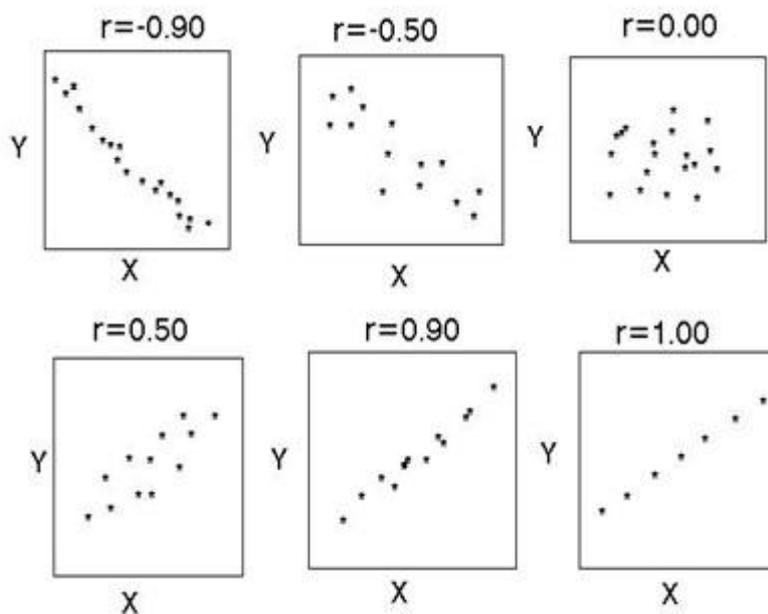
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<sup>63</sup> In this case this was defined by the ONS as those aged between 16 and 64 who are economically active, i.e. in work or seeking work. However, the label ‘economically active’ is replete with conventional assumptions/normative conventions of what is appropriate/expected behaviour. These categories change as the underpinning conventions change. For example, the abolition of the compulsory retirement age in 2011 has since changed who is to be counted by this category/definition.

demonstrating a perfect relationship between two variables, i.e. for every increase in X there is an equal increase in Y. A perfect negative correlation or inverse correlation would be a value of -1 and demonstrate a perfect inverse relationship between two variables, i.e. for every increase in X there is an equal decrease in Y. A positive or inverse correlation suggests causation between one variable and another.

Pearson's product moment correlation coefficient is the most commonly used test of correlation. The value of the correlation coefficient is called 'r'. For the purposes of this thesis this was calculated using Microsoft Excel. Figure 3.1 below shows graphically what various correlations look like.

**Figure 3.1: Examples of Pearson's product moment correlation coefficient**



Using the Pearson's product moment correlation coefficient, a hypothesis test can be carried out to determine whether, given the available data, the result is statistically significant. This hypothesis test is conducted using 4 steps:

**Step 1**

State the hypothesis and null hypothesis ( $H_0$  and  $H_1$ ).

**Step 2**

State the level of significance and critical value.

**Step 3**

Calculate the test statistic.

**Step 4**

Compare the test statistic to the critical value and conclusion.

**3.3.2.1.1. Time series decomposition**

Time series decomposition is the statistical process of deconstructing a time series into its notional components. Quarterly economic data is usually composed of:

T = the trend component, which reflects the long term progression of the time series

S = the seasonal component, called seasonal variation or deviation depending on how it is calculated

C = cyclical component, reflecting non-periodic fluctuations, explainable as the economic/business cycle.

R or I = Residual, error or irregular component, describes random or residuals after other components have been removed.

Time series decomposition can be usefully applied to labour market data, for example, to estimate to what extent there is seasonal unemployment or to estimate long-term trends.

**3.3.2.2. Qualitative data analysis**

Qualitative data analysis was done through a systematic review. A systematic review is defined as:

“A review of a clearly formulated question that uses systematic and explicit methods to identify, select and critically appraise relevant research, and to collect and analyse data from the studies that are included in the review,” (Cochrane Collaboration, 2014. cited in Siddaway, n.d. p. 1).

A systematic review, therefore, aims to identify, critically evaluate and integrate the findings of all relevant, high-quality individual studies within the field the study.

### 3.3.3. Research ethics

There were few potential ethical issues relating to the research conducted in this thesis. The secondary data used was already anonymised ensuring no potential harm<sup>64</sup> to the subjects of the research used. The majority of data and research used was also already in the public domain therefore requiring no informed consent from individuals or organisations. Where additional data was required, this was gained through Freedom of Information Requests and the due process that this entails. Given the anonymity of the data, *The Data Protection Act 1998* requirements for the processing of personal information did not apply. Care was taken to maintain copyright and all sources were referenced appropriately in accordance with academic convention.

Research stakeholders were considered as part of the ethical considerations of thesis. According to Kumar (2011) research stakeholders usually fall into three broad categories:

- The research participants or subjects. All those with direct or indirect involvement in a research study are considered research participants. This can include individuals, groups or communities;
- The researcher. Anyone who collects information for the purpose of understanding, consolidation, enhancement and development of professional knowledge, adhering to the accepted code of conduct is a researcher;
- The funding body. This provides funds for the specific research project.

According to Kumar, each category of stakeholders may have different interests, perspectives, purposes, aims and motivations that could affect the research activity. Because of the use of secondary data, there were no direct research participants who could be considered research stakeholders. As the researcher, I have conducted the research of this thesis alone, but recognise the importance of this thesis for my own career progression within academia. I do not foresee any conflict of interest emanating

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<sup>64</sup> Harm includes: “not only hazardous medical experiments but also any social research that might involve such things as discomfort, anxiety, harassment, invasion of privacy, or demeaning or dehumanizing procedures” (Bailey, 1978. p. 384. cited in Kumar, 2011. p. 245).

from this thesis. Research will be disseminated in accordance with University of Warwick regulations. I do not perceive any other conflicts of interest as I am employed by an organisation external to organisations that are the subject of this thesis, i.e. Labour Party, The Department for Work and Pensions, HMRC and the Low Pay Commission.

### **3.4. The structure of this thesis**

The next chapter, Chapter 4, outlines the UK Labour market in historical context. It looks at macro-economic statistical trends and also emerging issues in the UK labour market that New Labour inherited. These trends include de-industrialisation and the emergence of 'flexibility', phenomena which appear to have had a dramatic effect on the UK labour market and people's experience of it. Chapter 4 is a broad examination of the UK labour market once New Labour had entered office to establish the broad effect of New Labour's labour market policy from 1997 to 2010 using the methodology outlined in this chapter. It considers macro-economic statistical trends such as Claimant Count/ILO Unemployment, long-term unemployment, levels of economic activity/inactivity. These labour market measures/indicators are examined using the quantitative methodology outlined in this chapter against other macro-economic measures/indicators to clarify whether any causal link can be established as suggested by traditional economic theory. These measures and indicators are discussed with relation to their construction, the process by these categories are constructed and how they have changed over time.

Chapters 5 examines New Labour's active labour market policy (ALMP) aimed at the 'young people' client group<sup>65</sup>, specifically the New Deal for Young People (NDYP) and the New Deal for Musicians (NDfM). The category of 'young people' which underpins these and previous policies is discussed, especially how changes to out-of-work benefit conditionality has altered how many are counted by this category. The NDYP and NDfM receive quantitative and qualitative evaluation to examine their effect on the 'young people' client group and, perhaps most importantly, how the structure of these programmes alters how young people are categorised.

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<sup>65</sup> Defined by New Labour as those aged 18-24 years old.

Chapter 6 discusses New Labour's ALMP aimed at the long-term unemployed not included in either the NDYP or the New Deal for Over 50s (ND50+), specifically the New Deal for the Long-Term Unemployed (NDLTU) also known as the New Deal for 25 plus (ND25+). This programme is evaluated using quantitative and qualitative methods to determine what effect it had on this client group. The latter part of this chapter examines the short-lived successor to all New Deal programmes, the Flexible New Deal (FND). The FND was important in that it removed the artificial barriers between client groups and was aimed at all individuals categorised as long-term unemployed. However, its termination in 2011 prevented it having time to embed and begin to deliver cost-effective labour market activation.

Chapter 7 is aimed at two closely related client groups, the 'disabled' and those aged over 50. New Labour's ALMP aimed at these two groups included the New Deal for Disabled People (NDDP) and the New Deal for the 50 plus (ND50+). Of key importance in this chapter is how the definition of the category 'disabled' has been constructed over time, but changes to conditionality of/eligibility to benefits like Incapacity Benefit and its successor Employment & Support Allowance (ESA) have changed who is categorised as 'disabled'. Those aged over 50 are also closely linked to the 'disabled' group due to age-related illnesses, but also other forces encouraging changes to the category of 'disabled' to facilitate early-retirement. The effect of de-industrialisation on this process is also particularly important.

Chapter 8 explores New Labour's ALMP aimed at client groups who are defined by their family structure, specifically lone parents and their unemployed partners. New Labour's ALMP aimed at these groups included the New Deal for Lone Parents (NDLP) and the New Deal for Partners (NDP). Underpinning these two programmes were important moral judgements (social conventions) about the correct behaviour of lone parents and their unemployed partners. This chapter explores how these judgements also changed over the course of their time in office.

Chapter 9 examines New Labour's policies designed "To encourage work and reward effort" (Labour, 1997. p. 11). These include the National Minimum Wage (NMW) and the various Tax Credit programmes New Labour deployed as part of their ALMP and

anti-poverty strategies. As this chapter shows, the NMW and Tax Credit programmes, as part of New Labour's efforts to support labour market flexibility, can be linked to increasingly insecure employment and underemployment.

Chapter 10 summarises the key findings of this thesis, proposes conclusions and explores a range of policy implications.

## **CHAPTER 4 – The UK labour market under New Labour**

### **4.1. Introduction**

This chapter presents and examines UK labour market statistics before and during New Labour's time in power. This chapter argues that these statistics do not reflect social objects or an objective world, but instead reflect the social and statistical conventions adopted by policy makers to both evaluate and design social policy. However, given their use by policy makers it is still important to try and see the picture policy makers saw in these statistics.

### **4.2. Rates of 'Unemployment'**

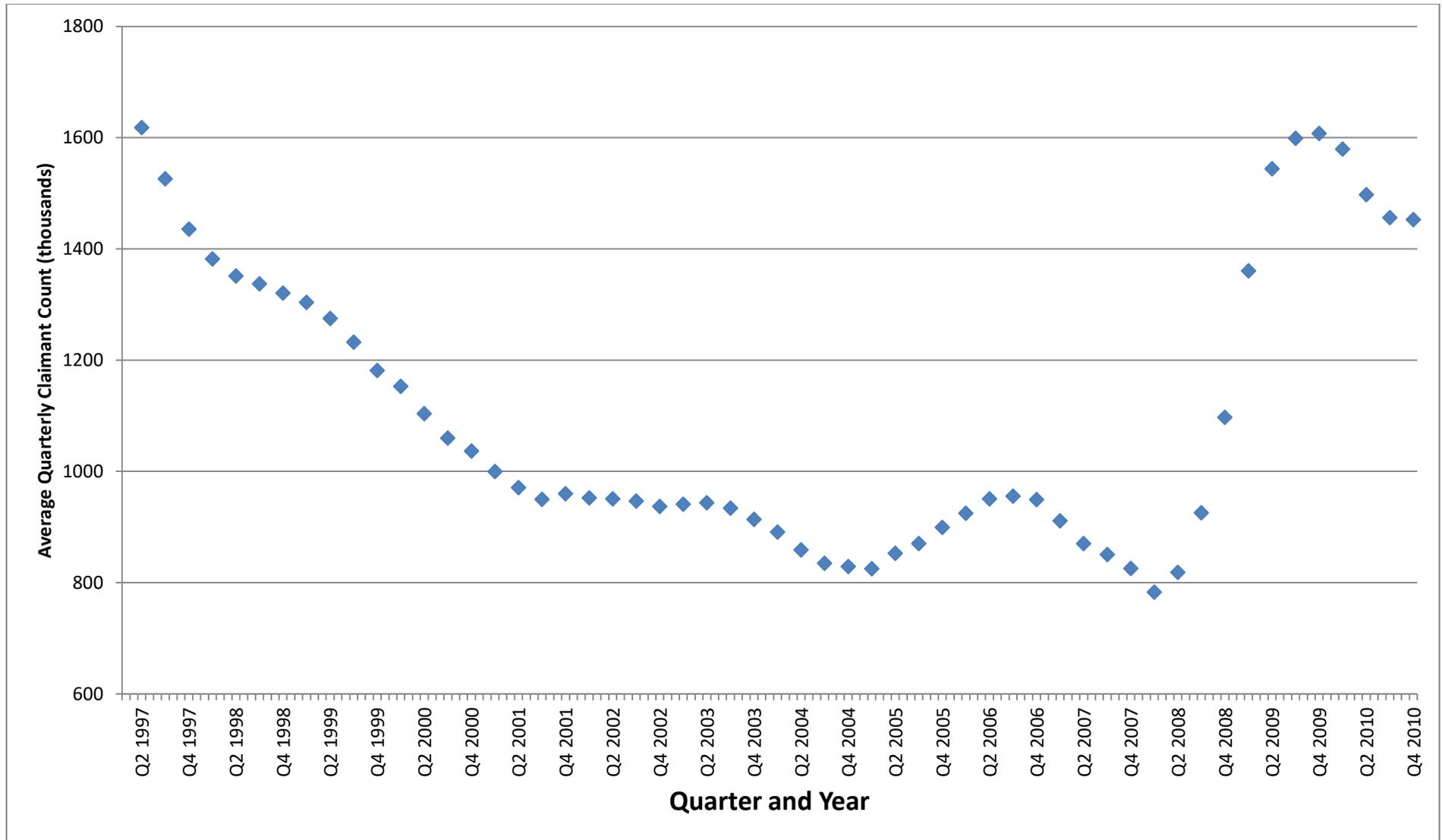
As was discussed in the previous chapter, 'unemployment' exists only as a social construct underpinned by a set of social and statistical conventions with associated moral judgements/expectations. New Labour continued the administrative definitions of unemployment they inherited in 1997. These include The Claimant Count and ILO Unemployment, and are discussed below.

The Claimant Count has been used as an indicator of labour market activity since the 1970's (DETINI, 2014; ONS, 2014). The Claimant Count differs from ILO Unemployment in that it counts those, and only those, individuals claiming the main unemployment-related benefits. Since October 1996 this has been the monthly number of people claiming Jobseeker's Allowance. This data is collected by the DWP through the Job Centre network and subsequently passed to the ONS for collation and further analysis. The existing academic literature suggests that New Labour continued the administrative definitions already in use by the Office for National Statistics (ONS) when they entered office in 1997. Graph 4.1 below shows the Claimant Count during New Labour's time in office. The graph indicates that from the date of New Labour's entering office in Q2 1997 the Claimant Count decreased with number of claimants falling from over 1.6 million to a low of 815,167 in Q1 2005, and a record low of 782,967 in Q1 2008 (ONS, 2014). However, the Claimant Count increases rapidly to a peak of 1.607 million in Q4 2009 following the 2007 Credit Crunch, ensuing financial crisis and recession.

Taken that individuals are only included in the Claimant Count when they claim JSA, the issue of recycling is also important. This is where individuals leave JSA to enter short-term and/or insecure work<sup>66</sup> only to be ejected from employment again. The job was temporary and they lacked the skills/qualifications/experience/attitude to maintain employment (Carpenter, 2006; Hill, 2012). Carpenter found many individuals who would cease to be counted by the Claimant Count, but never found well-paid and/or full-time positions which would allow them to escape financial insecurity. This issue is discussed further in Chapter 9.

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<sup>66</sup> And/training schemes.



**Graph 4.1: Quarterly Claimant Count (Thousands)**

Source: ONS (2014)

However, as a measure of individuals without work it could be argued that the Claimant Count is not a measure of unemployment at all, but an example of categorical data. As was discussed in the previous chapter, a category is defined by certain conventions of quantification which are underpinned by social convention and moral expectations<sup>67</sup>. It can be argued, therefore, that the Claimant Count was conceived to focus on what was felt to be important to policy makers, i.e. the number of individuals in receipt of Job Seeker's Allowance. It does not directly 'count' an individual's relation to work, but counts an individual's relation to claiming welfare benefits<sup>68</sup>.

There are other important boundaries to the Claimant Count category. For instance, it does not include those ineligible, unable or unwilling to claim unemployment-related benefits, even though they may be out of work<sup>69</sup>. Examples may be recent immigrants, individuals who have not made sufficient National Insurance Contributions (NICs) and individuals living off savings while out of work. These are groups who are potentially at the precarious margins of the UK labour market and are yet not recognised as unemployed when out of work, and may be not able to claim sufficient out-of-work benefits to survive. Changes to eligibility/conditionality can also dramatically change who can claim, and therefore be counted by the Claimant Count. Such changes in conditionality can, therefore, radically alter the statistical outcome over time, undermining any claim that the Claimant Count accurately reflects labour market conditions.

It could also be argued that the Claimant Count has moral judgements interwoven with social conventions; moral judgements reinforced since before the 1834 Poor Law. JSA equally draws a sharp distinction between those who are categorised as the 'deserving' and the 'undeserving' poor. This can be seen in the eligibility requirement that claimants of JSA must be actively seeking work, which was policed through the monitoring of job search activity. As outlined in the 1997 Labour Party Manifesto, there is a clear expectation that those who are capable of work should actively seek it as

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<sup>67</sup> i.e. What is felt to be the appropriate behaviour of those who do not work

<sup>68</sup> The key 'social problem' appears to be that the individual is a claiming welfare rather than, more directly, their lack of work.

<sup>69</sup> There is also a strong gender difference in who is counted in the Claimant Count. Women, and especially female lone-parents, have different benefit eligibility and therefore may be without work, actively seeking work, but living off other out-of-work benefits like Income Support and Housing Benefit. This is discussed further in Chapter 8.

part of their labour market activation<sup>70</sup> (Labour, 1997). Conversely, the ‘deserving poor’ were individuals who were in need of welfare support, but had been judged by policy makers as worthy of financial support without the same expectation of finding and staying in work. For instance, lone parents with children below a certain age<sup>71</sup> were eligible for Income Support (IS) while the long-term sick and/or disabled were eligible for Incapacity Benefit (IB).

It seems clear that, rather than questioning the social and statistical conventions and the moral judgements inherited from the preceding Conservative government<sup>72</sup>, New Labour adopted them wholeheartedly, maintained them, and in some cases tightened conditionality over the course of their time in office.

An alternative claimed measure of ‘unemployment’ used by New Labour was that collected through the Labour Force Survey (LFS)<sup>73</sup>, and often referred to as *ILO Unemployment*. The LFS asked individuals within the sample if they feel that they meet the ILO internationally agreed definition of the unemployed. The survey defined the unemployed as:

- Being without a job, and have actively sought work in the last four weeks and are available to start work in the next two weeks; or,
- Being out of work, have found a job and are waiting to start it in the next two weeks (ONS, 2014).

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<sup>70</sup> Explained in Chapter 1.

<sup>71</sup> As discussed in Chapter 9, this age changed over time reflecting increasing obligations placed on lone parents. Once the child reached the age set by policy makers the expectations placed on lone-parents changed and they were expected to actively seek work and gain some form of employment. Poorly paid and/or part-time employment was then subsidised through the tax credits system.

<sup>72</sup> Given claims that the Third Way was a radical departure from Neo Liberalism it would have been expected that New Labour would have challenged these moral judgements and conventions.

<sup>73</sup> The Labour Force Survey (LFS) is the main source for information on the labour market in the UK. It is a survey of a nationally representative sample (selected at random) of approximately 120,000 people aged 16 and over in around 53,000 households. Each household is interviewed five times, at three monthly intervals by the Office for National Statistics. The survey covers people resident in private households, National Health Service (NHS) accommodation and student halls of residence. It does not cover any other communal establishments. LFS interviews are conducted continuously throughout the year (ONS, 2014).

Using the LFS participant responses, the ONS calculated the unemployment rate by dividing the unemployment level<sup>74</sup> for those aged 16 and over by the total number of economically active people aged 16 to 64<sup>75</sup>. This age bracket has since had its upper age limit removed with the abolition of the compulsory retirement age.

ILO Unemployment, although potentially more inclusive than the Claimant Count, still reflects a statistical construct underpinned by particular social conventions. Firstly, the LFS is based on sample data. Although it is claimed that is a randomly selected representative sample, it is not explicit in ONS literature how this claim is supported. How does the ONS know that it is truly representative of the population as a whole? The ONS also does not explain from what database they draw the random sample or how randomisation takes place. Population data drawn from Census data, for example, can be up to ten years out of date. The electoral roll and National Insurance database also suffer time delay issues and problems in defining the population when faced with immigration, births and deaths. It is always in a state of flux. The very idea of 'a population' from which a sample is drawn can be therefore only notional.

The ILO definition itself is also vague. What does it mean to have 'actively' sought work? Would a cursory glance in the jobs page of a newspaper suffice or does one have to have applied for positions? Also, why four weeks and two weeks? Are these time periods of specific importance or just arbitrary? None of this is made explicit by the ONS. To calculate the unemployment rate, the ONS divides the number of ILO Unemployed by the total number of economically active people aged 16 and over. However, how is 'economically active' defined? Equally what would constitute 'economically inactive'? Again, these supposedly objective social measures are vague, and apparently arbitrary. Perhaps most importantly is what about individuals who do work of social importance such as caring for children or elderly/disabled relatives but who are not in paid employment? This 'measure' therefore excludes a large proportion of the labour force who are physically capable of paid work but are engaged in other, arguably socially important, activities.

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<sup>74</sup> The number of individuals who met the definition of 'unemployed'.

<sup>75</sup> Economically active is defined as those who meet the definition of being in employment plus those who meet the definition of being unemployed (ONS, 2014).

Therefore, it could be argued that this definition was potentially politically helpful for New Labour. 'Unemployment' thus defined would be 'counted' lower than it could otherwise have been. This low figure could be reported positively in the media, and those excluded from the definition could be effectively ignored by policy makers. Those individuals not in work were therefore no longer a 'social problem'<sup>76</sup>.

'Long-term unemployment' (LTU) was defined by the OECD as individuals who had been on the Claimant Count as unemployed for 12 months or longer (2007; 2013<sup>77</sup>). Policy makers focus on LTU because once individuals become detached from the labour market for any length of time their ability to re-enter employment decreases. Graph 4.2 below shows the annualised Claimant Count alongside rates of long-term unemployment between the years 1997 and 2010. In a similar way to Graph 4.1., the Claimant Count appears to have been declining when New Labour came to power in 1997. The graph also shows long-term unemployment as a percentage of the Claimant Count declined until reaching its lowest level in 2004. Here LTU is expressed as a percentage of the Claimant Count. Therefore, it indirectly reflects the same statistical and social conventions, and the results demonstrate an individual's relationship to benefits rather than paid work.

Traditional economic theory would suggest that during a tight labour market<sup>78</sup> firms would have had no option but to hire the LTU, who they may normally have avoided. It could therefore be argued that New Labour's ALMP created churn by pushing the LTU and others onto the labour market<sup>79</sup>. This included encouraging short-term and other forms of flexible employment. Coming off JSA for just a day would re-set the clock and existing long-term claimants would not be counted as LTU for another 12 months<sup>80</sup>. As will be seen later in Chapter 5, some of the New Deal programmes had

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<sup>76</sup> As was also noted in Chapter 2, the Literature Review, there has been a tendency for some writers to take both the Claimant Count and ILO Unemployment at face value with little regard for the issues raised in this or the previous chapter.

<sup>77</sup> Although the category appears to have first emerged in 1988 (OECD, 1988).

<sup>78</sup> Where there is a limited number of workers to fill available vacancies. However, the lowest number of unemployed people per vacancy was in Q3 2004-Q1 2005 when it reached 2.2 unemployed people per vacancy (ONS, 2012b).

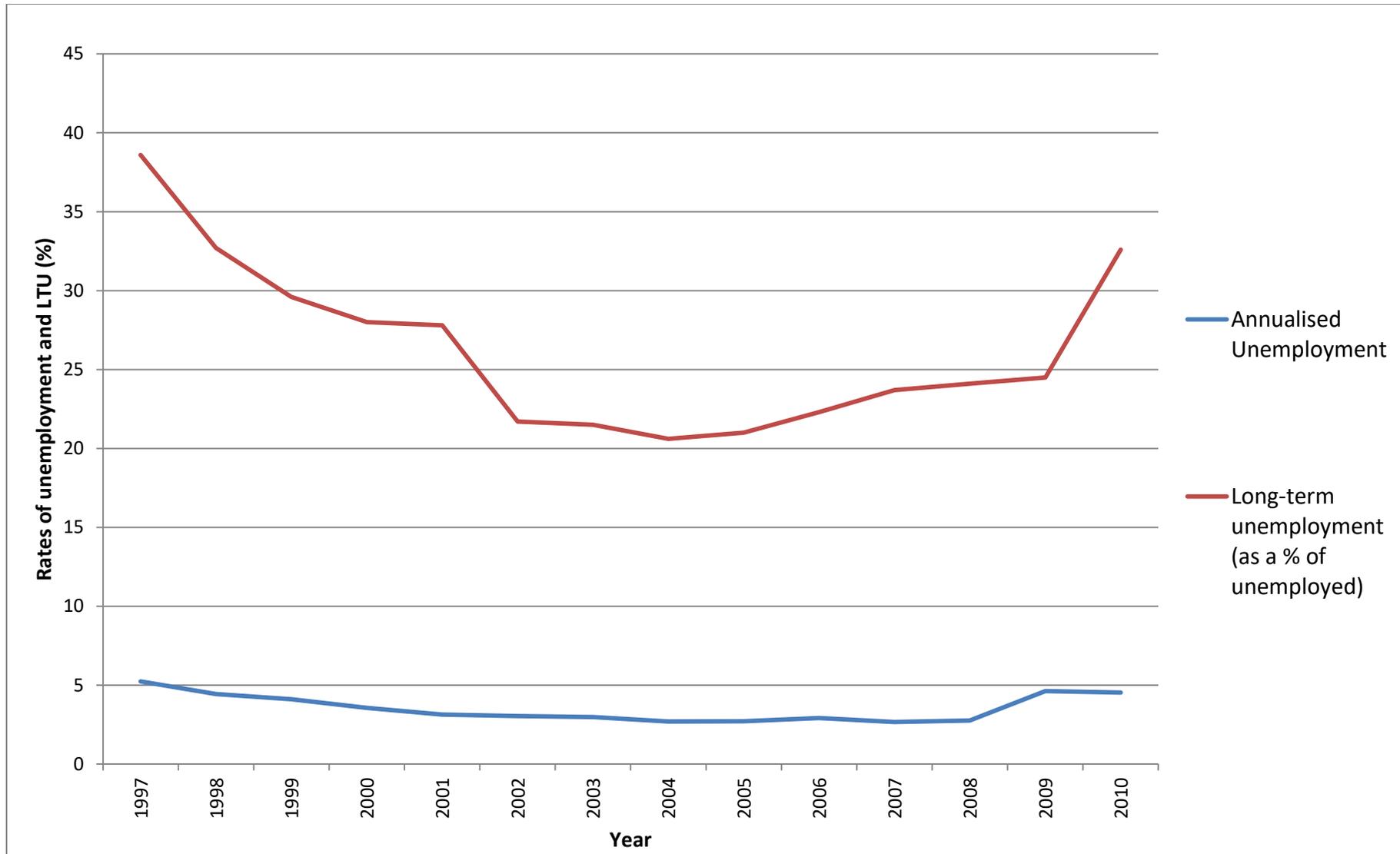
<sup>79</sup> It has also been argued that Tax Credits, a key component of ALMP, represented a subsidy to firms (McLaughlin, Trewhdale & McCay, 2001).

<sup>80</sup> As will be discussed in Chapter 5, this re-categorisation occurred with the NDYP. The structure of the NDYP dramatically reduced the number of young people counted as LTU as they were placed

a dramatically distorting effect on long-term unemployment statistics. The mandatory New Deal for Young People, for example, made it effectively impossible for young people to be 'counted' as long-term unemployed.

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onto the NDYP after being unemployed for 6 months, thus taking them off the Claimant Count, and re-setting the clock when they returned to JSA after the NDYP.



**Graph 4.2: Rates of unemployment and long-term unemployment in the United Kingdom 1997-2010**

Sources: ONS. (2011). *Claimant Count*. ONS. (2012). *CLA02: Claimant Count by age and duration*.

### 4.3. ILO Employment

The category of those counted as ‘employed’, like those counted as ‘unemployed’, is underpinned by particular social and statistical conventions. The ONS LFS classification includes persons over 16 years old who were in employment during a defined period, i.e. a week. Individuals were “at work” during the reference period when they performed “some work” for wage or salary, in cash or in kind (ONS, 2006). The LFS definition was so broad, in fact, that the question asked of recipients is if they did “any paid work in the 7 days ending Sunday the [date<sup>81</sup>] either as an employee or as self-employed” (ONS, 2007. p. 22). What this means in practice is that because the definition included “any work”, the LFS would count the largest number of individuals possible as being ‘in employment’<sup>82</sup>. This is in contrast to the ILO Unemployment ‘measure’ whose exclusive conditionality minimises the number who could be counted as ILO Unemployed. This combination of minimising those counted as unemployed and maximising those counted as employed would have been incredibly helpful politically. However, it does not appear to have been done for political reasons. Instead, this combination is a consequence of the judgements made by those who constructed these statistical objects: that individuals without paid work should be available for and actively seeking it, and that some work, indeed ‘any work’, is better than nothing. Thus, the definition appears to be deliberately defined in such a way as to include all possible forms of work, including part-time and temporary employment (i.e. precarious forms of employment).

Graph 4.3 below shows recorded rates of ILO Unemployment and Employment rates from 1997 to 2010. Interestingly, when a test of Pearson’s correlation coefficient test is carried out there is a statistically significant -0.89 (2.d.p) correlation between ILO Unemployment and Employment rates. What this means is that, when there is an observed statistical decline in ILO Unemployment, most, but not all of this decline can

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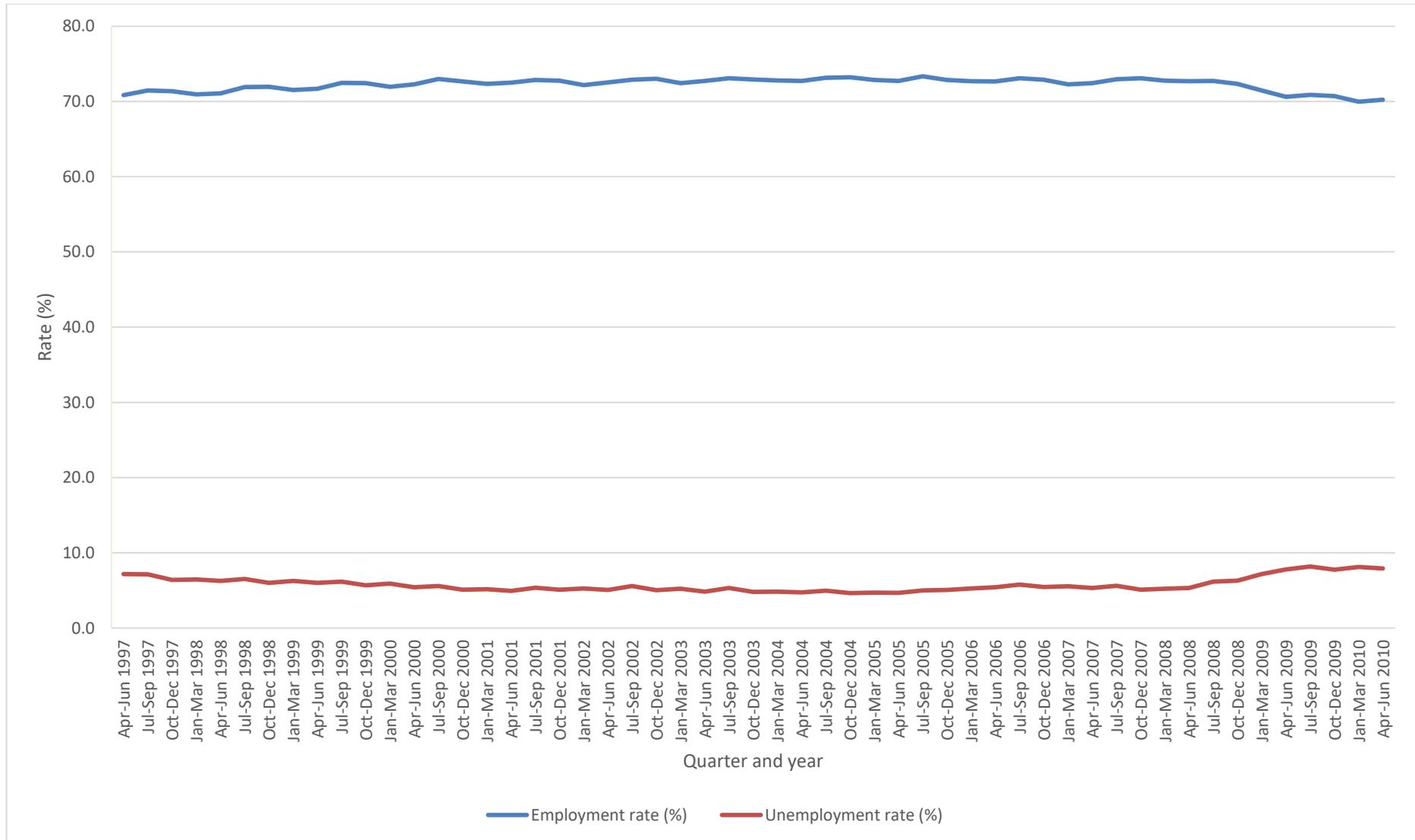
<sup>81</sup> The reference period.

<sup>82</sup> Just a single hour of work per week would be counted as ‘employment’. Therefore, in the context of a ‘flexible’ labour market where there is potentially no stability to the amount of work some individuals will have each week the statistical definition is broad and unstable. It can be argued that this is jarring to what the average lay person would perhaps have as their conventional understanding of what is meant by being “employed”.

be associated with an increase in ILO Employment rates<sup>83</sup>. As Chapter 5 and later chapters will demonstrate, the way individuals are categorised, counted and treated depends on any number of factors, e.g. age, gender (family structure), closeness to retirement age, and so on.

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<sup>83</sup> There was a larger decrease in the rates of unemployment than increases in the rates of employment. However, as this chapter is demonstrating, this is simply an interaction of statistical constructs rather than a representation of an objective labour market reality.



**Graph 4.3: ILO Employment and Unemployment, 1997-2010**

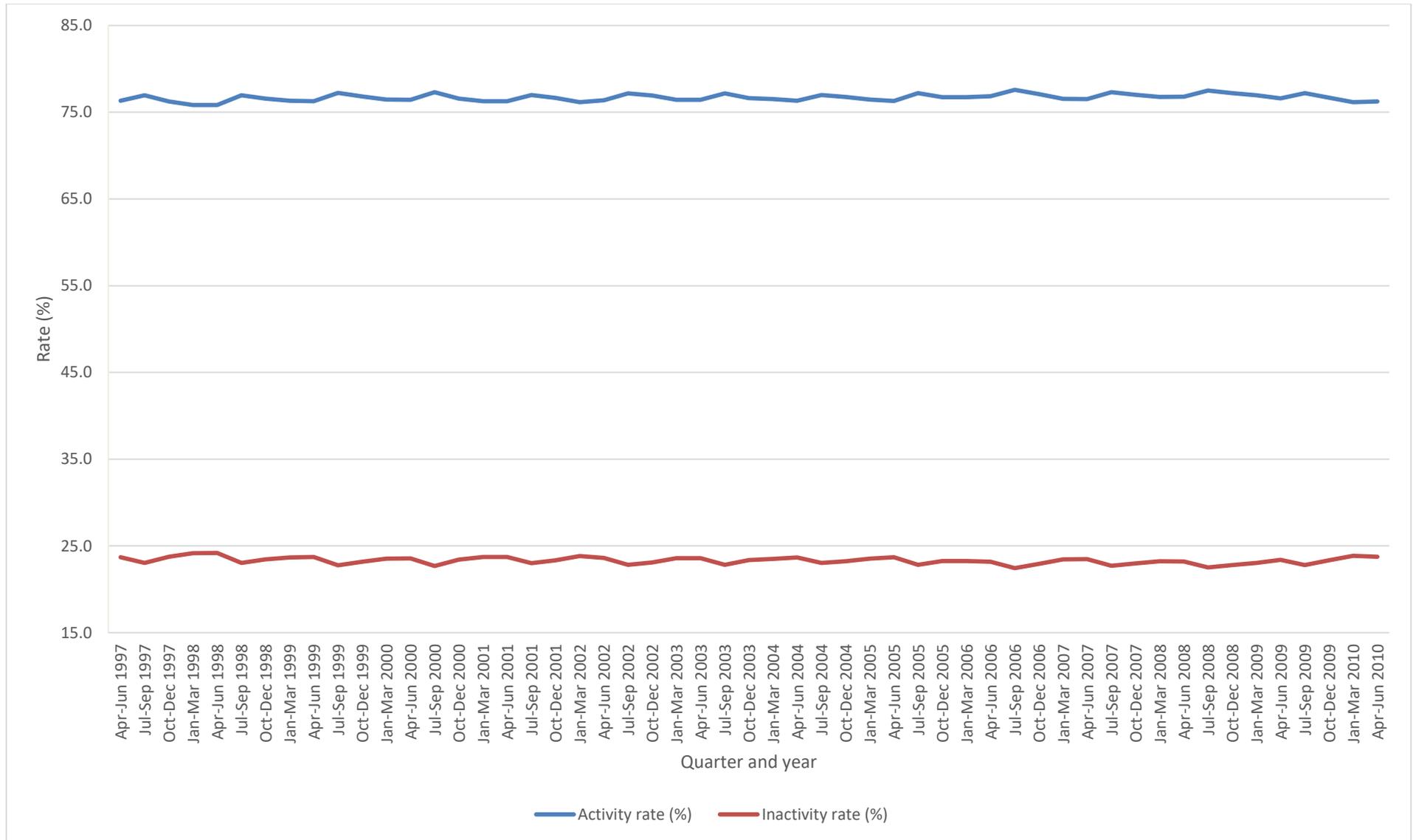
Sources: ONS. (2011).

#### **4.4. Labour force participation (Rates of economic activity and inactivity)**

Rates of 'economic activity' and 'inactivity' were used as measures of labour force participation during New Labour's time in office. To be counted as economically active, an individual must be counted as in ILO Employment or Unemployed (but actively seeking work) (ONS, 2007). To be counted as economically inactive, an individual must be neither in ILO Employment nor Unemployed (and therefore not actively seeking work).

In stark contrast to rates of ILO Employment and Unemployment between 1997 and 2010, there was remarkable stability in rates of those counted as active or inactive. As can be seen in Graph 4.4. below, the activity rate was 76.3% in Q2 1997 and again 76.3% in Q2 2010. The maximum was 77.6% in Q4 2001 and the minimum was 75.8% in Q1 and Q2 1998. Given the binary nature of economic activity/inactivity definitions it is no surprise that there is a perfect negative correlation between the categories, i.e. a 1% decrease in economic activity occurs at the same time as a 1% increase in economic activity.

If rates of economic activity was the indicator adopted to evaluate New Labour's record of labour market activation, then it could be argued that New Labour failed in their attempts to increase labour market participation overall. Labour activity/inactivity by gender is discussed in Chapter 8.



**Graph 4.4: Rates of activity versus inactivity for those aged 16-64 years old: 1997-2010**

## 4.5. The Importance of Economic Growth

A positivist and *prima facie* analysis of the Claimant Count would lead us to conclude that New Labour's labour market policy had a positive impact on the Claimant Count: reducing it to historically low levels, only to be reversed by the Anglo-American financial crisis. Indeed, the 'success' of New Labour's labour market reforms (such as the introduction of the National Minimum Wage, the New Deal programmes and Tax Credits) in reducing 'unemployment' has been a popular narrative in existing literature (Toynbee & Walker, 2005; Giddens, 2007; Powell, 2008). Notwithstanding the socially constructed nature of these statistics, the allegedly self-evident causal relationship is not as clear cut as has been portrayed and has not convinced the present author.

For example, the Claimant Count had peaked at 10.3% in Q1 1993 and begun to decrease over four years before New Labour entered power. The Claimant Count reached a low of 2.3% in Q4 in 2007. The causal relationship suggested by Toynbee & Walker (2005), Giddens (2007) and Powell (2008)<sup>84</sup> appears fallacious. It felt, therefore, necessary to understand the impact other factors may have had upon the Claimant Count.

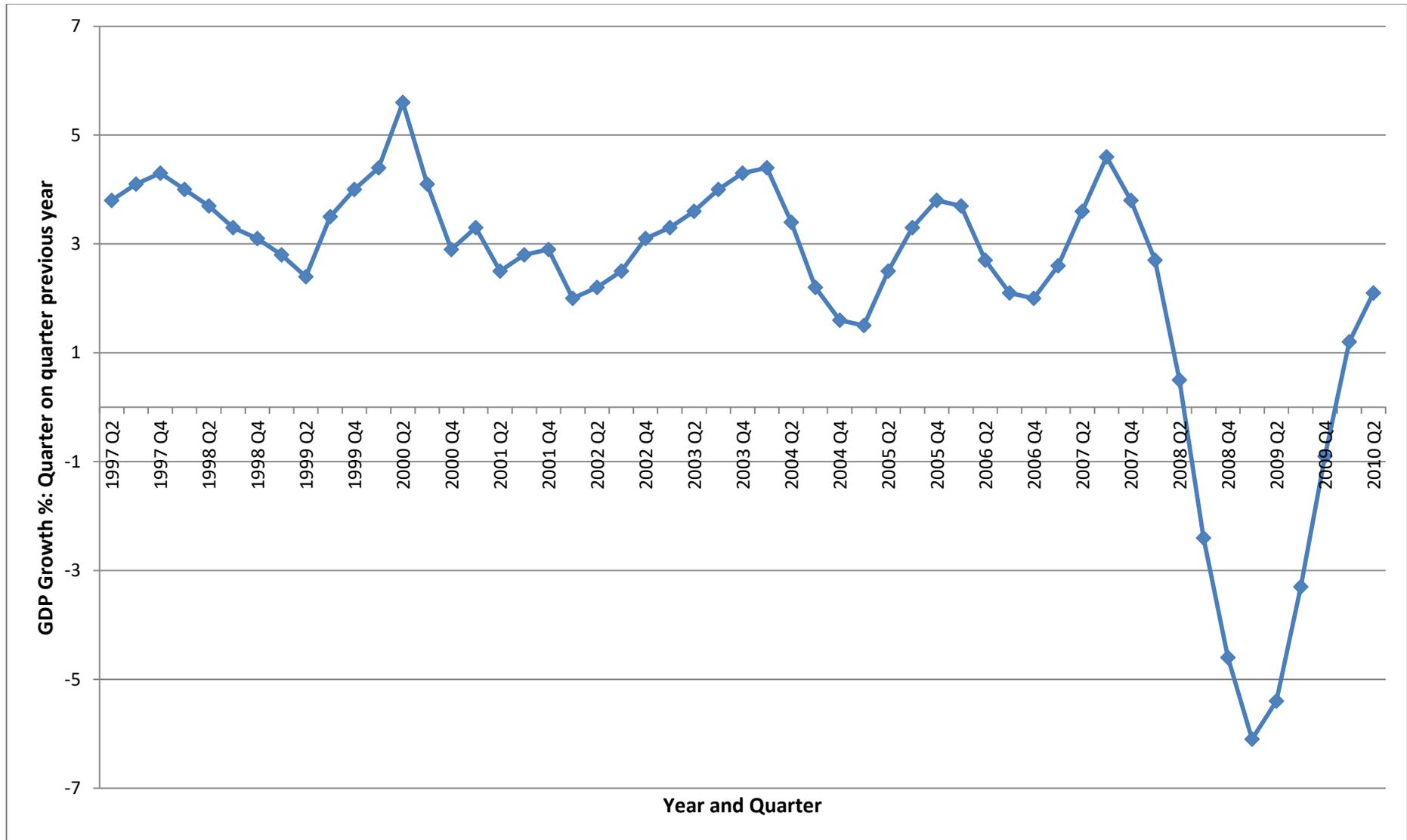
After collecting and reviewing GDP data from 1990 onwards, it was immediately noticed that between Q1 1991 and Q1 2008 the UK economy experienced positive and mostly sustained GDP growth: This growth was especially strong from Q2 1993 to Q1 2001<sup>85</sup> and GDP growth averaged 3.62% during this period<sup>86</sup>. There was a slowdown in growth around the late 1990s as can be seen in Graph 4.5. The impact, however, was only limited with growth slowing to a low of 2% in Q1 2002. Growth appears to have soon recovered, reaching peaks of 4.4% in Q1 2004 and 3.8% in Q4 2005 and 4.6% in Q3 2007. Therefore, between Labour assuming office and the credit crunch, GDP growth in the UK averaged 3.12%.

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<sup>84</sup> Discussed in Chapter 2, the Literature Review.

<sup>85</sup> Traditional economic theory may explain this as an economic recovery following the recession of the early 1990s when Britain was pushed out of the Exchange Rate Mechanism.

<sup>86</sup> As measured by Gross Domestic Product: Quarter on Quarter previous year (ONS, 2012).



**Graph 4.5: Gross Domestic Product Growth: Quarter on quarter previous year**

Source: ONS (2012)

Therefore, data suggests a statistical relationship between economic growth variables, such as the GDP growth rate, and a decreasing Claimant Count rate. This suggests a causal relationship where strong economic growth draws/supports unemployed individuals into employment (or at least off Job Seeker's Allowance). This would suggest that Claimant Count Unemployment from the 1990s to the 2000s was largely cyclical unemployment rather than structural<sup>87</sup>. These possible relationships therefore raise the question to what extent could decreases in unemployment be better explained by the strong economic growth during the same period? Does the causal link go both ways?

An examination of relevant economic theory found that *Okun's Law* may explain the observed relationship. Okun's law is the often empirically observed inverse relationship between a country's GDP or GNP and rate of unemployment. In his original study, Okun (1962) found that in the US between the Q2 1947 and Q4 1960 for every extra 1% of GNP, unemployment was 0.3% lower. He found a very strong linear relationship ( $r = 0.79$ ) with few remaining residuals<sup>88</sup>. This relationship has been found in many countries, although with slightly different figures.

A simplified version of Okun's statistical model was developed for this thesis to see whether a relationship exists between UK GDP growth during New Labour's time in office, and whether this relation was statistically significant. The model measured the Pearson product-moment correlation coefficient between quarterly changes in GDP and quarterly changes in unemployment<sup>89</sup>. Data from Q2 1997 to Q1 2008 was used to construct the model.

A strong relationship (an  $r$  value approaching -1) would suggest that other factors, such as welfare-to-work programmes, had little effect or were possibly even

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<sup>87</sup> Cyclical, or "demand-deficient" unemployment can be defined as "Unemployment that occurs because aggregate desired expenditure is insufficient to purchase all the output of a fully employed labour force" (Lipsey & Chrystal, 2007. p. 638). Structural unemployment can be defined as "Unemployment that exists because of a mismatch between the characteristics of the unemployed and the characteristics of the available jobs in terms of region, occupation, or industry" (Lipsey & Chrystal, 2007. p. 650).

<sup>88</sup> i.e. there were other variables at play, but growth had the strongest impact on reductions in unemployment.

<sup>89</sup> Interestingly there is no discussion in Okun (1962) of a time lag. Simply that in quarters of strong growth, unemployment fell.

inconsequential for rates of unemployment. A weak relationship (an  $r$  value close to 0) on the other hand would suggest that other factors, such as welfare-to-work programmes or other external macro-economic factors, were more important.

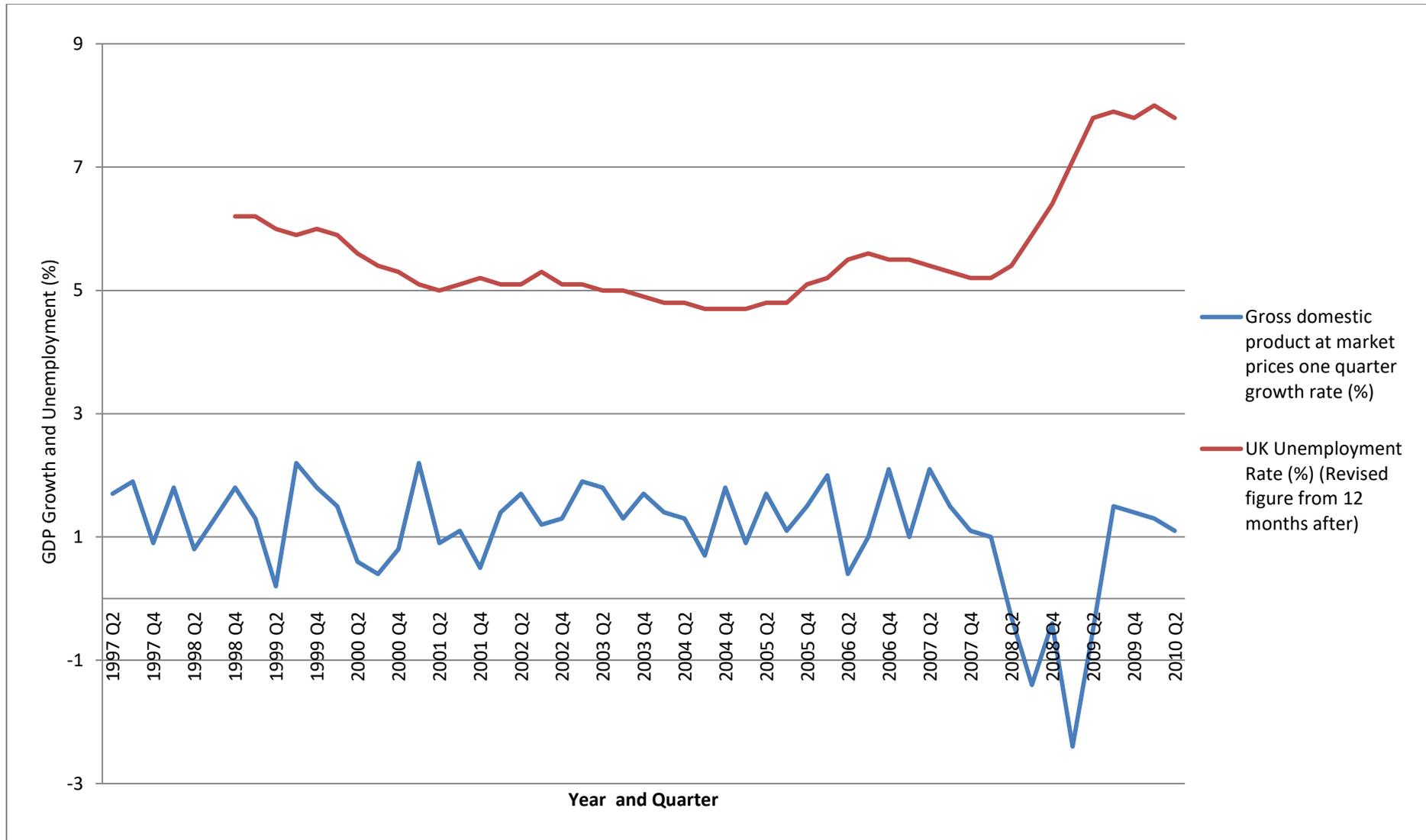
Using this model, a statistically significant value of  $r = -0.502$  was estimated for this time period. The results found may therefore 'explain' 50% of observations in terms of Okun's law. This result is very much in line with other estimates summarised below:

**Table 4.1: Other estimates of Okun's Coefficient in the UK**

Study	Okun's Coefficient Estimate ( $r$ ) for UK*	Years
Moosa (1997)	<b>-0.37</b>	1960-1995
Sogner L. and A. Stiasny (2000)	<b>-0.58</b>	1960-1999
Lee (2000)	<b>-0.72</b>	1955-1996
Candelon B. and A. W. Hecq (1998)	<b>-0.26</b>	1960-1994
Perman R. and Ch. Tavera (2004)	<b>0.64</b>	1970-2002
Perman R. and Ch. Tavera (2004)	<b>-0.24</b>	1970-2002
Schnabel (2002)	<b>-0.50</b>	1963-2000
Schnabel (2002)	<b>-0.75</b>	1991-2000

\*Various methodologies and data frequencies  
Source: Petkov, B. (2008).

When attempts were made to include Q2 2008-Q2 2010 in the model, the relationship broke down completely suggesting strong external macro-economic shocks to the UK economy. This could possibly be explained by the concurrent Anglo-American financial crisis. It may, however, have been the case that the relationship between GDP and unemployment continued to occur, but due to the unprecedented events of the financial crisis, Okun's law temporarily broke down. Therefore, it could be inferred from the statistical evidence that other factors besides GDP/output were influential upon rates of unemployment. The result being large drops in both GDP growth were followed (with around a two quarter time lag) by large increases in unemployment as can be seen in Graph 4.6 below.



**Graph 4.6: Unemployment and GDP growth (Q2 1997-Q2 2010), quarterly rate (%)**

Sources: ONS (2012). *CLA02. Claimant Count by age and duration*. ONS (2012). *Quarterly National Accounts*. Q2 2012.

When a more simple test for correlation between the UK unemployment rate and quarterly GDP growth rate was conducted, a value of  $r = -0.29$  (2.d.p.) was returned, again suggesting a weak, but statistically significant, relationship between the two economic variables.

The results in this section suggests that economic growth may have had an effect in reducing unemployment during New Labour's time in office, possibly explaining up to 50% of all reductions in unemployment. The results, however, are not conclusive, i.e. they do not explain *all* reductions in 'unemployment', nor is the direction of causality clear: i.e. did growth reduce unemployment or did Active Labour Market Policy (ALMP) help to provide cheap labour which supported economic growth. This means there is still scope for New Labour's labour market policy to have had an impact on measures of labour market activity such as the Claimant Count. Further analysis follows to establish greater clarity as to this impact.

#### **4.5.1. Calculating Cyclical Employment: Time Series Decomposition**

Another approach to try and calculate the relative importance of various factors on the Claimant Count is to use time series decomposition.

Time series decomposition involves separating observed values into their several components:

- Trend component (T)
- Seasonality (S)
- Cyclical behaviour (C)
- Randomness/Residual (R)

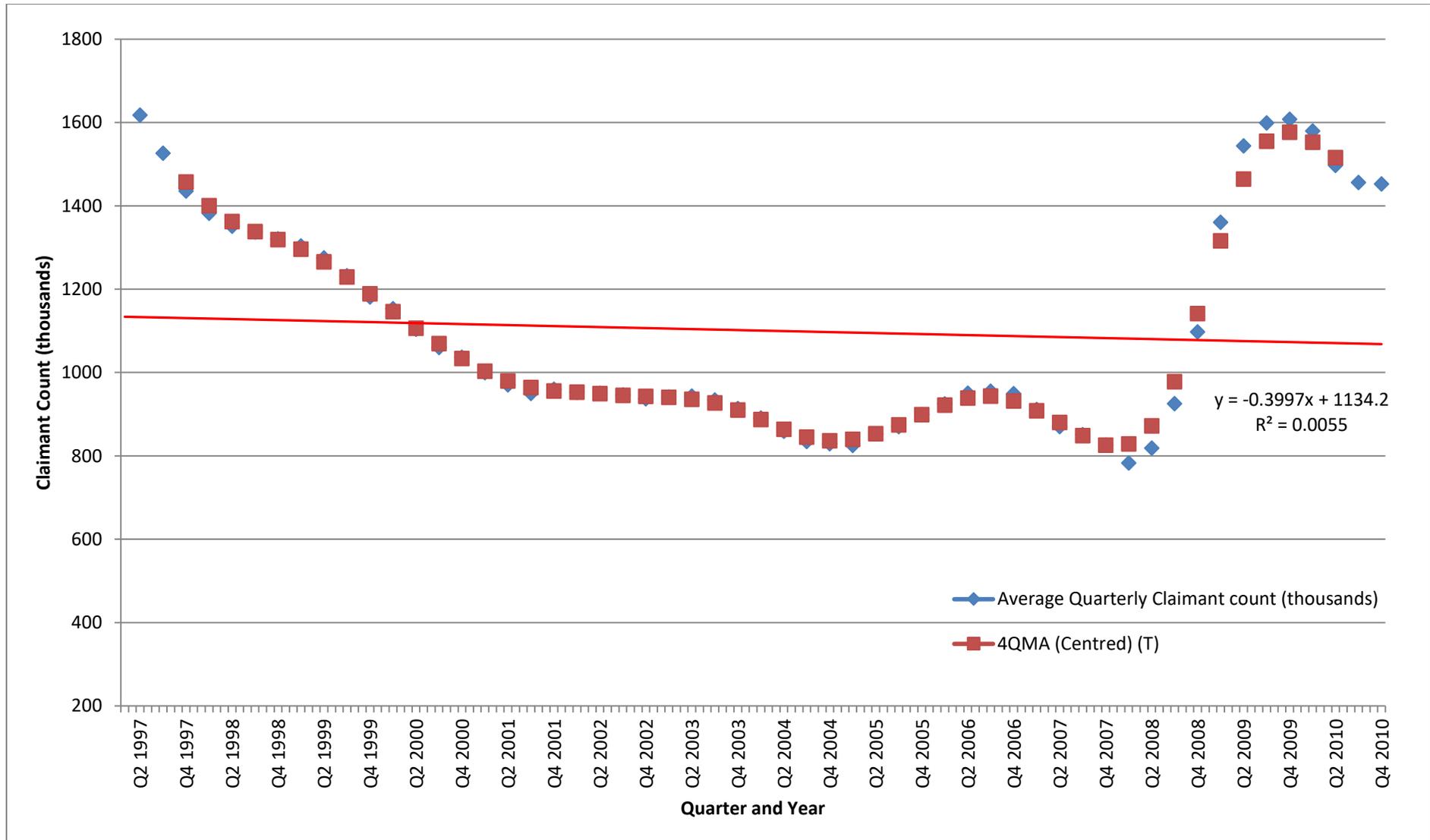
Two models are most commonly used. The Additive model represents seasonal swings as constant differences from the trend. The Multiplicative model represents seasonal swings as a constant percentage of the trend. The equations for both are:

Additive model:  $Y = T + S + C + R$

Multiplicative model:  $Y = T \times S \times C \times R$

An MS Excel model was developed to examine the Claimant Count and calculate each component using both models. However, as Oakshott warns, “The cyclic component can only be isolated when values of the variable  $Y$  are available over many years (at least 20), which is rare” (2012. p. 343). It was, therefore, only possible to calculate a combined value of the cyclic and residual components of the time series.

#### **4.5.1.1. Results of time series decomposition**



**Graph 4.7: Claimant Count Decomposition**

Notes: 4QMA means four quarter moving average.

Graph 4.7 shows the Claimant Count plotted against the trend (T) component (the four quarter moving average centred). The T component is the same for both the additive and multiplicative models. The decline in the Claimant Count up until Q1 2008, which had begun before New Labour entered power, is clearly visible. A regression line (in red) of the Claimant Count for May 1997 to May 2010 has also been plotted and its equation given. The regression line suggests that, even with the credit crunch/recession, there was still a long-term decline in the Claimant Count.

Comparing the observed values and the four quarter moving average (T) with the long-term trend line provides an indication of the extent of the cyclical component of the Claimant Count, i.e. the difference between the observed values and the long-term trend. From Q1 2000 to Q4 2008 the Claimant Count appears to have been below the long-term trend line.

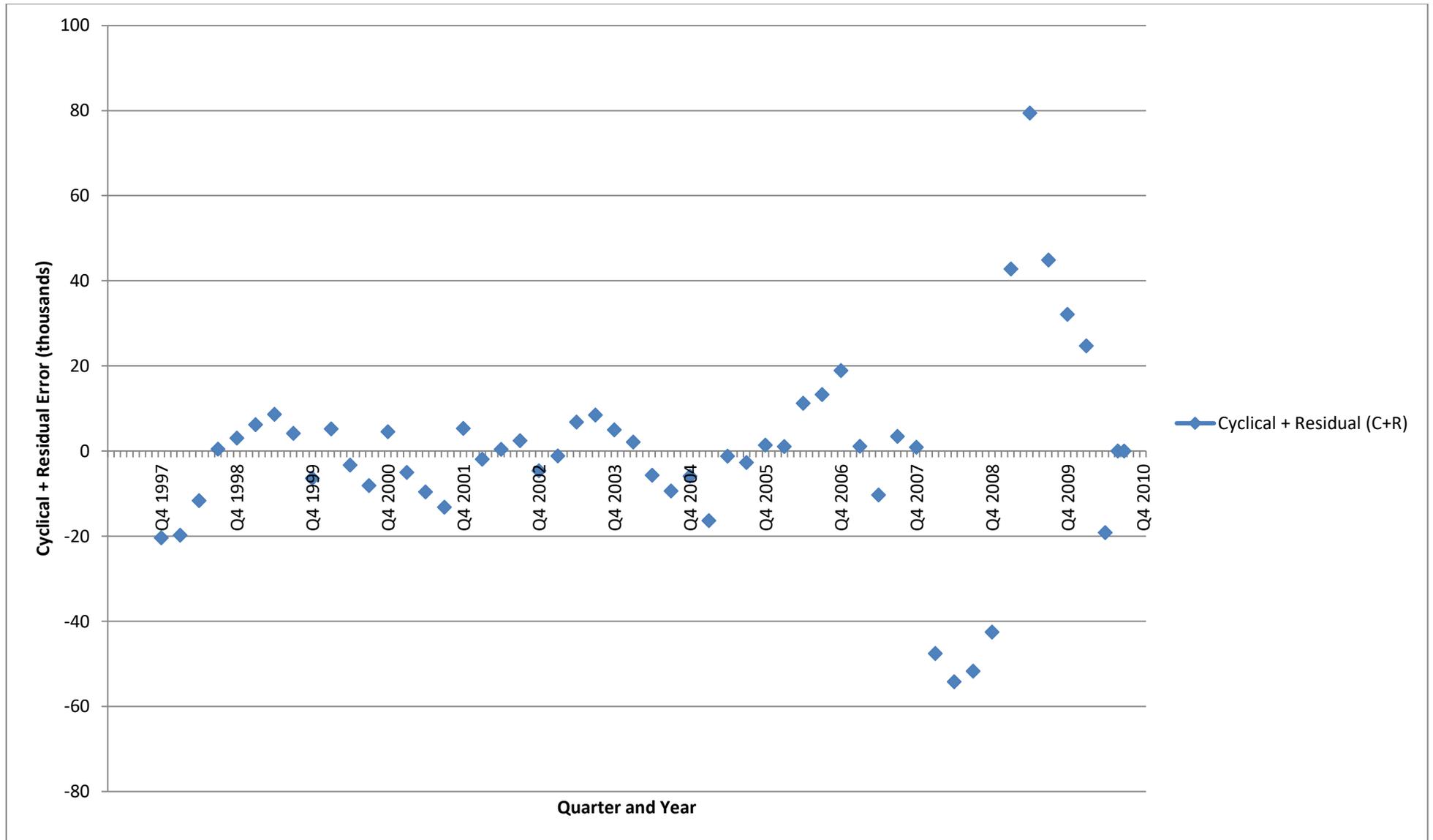
#### 4.5.1.2. Additive Model Results

**Table 4.2: Claimant Count (thousands) – Adjusted Seasonal Differences (S)**

Quarter	1	2	3	4		
1997				-21.6042		
1998	-18.0625	-10.925	-0.69167	1.829167		
1999	7.920833333	9.316667	3	-7.6125		
2000	6.945833333	-2.6125	-9.2625	3.325		
2001	-3.308333333	-8.9	-14.35	4.0875		
2002	-0.195833333	1.079167	1.258333	-5.84583		
2003	0.558333333	7.495833	7.295833	3.7375		
2004	3.833333333	-4.95417	-10.5417	-7.10417		
2005	-14.6333333	-0.4875	-3.86625	0.178083		
2006	2.776708333	11.95175	12.08667	17.66583		
2007	2.817208333	-9.63083	2.275	-0.35417		
2008	-45.8291667	-53.5083	-52.875	-43.7792		
2009	44.50416667	80.10833	43.73333	30.89583		
2010	26.43333333	-18.4375				
Average SD	1.05850641	0.038147	-1.82816	-1.89085	-2.62236	-0.65559*
Adjusted SD	<b>1.71409602</b>	<b>0.693737</b>	<b>-1.17257</b>	<b>-1.23526</b>	0	

Note: \* adjustment required

Table 4.2 above shows the adjusted seasonal differences for the four quarters. Adjusted seasonal differences are shown in the bottom-most row. The results show that, on average, the Claimant Count is above trend in Q1 and Q2, and below trend in Q3 and Q4 of each year. It is interesting to note that within the total of the Claimant Count, the seasonal component is proportionately quite small.



**Graph 4.8: Cyclical + Residual Error (C+R) Components of Additive Time Series Decomposition**

Graph 4.8 above shows the Cyclical (C) and Residual (R) components of the Claimant Count time-series following decomposition using the Additive Model. It is not possible to decompose the residual error from the C + R found owing to a lack of longer-term data. Due to the nature of time series decomposition residual error could be expected to be a much smaller component than C. The results would therefore suggest that, as could be expected, the credit crunch and recession had a strong negative impact on the Claimant Count. This adds further weight to the evidence found earlier in section 4.1.1.1., i.e. that economic growth has a strong impact on the Claimant Count.

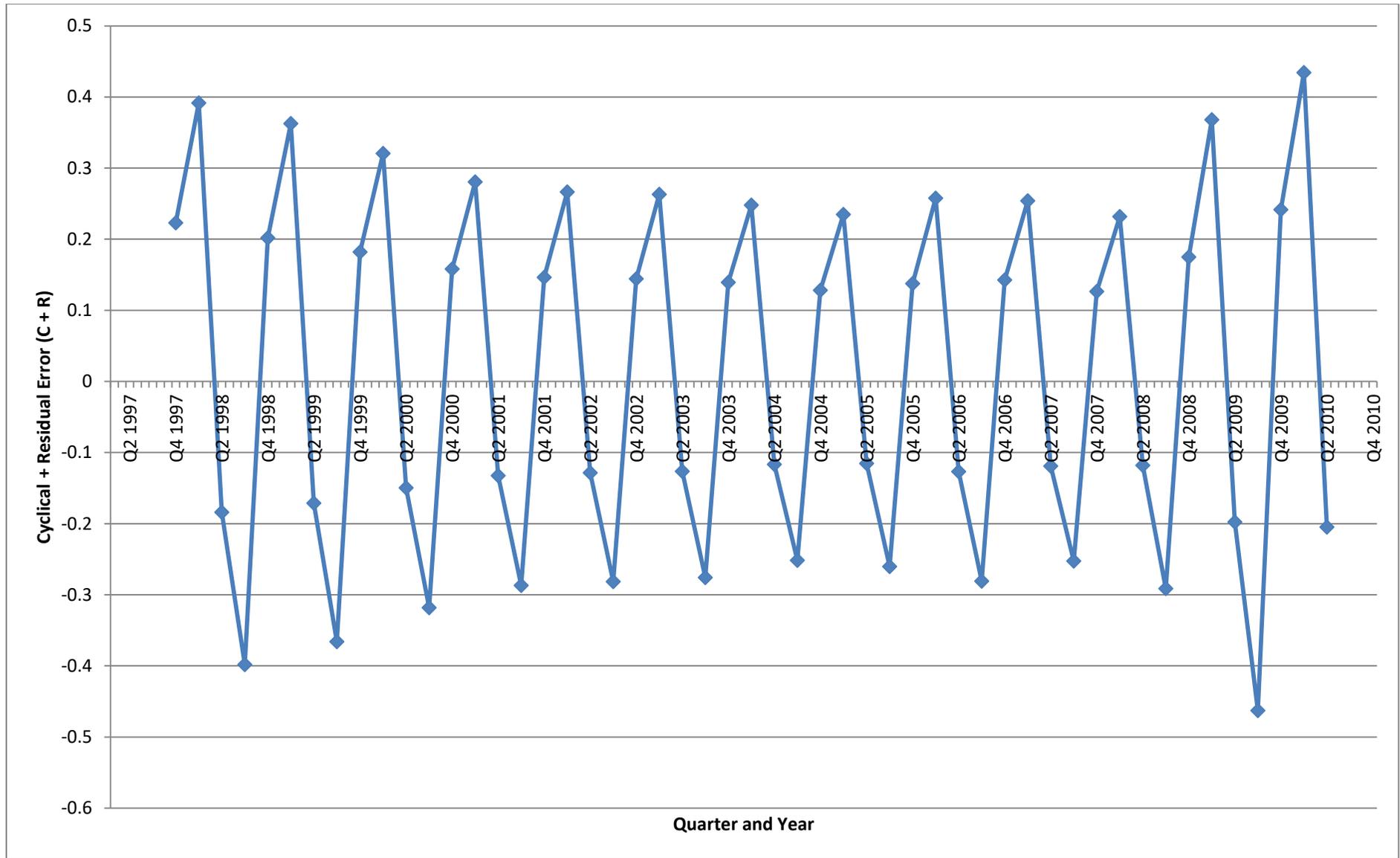
#### 4.5.1.3. Results of time series decomposition – Multiplicative Model

**Table 4.3: Claimant Count (thousands) – Adjusted Seasonal Deviation (S)**

Quarter	1	2	3	4		
<b>1997</b>				103.2993619		
<b>1998</b>	102.5786	101.3335	100.8131	100.3325598		
<b>1999</b>	99.88279	100.1861	100.5152	102.5600937		
<b>2000</b>	100.1825	101.1777	102.3382	100.340648		
<b>2001</b>	101.2186	101.8684	101.8973	98.87696155		
<b>2002</b>	100.5519	99.97762	100.1598	100.8211256		
<b>2003</b>	99.91943	98.82492	99.79227	100.4336829		
<b>2004</b>	100.6735	102.0098	101.4698	101.2150466		
<b>2005</b>	101.1685	98.82076	99.78308	98.98563851		
<b>2006</b>	98.4719	98.19766	98.46719	99.11421651		
<b>2007</b>	101.3027	102.092	100.4648	101.3151169		
<b>2008</b>	106.4606	102.7581	100.9989	96.75647222		
<b>2009</b>	90.3161	93.13092	96.60392	98.94172838		
<b>2010</b>	100.101	102.99				
Average SD	100.2175	100.259	100.2753	100.230204	400.9821	-0.24552*
<b>Adjusted SD</b>	<b>99.97203</b>	<b>100.0135</b>	<b>100.0298</b>	<b>99.98468556</b>	400	

Note: \* adjustment required

Table 4.3 above shows the adjusted average seasonal deviation. The number shows each quarter's Claimant Count as a percentage of the trend T. The results suggest that, on average, Q1 and Q4 had a Claimant Count below the four quarter moving trend, while Q2 and Q3 had a Claimant Count above the four quarter trend. However, this seasonality as estimated by the multiplicative model is very marginal in comparison to that estimated by the additive model.



**Graph 4.9: Cyclical + Residual Error (C + R) Components of Multiplicative Time Series Decomposition**

Graph 4.9 shows the combined cyclical and residual error components of the time series Claimant Count. Whereas graph 4.8 suggested quite a clear cyclical component, the results of graph 4.9 are less conclusive. Graph 4.9 appears to show a repetitive pattern with a diminishing cyclical and error component towards 2007, both of which then increased between 2007 and 2010. This may be due to a consistently occurring error component in each quarter and a varying cyclical component over the course of the time series, i.e. the business cycle is statistically affecting the Claimant Count.

#### **4.5.1.4. Conclusions of time series decomposition results**

Although no strong conclusions can be drawn, the results of additive and multiplicative time series decomposition of the Claimant Count appear to suggest that, to some extent, the business cycle has an impact on the Claimant Count. This appears more evident in 2008 where there was a steep increase in the Claimant Count coinciding with the credit crunch and global financial crisis. This also supports the findings of previous sections of this chapter: that this does not necessarily rule out New Labour's labour market reforms having a statistical impact. Instead, these results suggest much more complex labour market landscape where unemployment and employment are impacted by exogenous as well as endogenous factors.

Therefore, it was felt necessary to try and further untangle the competing forces and influences affecting the labour market between 1997 and 2010. The following section examines to what extent changes in the UK labour market may have been influenced by increasing cyclical convergence between United Kingdom and its European neighbours.

#### **4.5.2. The impact of cyclical convergence**

In the context of an increasingly inter-connected global economy with ever-more mobile labour and capital, and increasing trans-national policy convergence, it could be argued that there may be an increasing convergence between the UK and foreign economies. The strength of these external macro-economic factors was examined for

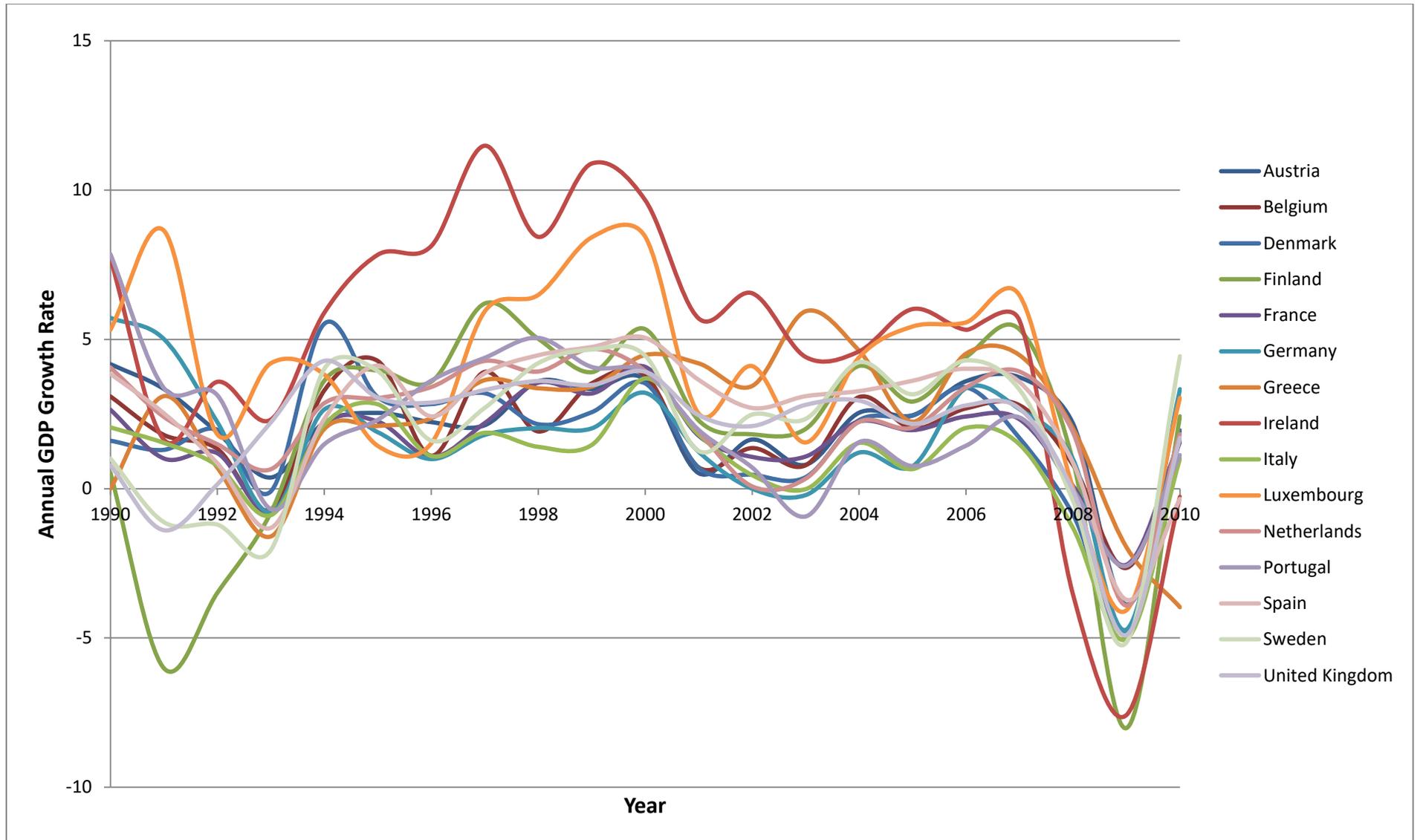
evidence of cyclical convergence<sup>90</sup> which would suggest that these economies are becoming increasingly interdependent.

Data was drawn from the International Monetary Fund World Economic Outlook Database for the EU15 (the countries which made up the EU in 1995)<sup>91</sup>. It was felt that as the UK was a member of the European Union these nations would represent the ones most likely to have strong links with the UK economy. These were analysed graphically to see if a convergence of GDP growth, employment and unemployment had occurred.

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<sup>90</sup> "A tendency towards a uniform pattern of cyclical fluctuations" (Matkowski & Próchniak, 2004. p. 7).

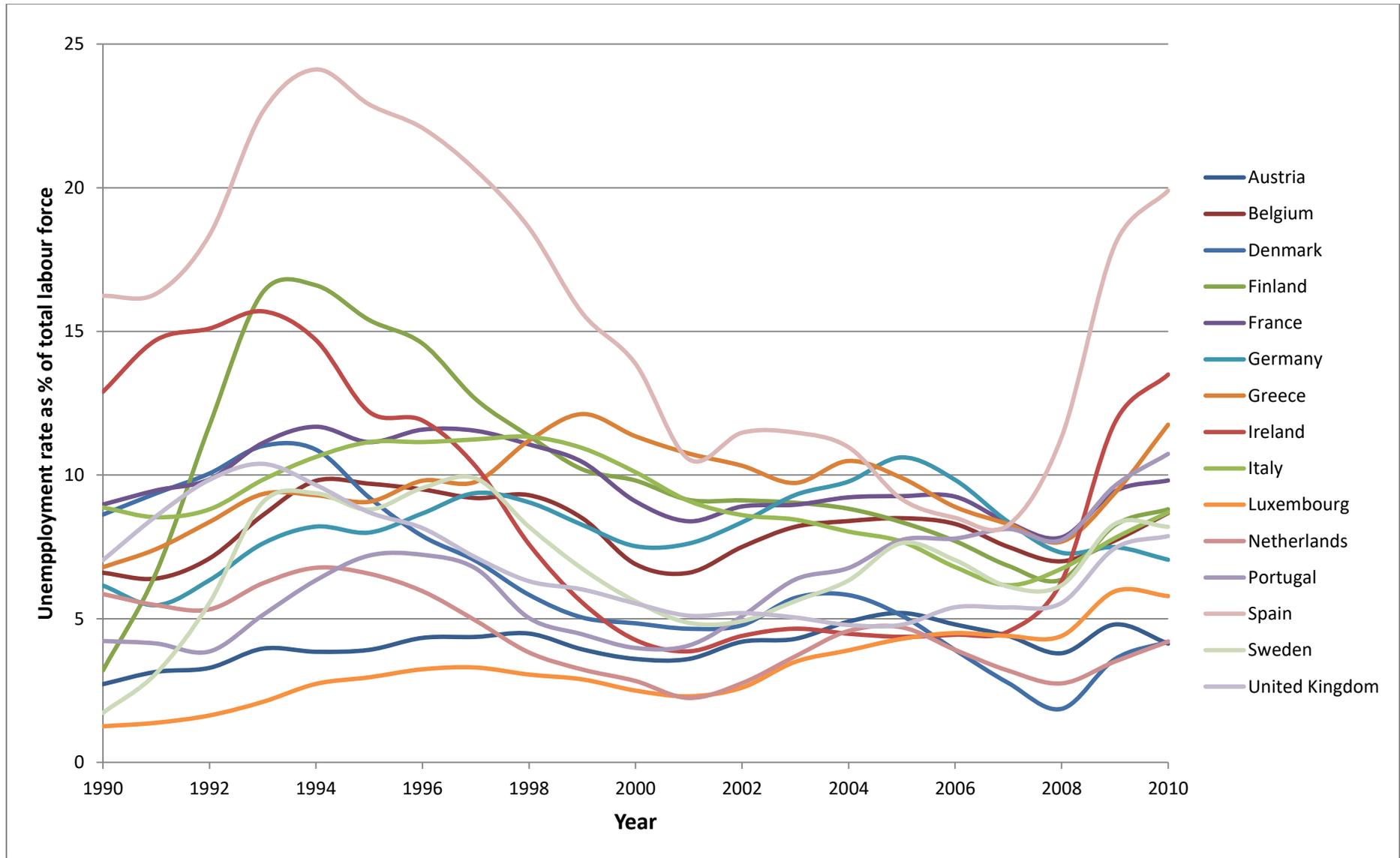
<sup>91</sup> Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.



**Graph 4.10: EU15 Annual % GDP Growth**

Graph 4.10 shows the annual percentage change in GDP between the years 1990 and 2010. The graph shows that in 1990 the range between the country with the highest growth rate and the lowest was 7.86% (2 d.p.). The range peaked at 13.62% (2 d.p.) in 1991. This range narrowed then to a low of 3.42% (2 d.p.) in 2004 but widened only slightly as countries' growth rates dropped in 2007 and 2008. Growth rates diverged in 2010 to a range of 8.42% (2 d.p.) as countries such as the UK recovered while countries such as Greece experienced further declines in growth.

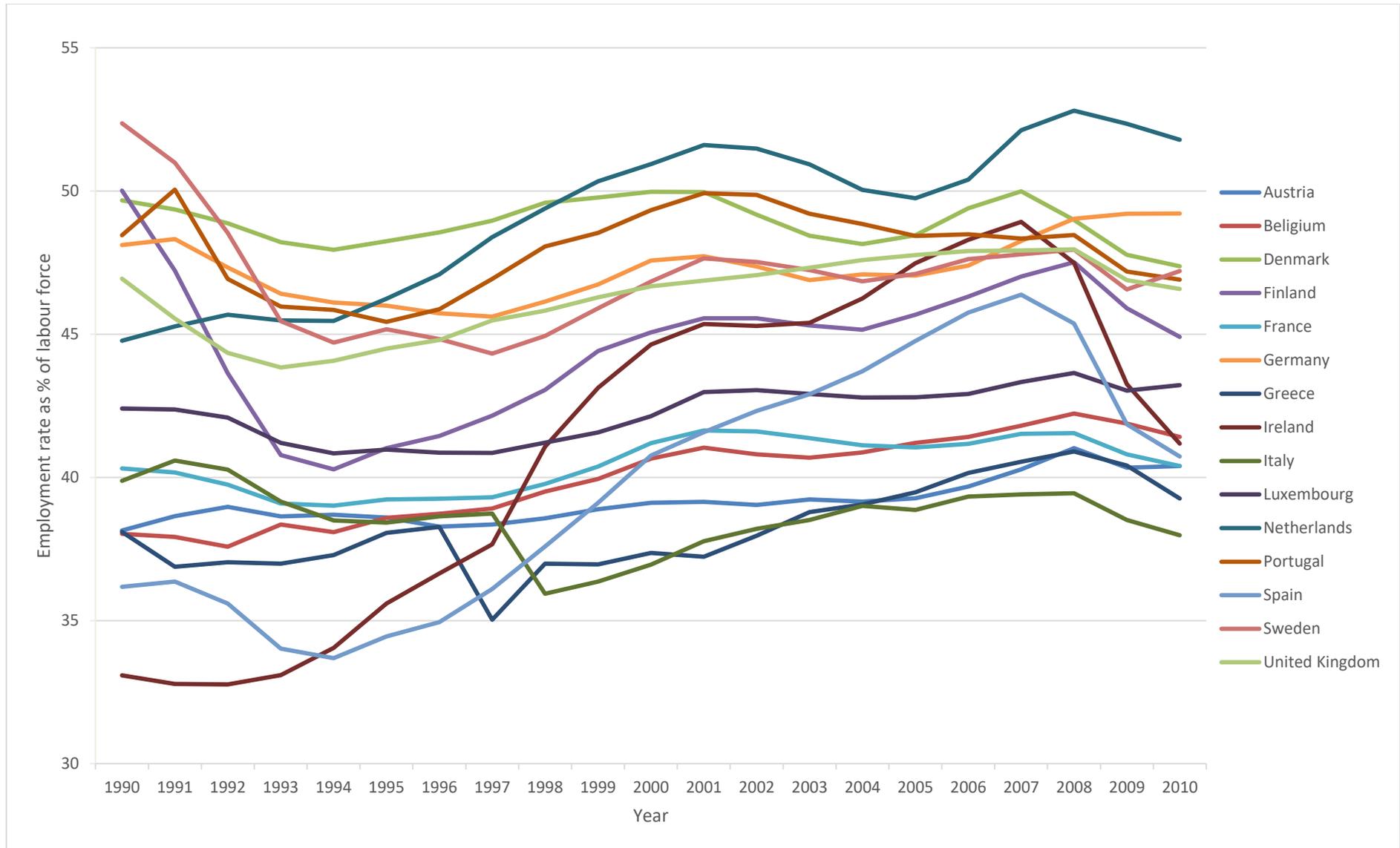
It could be argued, therefore, that there are signs of some convergence in growth rates/business cycles between the members of the EU15. This conclusion is supported by a limited but emerging range of existing literature (Matkowski & Próchniak, 2004; Christodoulakis, 2009; Petrakos *et al*, 2011) who suggest that EU accession, European Monetary Union and regional growth have all been important drivers of cyclical convergence within the EU. There has also been a gradual convergence of incomes, industrial production and increasing inter-EU trade (Matkowski & Próchniak, 2004). Hence, it would be expected that this would lead to a convergence of unemployment and employment rates across the EU. This has been drawn in the following two graphs 4.12 and 4.13.



Graph 4.11: EU15 Unemployment rate as % of total labour force

Graph 4.11 shows rates of unemployment across the EU28 from 1990 to 2010 sourced from the IMF (2010) *World Economic Outlook* database. The rate of unemployment was measured using ILO Unemployment. Unlike graph 4.10 which suggested a strong convergence of business cycles across the European Union, this does not appear to be reflected in rates of unemployment across the same member states. The ranges between nations with the highest and lowest rates of unemployment have varied, but tended to remain around 15% across the entire time period. The years 1993, 1994 and 1995 had rates around 20%. This gradually returned to around 15% from the year 1998 onwards. The narrowest range in rates of unemployment occurred in the years 2006, 2007 and 2008 with a low of 8.26% in 2007. Following the financial crisis the range again returned to around 15%. A visual analysis of the graph also suggests little in the way of convergence between member states throughout this period. The only event that appears to affect all economies simultaneously appears to have been the financial crisis around the years 2008/2009.

The evidence for convergence from this data is far less clear than GDP growth rates. Although there was an evident narrowing of the range from 2004 to 2007, the disparity in rates of unemployment quickly returned and it would, therefore, be difficult to draw any firm conclusions regarding statistical relationships. However, it should be noted that different members of the EU15 may have used the definition of ILO Unemployment, but the actual methodologies used to collect the data and other assumptions will have differed. The use/abuse of labour laws to minimise numbers counted as ILO Unemployed may account for some of the differences, as would differences in cultural expectations regarding work for some groups (such as mothers) may also have played a part.



Graph 4.12: EU15 Employment rate as a % of labour force

Graph 4.12 shows rates of employment across the EU15. Within the data, the range varies between the maximum rate of employment 19.29% (2 d.p.) in 1990 and 10.22% (2 d.p.), with the average hovering around 13% from 1995 onwards. Although there does appear to be a general increase in rates of employment across the EU if analysing the graph visually<sup>92</sup>, there does not appear to be any significant convergence between member states. This would be more in line with Fingleton (1999) who argued that at current rates of convergence in measures, such as *per capita* income, it would take more than a further two centuries for a full convergence to occur.

### 4.5.3. The impact of the European Union Employment Strategy

Despite the weakness of the conclusions found in the data in the previous section, there is an emerging range of literature which supports an increasing convergence across the European Union in both labour market and welfare state policy.

A number of authors have argued that the European Employment Strategy (EES) (a policy strategy decided by the European Council in Lisbon in 2000) was a new and important step regarding pan-European labour market policy (Caminda *et al*, 2010). This strategy has resulted in convergence in a range of welfare state indicators (Casey, 2004; Caminda *et al*, 2010; Rie & Marx, 2012; Van Vliet, 2010). These studies analysed to what extent  $\sigma$ -convergence (the dispersion between indicators) and  $\beta$ -convergence (the convergence of regions with lower levels of social protection, the laggards, tend to converge on regions with higher social spending, i.e. the leaders) exist. From their analysis they claim that there was statistically significant convergence across the European Union with minor divergences, especially around the time of the financial crisis<sup>93</sup>.

There is, however, a limited range of writers who argue that social policy convergence was occurring prior to the year 2000 (Greve, 1996; Cornelisse & Goudswaard, 2002;

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<sup>92</sup> Perhaps explained by the widespread adoption of ALMP across EU member states, impacting the activation of women especially.

<sup>93</sup> This they consider to be a convergence of labour market activity rather than a convergence in how socially defined phenomenon is measured.

Bouget, 2003). This, therefore, raises the question as to what extent this convergence was due to the EES and what was due to general policy convergence caused by European integration and the single market. There is evidence that this convergence was more widespread than just the European Union with writers within this field making comparisons against the OECD and finding similar, but less strong results (Casey, 2004; Caminda *et al*, 2010; Rie & Marx, 2012; Van Vliet, 2010).

These studies are limited in that they focus entirely on statistical indicators and measures to reach their conclusions<sup>94</sup>. Some, however, have attempted to move beyond this by examining to what extent there has been an ‘Europeanisation’ of social and labour market policies (Van Vliet, 2010). This is in addition to the important influence of monetary integration due to the Maastricht convergence criteria of the EMU members (*ibid*, 2010). Van Vliet suggests that the EES, with its use of the ‘open method of coordination’ has been used to share best practices but unlike other measures “the OMC is a set of non-binding instruments, like the adoption of guidelines, indicators, recommendations and national action plans” (Van Vliet, 2010. p. 271)<sup>95</sup>. Van Vliet argues that the EES places much emphasis on Active Labour Market Policies which was aimed not only at reducing unemployment, but also increasing employment and combating social exclusion. It could be argued that these are phrases, themes and conventions which are clearly observable in New Labour’s own labour market policy, e.g. references to life-long learning appearing in EES policy documents and New Labour’s 1997 manifesto (Labour, 1997). References can also be found in both EES and New Labour documents to ‘making work pay’ (Labour, 1997) and in later documents of ‘flexicurity’<sup>96</sup> (European Commission, 2007). From the existing documents in the public domain, it is not clear to what extent this crossover of language was due to New Labour adopting European policy goals and language, New Labour feeding into the European policy making process through EU institutions both prior to and after 1997, or a general convergence in European social policy. Regardless of the exact source of the policy, it can be argued that there are suggestions of an influence on New Labour’s own ALMP agenda.

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<sup>94</sup> Claiming them to be measures of an objective social reality rather than social constructs underpinned by social and statistical convention.

<sup>95</sup> It is very much a tool of New Public Management.

<sup>96</sup> Although New Labour were never explicit in their support of the term *Flexicurity*, they were fully supportive of flexibility, as discussed in Chapter 9 of this thesis.

## 4.6. Chapter Conclusion

This chapter has explored a range of UK labour market statistics from before and during New Labour's time in office. This included Claimant Count Unemployment, ILO Unemployment, long-term unemployment and ILO Employment. This chapter, along with the preceding chapter, has shown that these evaluative 'measures' do not reflect an objective and universally accepted understanding of labour market activity. These measures are constructed by policy makers to reflect conventions of measurement and their underpinning social values (social conventions). Such social values appear to include a belief in the intrinsic virtue of paid work and a disapproval of not having paid work and claiming out-of-work benefits.

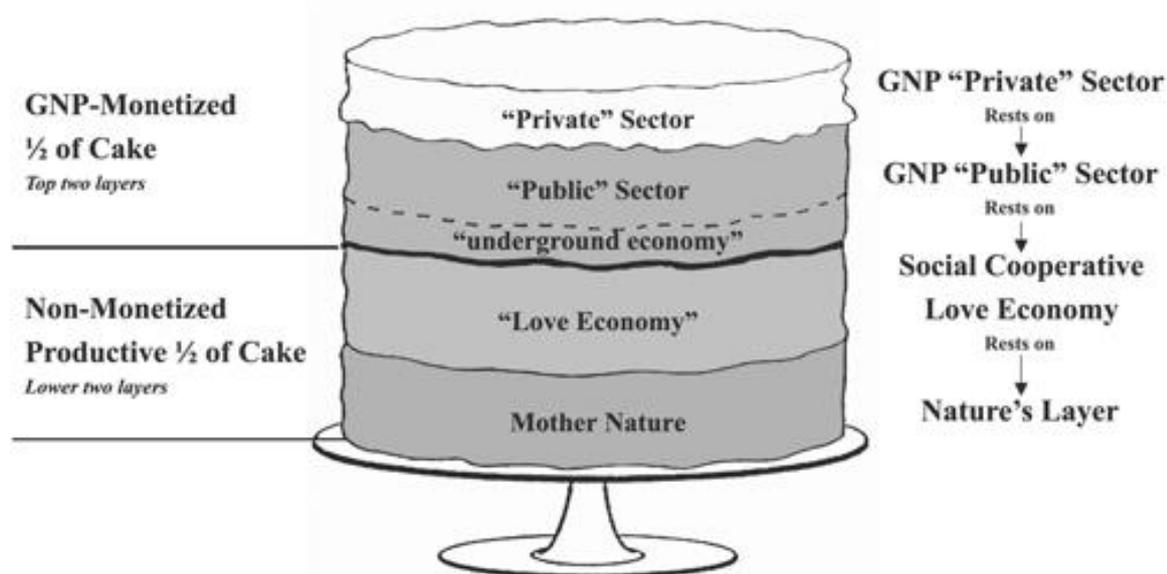
A great deal of focus was given by policy makers to unemployment measured by the Claimant Count. As was discussed earlier, this statistic counts how many individuals claim the out-of-work benefit Job Seeker's Allowance. Here the important issue for policy makers is not necessarily that an individual is out of work but that they are claiming benefits. As a result, the Claimant Count has become *the* 'headline figure' reported by government to the media, and over which opposing political parties contest the effectiveness of each other's labour market policy. The New Deal programmes instituted by New Labour were, therefore, very important to this narrative that a reducing Claimant Count was evidence of effective labour market policy. As will be seen in the next chapter, the New Deal programmes helped to reduce the number of individuals counted by the Claimant Count by temporarily counting them elsewhere (on the New Deal programmes). When individuals returned to the Claimant Count they were counted as new claimants, thus also reducing the number counted as long-term unemployed. This is important to this thesis as using social statistics for evaluation purposes appears increasingly futile if these statistics are fickle reflections of the conventions of measurement which were adopted at the time, and which can be changed at the whim of policy makers.

This chapter went on to examine ILO Employment. It was found that to be counted in this category an individual was only required to do one hour of work per week. This was so broad as to have included any form of paid work as long as it met this simple

time criteria. This again reflects the moral judgement that some work, indeed any paid work of any duration and time is to be sought. However, it could be argued that this is not true: what about paid work which is damaging to an individual's physical or mental health as in the case of many jobs in heavy industry? What about paid work which pays so little that it could be judged exploitative? There also appears to be a disconnect between what was required to categorise an individual as being in work according to ILO Employment with what a lay person would hold as their conventional understanding of 'being employed'. A lay person may consider 'being employed' to include regular hours of work (although not necessarily full-time) being paid a reasonable wage under reasonable working conditions. Increasingly precarious forms of employment such as zero hours contract are an excellent example of this disconnect between the conventions of policy makers and those of lay people. This is discussed further in Chapter 9.

Rates of labour force participation were examined next. This section of the chapter demonstrated the binary nature of these statistics: an individual is either 'economically active' or 'economically inactive'. Once more, paid work is at the centre of these categories with those counted as economically active either already being in paid employment or able to demonstrate that they are 'actively seeking work'. Those who do not meet these criteria are 'economically inactive'. However, individuals falling into this category include stay-at-home-mothers and unpaid carers. To define these individuals as 'economically inactive' appears to ignore the considerable contribution these individuals make to the economy. This is what Hazel Henderson (1982 cited in Henderson, 2008) has termed "The Love Economy" or the "Non-Monetised Productive half of the cake" which is not taken into consideration by economic measures such as GDP/GNP, but upon which rests the productive of the layers of the economy above (as shown in figure 4.1. below). As with ILO Employment there appears to be a disconnect between the categories adopted by policy makers, underpinned by their social conventions and the conventions of wider society which place a higher moral value on motherhood and care-giving compared to paid work. As Bezzi (2006) argued in Chapter 3, evaluators of social policy should not be seeking an 'objective truth' but the truth surrounding the evaluand. This appears to be a strong example to support that argument.

**Figure 4.1: The Love Economy.**



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Source: Henderson (1982)

This chapter went on to study the theorised statistical relationship between economic growth and ILO Unemployment known as Okun's Law. It is important to make the point that this is a relationship between two statistical constructs<sup>97</sup>: economic growth as measured by quarter on quarter GDP growth and unemployment, in this case defined by ILO Unemployment. The theory is therefore underpinned by the conventions of measurement used by economists. The model claims to show that economic growth helps to reduce unemployment. However, the reality is that only 50% of reductions in unemployment could be explained in terms of economic growth. Estimates by others vary wildly from between  $r=0.26$  and  $r=0.75$ <sup>98</sup>. Even if we accept the conventions adopted, there is still a considerable amount of this change in unemployment which goes 'unexplained', and indeed without any effort on the behalf of theorists to explain.

<sup>97</sup> Okun's Law assumes that the measures measure something objective. This thesis argues that this is not the case.

<sup>98</sup> If we accept that economic growth contributes to reductions in 'unemployment', to what extent can New Labour claim credit for the economic growth which occurred under their watch? Light touch regulation was perhaps of their doing, but the sustained low-interest rates of the 2000s was the responsibility of the newly independent Bank of England.

Analysis of Okun's Law was followed up by time-series decomposition which explored to what extent changes in Claimant Count Unemployment could be explained by the business cycle. According to these models, there was a small but perceptible seasonal change to the Claimant Count. For example, Q4 was below trend in both the additive and multiplicative models. The generally accepted explanation being that in the run up to Christmas retailers and others will hire additional staff to cope with increased demand for their goods and services. According to these models, the business cycle played a strong and important role in increasing/decreasing the Claimant Count. This supports the conclusions of the Okun's Law section. However, just because this model is internally logical it is still a statistical analysis of the Claimant Count with its associated statistical and social conventions.

The final section of this chapter explored the convergence of various measures across the EU15. By measuring the range between the 'best' performing and 'worst' performing EU15 countries there did appear to be a narrowing or convergence of these countries through the 2000s. This appeared especially strong after 2000, when the Euro was introduced and is supported by an emerging range of academic literature (Matkowski & Próchniak, 2004; Christodoulakis, 2009; Petrakos *et al*, 2011). However, when examining rates of unemployment and employment across the EU15 the evidence for convergence is far less clear than that apparently occurring with GDP growth rates.

Despite this apparent lack of convergence in statistical evidence, an emergent theme within the literature suggests a convergence of labour market and welfare state policy (Casey, 2004; Caminda *et al*, 2010; Rie & Marx, 2012; Van Vliet, 2010).

Although the European Union Employment Strategy (EES) is identified as a key milestone in that convergence process (Caminda *et al*, 2010), others have suggested that it has been occurring since before 2000 (Greve, 1996; Cornelisse & Goudswaard, 2002; Bouget, 2003). A perhaps more open interpretation is that contributed by Van Vliet (2010) who has advanced that, due to the 'open method of coordination' of the EES, there is an increasing Europeanisation of social policy focusing on ALMP. This is clearly relevant to New Labour's own ALMP.

Therefore, this chapter has demonstrated the increasing challenges of studying and evaluating labour market and welfare policy statistically. The statistical and underpinning social conventions which were adopted by policy makers and policy evaluators must be understood and explored, but perhaps more importantly these should also be contrasted with the social conventions held by the evaluand. Surely it is important to see the world through the eyes of those social policy aims to help?

The following chapter begins to explore in greater depth New Labour's ALMP by looking at the New Deal programmes which were at the centre of this policy. The next chapter focuses on the policies specifically aimed at the 'youth' client group in whom New Labour invested a considerable amount of focus<sup>99</sup>.

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<sup>99</sup> Indeed they were one of the key client groups identified in their 1997 manifesto.

## **CHAPTER 5 – The impact on young people (The NDYP and NDfM)**

This chapter discusses the impact of New Labour's labour market policies on the client group defined as 'young people'. New Labour made an explicit policy commitment that they sought to reduce unemployment amongst young people through what became known as the New Deal for Young People (NDYP) funded by a one-off Windfall Tax on the privatised utilities companies (Labour, 1997).

The first part of this chapter discusses the origins of 'youth' labour market policy before exploring the structure of the NDYP. Available data is then examined to ascertain what the *prima facie* impact on the labour force there may have been before progressing to a discussion of what other intended or unintended impacts these programmes may have had on 'young people'. The last part of this chapter examines the New Deal for Musicians (NDfM), a programme originally aimed at the younger people client group before being rolled out to the 25+ client group.

### **5.1. Defining the 'young people' client group**

How a client group is defined is of great importance in the development and implementation of social policy. It determines which group an individual is placed into, how they are labelled, and thus whether they are to be made subject to the 'treatment' of government programmes to correct the perceived 'social problem' by which they were originally defined.

In the case of 'youth unemployment', it did not appear to emerge as a social problem until the 1970s when an increasing number of school leavers and young people in general were failing to enter employment (Sinfield, 1981; Dolton *et al*, 1994). The end of full-employment as an achievable macro-economic objective may have contributed to this. Concurrent events such as the raising of the school leaving age (ROSLA) in September 1972 are likely to have had minimal impact on youth employment/unemployment as the age was only raised from 15 to 16 and this would only have delayed entry into the labour market. Previous legislation, such as the Children and Young Persons Act 1933 and 1963 or the Factories Act 1961 concerned

themselves with seeking to restrict the employment of children so as to encourage their continuation in compulsory education. It appears that as 'youth unemployment' began to be defined or indeed recognised as an issue, labour market programmes were developed in response.

1975 saw the introduction of the *Recruitment Subsidy for School Leavers* (RSSL) which was aimed at school leavers who did not yet have employment upon leaving school (Bell & Jones, 2002). RSSL provided a £5 a week wage subsidy to employers who recruited unemployed school leavers. The *Job Creation Programme* was also introduced in 1975 to create 15,000 temporary jobs for young people. RSSL and the *Job Creation Programme* were followed shortly after by the *Youth Employment Subsidy* in 1976 aimed at those under 20 who had been unemployed for longer than 6 months. This subsidy paid £10 per week directly to employers. In 1978, the *Youth Opportunities Programme* (YOP) was introduced for 16-18 year olds providing an allowance of £19.50 per week alongside training opportunities. At the time YOP was described as 'a new deal for the young unemployed' by Albert Booth, Secretary of State for Employment in the then Labour government (Bell & Jones, 2002).

1982 saw the introduction of the *Young Workers Scheme*. This scheme provided financial incentives for one year to employers recruiting unemployed young people who, for the purposes of this programme, were defined as under 18 years of age. This was followed shortly afterwards in 1983 by the *Youth Training Scheme* (YTS). YTS was initially a year-long scheme for participants aged under 18, although this was extended to 2 years in 1986. In 1989, YTS was renamed *Youth Training* (YT) but the allowances to participants remained unchanged. YT was renamed again in 1995 as *Youth Credits*. According to Dalton *et al* (1994), the motivation for this succession of schemes was that young people would gain from work experience and training provided by firms.

Therefore, from the existing literature it appears that the NDYP was the next in a long line of labour market policy aimed at 'young people'. It could perhaps be argued that this particular client group, by virtue of their age, may have had other intertwined defining features which tend to present barriers to employment. For example, a lack of work experience and job-based skills and their attitudes towards work. In addition

to this, young people may also suffer from a lack of qualifications due to prior educational failure and limited financial resources independent of their parents. This may result in occupational and geographical immobility, further reducing their chances of employment.

The NDYP 18-24 year old age group definition of 'young people' could be explained in a number of ways. Although ROSLA had increased the school leaving age to 16 years old in 1972, in 1988 income support was withdrawn from 16-17 year olds. Youth unemployment at 16-17 years old was therefore no longer an issue as it had no cost implications in terms of unemployment benefits. From the age of 18, however, young people were eligible for income support and JSA when it was introduced in 1996. They would at this point be counted in the Claimant Count. Reducing and minimising the Claimant Count was an explicit social policy amongst such 'young people' and was an explicit policy goal (Labour, 1997) and this may explain the 18 year old lower age limit. The upper age limit of the NDYP may be explained in that 25 years old is the point at which workers become "adult" according to the International Labour Organisation definitions of "youth" and adulthood used for the purposes of measuring youth unemployment (ILO, 2011).

Examining available data and press releases from the Office for National Statistics (ONS) it is apparent that 'Young People in the Labour Market' has also received considerable attention by statisticians (ONS, 2014). 'Youth unemployment' and the number of young people not in full-time education or employment (NEETs) has been measured on a regular basis since at least 1984 (*ibid*, 2014). The only minor difference being that the ONS's definition of 'young people' extends down to those aged 16 years old so as to encompass the age at which school-leavers enter the labour market. This reflects the ILO's definitions of the labour market.

## **5.2. The structure of The New Deal for Young People (NDYP)**

The New Deal for Young People began operating in April 1998 as a national programme with the intention of assisting young people (those aged 18-24 years old) into sustained employment and increasing their long-term employability (White &

Riley, 2002). The NDYP was superseded by the 'Flexible New Deal' from October 2009.

NDYP participation was mandatory for those of the relevant age group who had claimed JSA continuously for six months, had claimed NI credits, or had been claiming JSA under the 'Severe Hardship rules'<sup>100</sup> (Bivand & Holyfield, 2004).

NDYP had first operated in so-called 'Pathfinder areas' since January of 1998 (*ibid*, 2002). Once young people had been unemployed for six months they would enter the 'NDYP Gateway period' in which they were given intensive support in finding a job. This Gateway period would last for up to four months. If a NDYP participant was unable to find a job within the Gateway period they then progressed to one of the four 'Options':

- Employment Option, a job with a wage subsidy and training provision;
- Full-time Education and Training Option (FTET), leading to a vocational qualification
- Voluntary Sector Option (VS)
- Environment Task Force Option (ETF)

The 'Option' could continue for up to six months, and up to a year for those on a full-time education or training course. Failing to start or failure to complete an Option without good cause, or being dismissed due to misconduct resulted in participants facing sanctions of up to 26 weeks<sup>101</sup> (Bivand & Holyfield, 2004).

Arguably the most important of the options was the employment option; a six month spell of subsidised employment. The employer who takes on a NDYP participant receives a £60 per week wage subsidy for the first six months of employment plus an additional £650 contribution to finance a required minimum amount of job training equivalent to one day per week (Hasluck, 1999; Blundell *et al*, 2004).

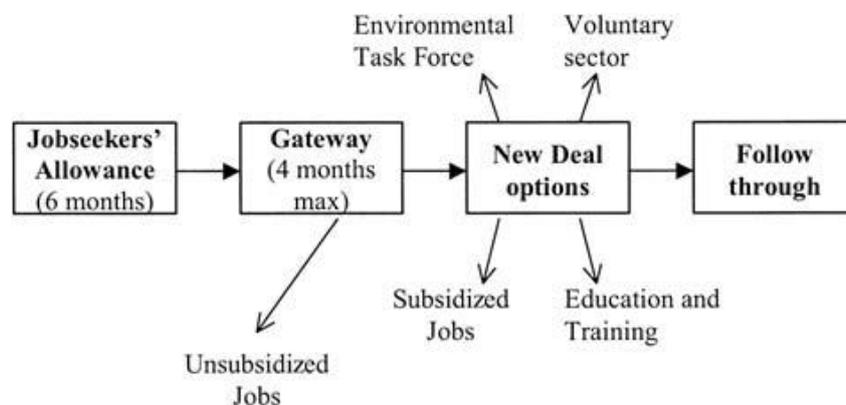
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<sup>100</sup> Outlined in Section 16 of the Job Seeker's Act (1995). These rules allows the Secretary of State, or a person acting on his behalf, to make a discretionary award of Jobseekers Allowance to those Young People who do not fall into a Prescribed Group but can satisfy him that they would suffer Severe Hardship were they not to receive Jobseekers Allowance.

<sup>101</sup> Sanctions on the NDYP was managed in accordance with existing JSA sanctions regulations so that benefits could be sanctioned (cut) for 2, 4 or 26 weeks depending on the severity of the 'offence'. These including losing a place on an Option due to misconduct, giving up or failing to attend an Option (1 JSA Regs, reg 75(1)(a)(iv).

Those still unemployed at the end of the Option Period then had a 'Follow-through period' in which to consolidate the training and experience gained during the Options Period (White & Riley, 2002).

Participants who were unable to find a job following the follow-through period were returned to Job Seeker's Allowance as new claimants. The impact of this on the statistics is discussed later.



**Figure 5.1. A simplified flow diagram of the New Deal program.**  
Source: Blundell *et al* (2004)

### 5.2.1. The impact of the NDYP on young people

Given the historic nature of the NDYP, it was not possible to collect primary data from participants. Therefore, using the *DWP Tabulation Tool*, all available administrative measures were collected that would measure or indicate the statistical impact of the NDYP (DWP, n.d.). This data was analysed using descriptive statistics and is discussed with links made to relevant research where appropriate.

These measures included:

**New Deal Young People Starters – Spells** contains the number of starts to the programme. If an individual has started more than once, each start will be included.

**New Deal Young People Starters – Individuals** contains the number of people starting the programme. If an individual has started more than once, the last start will be included.

**New Deal Young People Participants** contains the number of active participants on the programme.

**New Deal Young People Leavers – Spells** contains the number of completed spells on the programme and the immediate destination of that spell. If an individual has left more than once, each spell and immediate destination will be included.

**New Deal Young People Leavers – Individuals** contains the number of people leaving the programme and their immediate destination. If an individual has left more than once, the last time they left, with associated immediate destination, will be included.

**New Deal Young People Jobs – Spells** contains the number of jobs gained through the programme. If an individual has had two spells, and gained a job in each of those spells, both jobs will be included. However, only one job per distinct spell on the programme will be included.

**New Deal Young People Jobs – Individuals** contains the number of jobs gained through the programme. If an individual has had two spells, and gained a job in each of those spells, only one job will be included. This job will be the best job across all spells (in the order: 1. Unsubsidised sustained, 2. Subsidised sustained, 3. Unsubsidised un-sustained, 4. Subsidised un-sustained). For cases where there is more than one best job, the latest of these is recorded.

A positivist would argue that these measures/indicators are important as they suggest what the labour market impact of the NDYP may have been. However, this thesis argues that the impact of the NDYP on the statistics was due to the statistical construction of the measures used rather than some objective social reality.

### **5.2.1.1. Claimant Count, Youth Long Term Unemployment (LTU) and ILO Youth Unemployment**

The Claimant Count, ILO Youth Unemployment and Long Term Unemployment are arguably three important measures/indicators of the statistical impact of the NDYP. The Claimant Count measures the number of people claiming benefits principally for the reason of being unemployed (ONS, 2012). Youth LTU is defined as those who have been Claimant Count Unemployed for longer than 12 months.

ILO Youth Unemployment on the other hand is measured by the Labour Force Survey (LFS) and defines the young unemployed people as:

- Persons aged 15 to 24 years old;
- Being without a job, have been actively seeking work in the past four weeks and are available to start work in the next two weeks; or
- Being out of work, have found a job and are waiting to start it in the next two weeks (ILO, 2014).

The construction of these measures/indicators is important to the perceived impact of the NDYP. For instance, soon after its introduction it was realised that as a consequence of its structure, the NDYP had the potential to radically distort not only the Claimant Count but other labour market statistics (Wood, 1998). Wood outlines in Table 5.1. the number of ways he thought this distortion could occur. This is discussed in more detail after the table.

No further research has been conducted since Wood (1998) or White & Riley (2002) to test whether these statistical effects did occur over the course of the NDYP. The following sections of this thesis fills that gap in knowledge.

**Table 5.1. Labour market classification of participants on the New Deal for 18-24-year-olds**

	<b>Employment</b>		<b>Unemployment</b>		<b>Inactivity</b>
	<b>Labour Force Survey</b>	<b>Workforce jobs</b>	<b>Labour Force Survey</b>	<b>Claimant Count</b>	<b>Labour Force Survey</b>
<b>New Deal Gateway</b>					
Gateway participants continue as JSA claimants. Majority will also be ILO Unemployed. Adjacent columns show circumstances in which individuals could be classified in other labour market states.	Could be LFS employee or self-employed if meets the ILO definition. Would then be a JSA claimant but not ILO Unemployed.	Could be WJ employee if working and picked up through employer survey. Could be WJ self-employed if pick up through LFS.	Could be LFS unemployed if meets ILO definition of unemployment. Would then be ILO Unemployed and a JSA claimant.	Participants remain JSA claimants while on the Gateway.	Could be LFS inactive if not in work and does not meet ILO definition of unemployment. Would then be a JSA claimant but not ILO Unemployed.
Unsubsidised jobs	Should be counted as LFS employee or self-employed.	Should be counted as WJ employee job or self-employed.	If began as ILO Unemployed, should leave ILO Unemployment.	Leaves JSA unless hours of work means eligibility for benefits retained.	If began as LFS inactive should leave inactivity.
<b>New Deal Options</b>					
New Deal employment option	Should be counted as LFS employee or self-employed	Should be counted as WJ employee job or self-employed	If began as ILO Unemployed, should leave ILO Unemployment.	Leave JSA	If began as LFS inactivity, should leave inactivity.
ETF or voluntary sector option	Should be counted as LFS employee as participant of government-supported training or employment programme. If receiving a wage, should be counted as LFS employee	Should be counted as WJ employed as government-supported training job. If receiving a wage, should be counted as a WJ employee job.	If began as ILO Unemployed, should leave ILO Unemployment. Could remain ILO Unemployed depending on responses to LFS questions.	Leaves JSA	If began as LFS inactive should leave inactivity. Could remain inactive depending on responses to LFS questions.
FTET option	Should not generally be counted as LFS employed. Could be counted as LFS employed if undertaking some work in free time.	Should not generally be picked up as WJ employed. Could be counted as WJ employed if undertaking some work in free time.	If began as ILO Unemployed, should generally leave ILO Unemployment. Could be counted as LFS unemployed if undertakes job-search activity in free time which is sufficient to meet ILO definition.	Leaves JSA	If began as LFS inactive should remain inactive. If began as LFS employed or unemployed, should generally become LFS inactive.

Source: Wood, 1998. p. 239.

As a result of the NDYP 'Options' young people would not have been counted in the Claimant Count during the time on which they were on the NDYP.

Examining the available data the overall Claimant Count for those aged 18-24 years old (young people as defined by New Labour) showed only a moderate decline from a high of 409,900 in May 1997 to a low of 239,200 in February 2008. This data has been drawn in Graph 5.1. Rapid declines in the Youth Claimant Count appear to have effectively stalled by May 2001 with only minor declines in the following years before the recession/credit crunch of the late 2000's led to a rapid increase in the youth Claimant Count. This slow-down in declines of the Youth Claimant Count also coincided with the dot.com bubble. However, it may also be indicative of the NDYP having helped the 'low-hanging fruit' of easy-to-help clients while failing to help clients with more complex barriers to employment.

It could be argued that a young person may no longer have been counted in the Claimant Count while still not having found employment as defined by the ILO. Wood does suggest, however, that Participants of the Employment, Environmental Task Force and Voluntary Sector Option would leave the Claimant Count but could potentially be entered as 'Labour Force Survey Employed' depending on how they responded to the LFS.

It could also be argued there are issues with the definition of an essentially temporary subsidised job with an employer for six months on the 'Employment Option' as being 'employed'. Participants would also still be in receipt of other out-of-work benefits such as housing benefit in addition to a wage subsidy. This does not seem to match commonsensical social conventions of what it means to be 'employed', but again, it is the outcome of the socio-political construct of 'in employment' used by New Labour in the LFS. It would be hard to deny that a lower Youth Claimant Count and a higher number of young people counted as being in employment was politically helpful as these are the two measures most commonly used by the media to discuss the labour market.

### **5.2.1.1.1. Youth LTU**

As a result of the distortion to the Claimant Count, there would be a masking of significant amounts of youth LTU (White & Riley, 2002). This distortion occurs because during the Gateway period NDYP participants remain on JSA and are thus included in the Claimant Count. However, once they enter the Option phase they are no longer eligible to claim JSA. They may then be classified in a number of other ways (Wood, 1998; White & Riley, 2002). During the Follow-through period, participants may then make a new JSA claim, effectively re-setting the clock on the period for which they are 'counted' as being 'unemployed' according to the Claimant Count. The result being:

“After the New Deal it no longer makes much sense to compare claimant unemployment of more than one year’s duration between 18-24 year olds and other groups. The structure of the NDYP makes it nearly impossible for any 18-24 year old to reach one year of unemployment” (White & Riley, 2002. p. 9).

If participants complete the NDYP programme but are unsuccessful in finding employment they return to claiming out-of-work benefits. However, this becomes a new JSA claim, not a continuation of the original claim. Thus, it becomes effectively impossible for a young people to be counted as LTU.

Youth LTU data which became available in 2011 has been plotted in Graph 5.2. This graph shows youth LTU effectively collapsing from over 90,000 when New Labour entered office to a low of 3,700 in August 2001. It then remained almost consistently low (below 10,000) until September 2009 when it rose steeply to above 10,000. This appears to prove White & Riley’s (2002) theory that due to the structure of the NDYP it would be almost impossible for young people who had been without work to be counted as Youth LTU.

### **5.2.1.1.2. ILO Youth Unemployment**

ILO Youth Unemployment differs from the Youth Claimant Count and LTU in that it relies upon the self-reporting of survey participants of the Labour Force Survey.

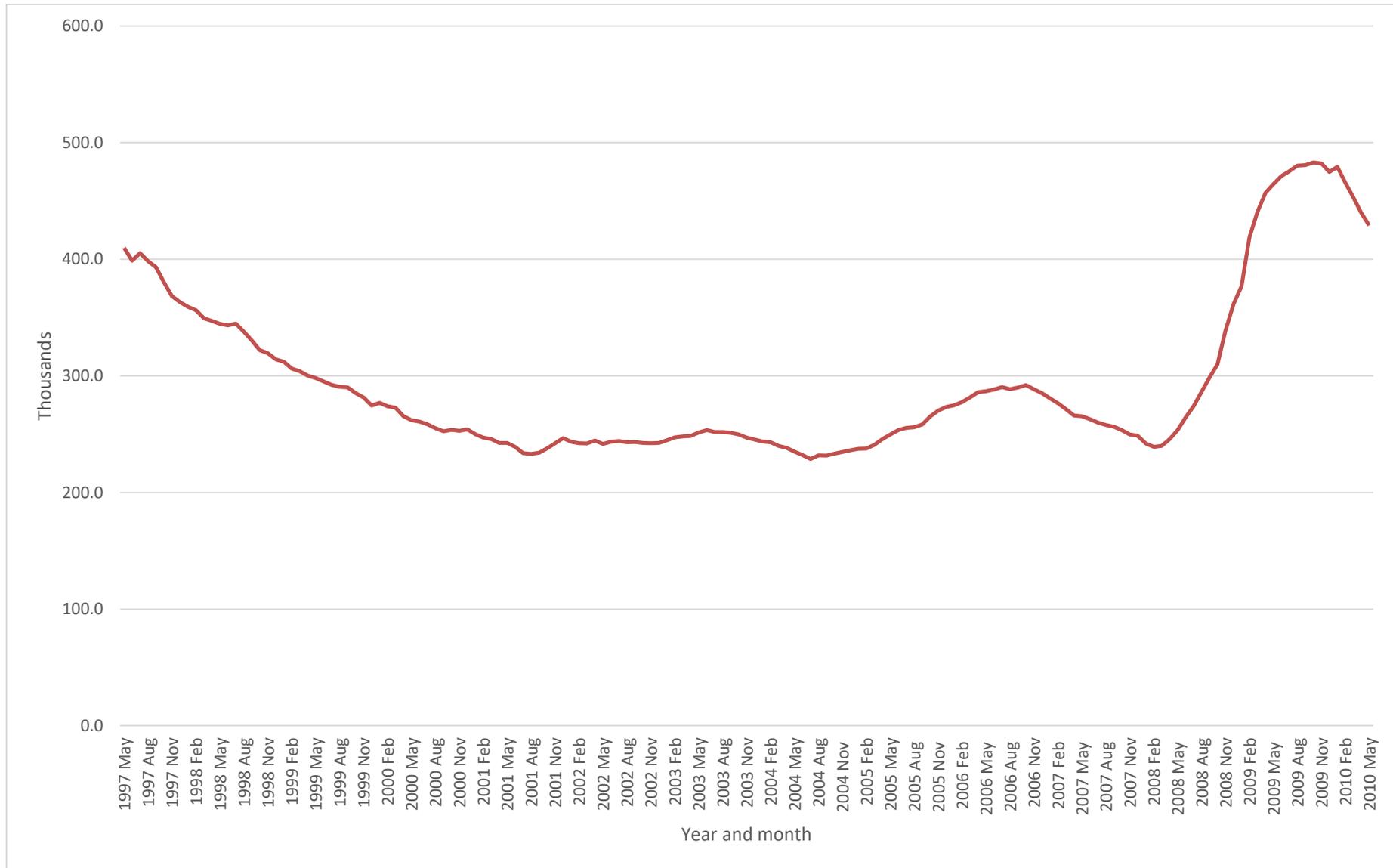
Participants are expected to read the criteria and self-report which criterion they feel they meet.

The ILO Youth Unemployment rate from April 1997 to June 2010 is drawn in Graph 5.3. The data suggests that ILO Youth Unemployment rose by an average of 0.22% per quarter. The lowest rate was 17.2% in April-June (Q2) of 2001 with a peak of 37.6% in July-September (Q3) of 2009. A trend line and linear regression equation has been added.

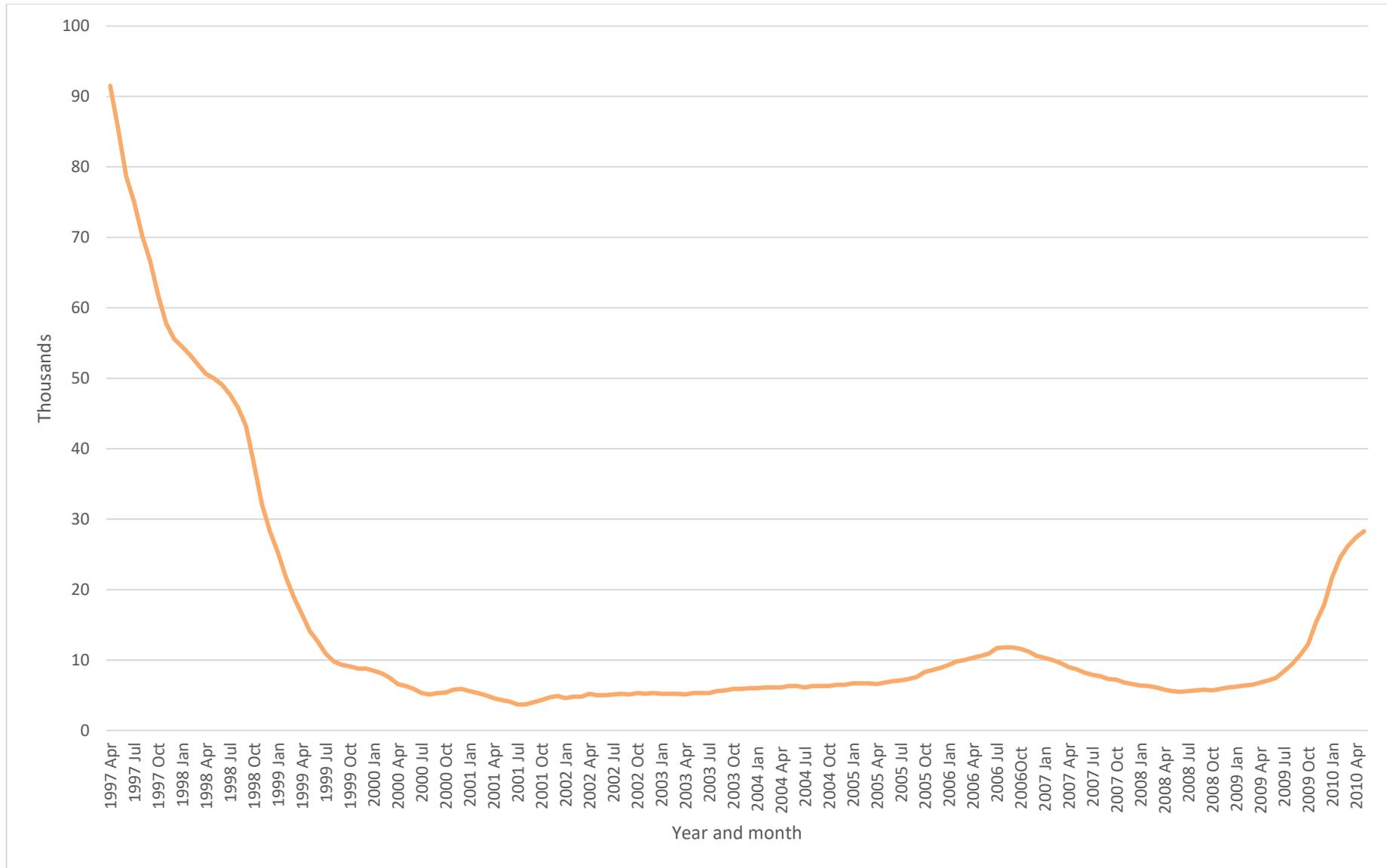
Although seasonal variation has been left in, there appears to be an overall increase in the numbers of young people self-reporting as unemployed. As is discussed in section 5.2.1.4. later in this chapter, this increase in ILO Youth Unemployment coincides with an increasing number of young people who were defined as NEETs (Not in education, employment or training), a commonly used measure of economic inactivity.

The picture of labour market activity painted by this data is very different to that portrayed by the Youth Claimant Count and LTU data. This adds further weight to the claim that the NDYP distorted the other measures of youth labour market activity.

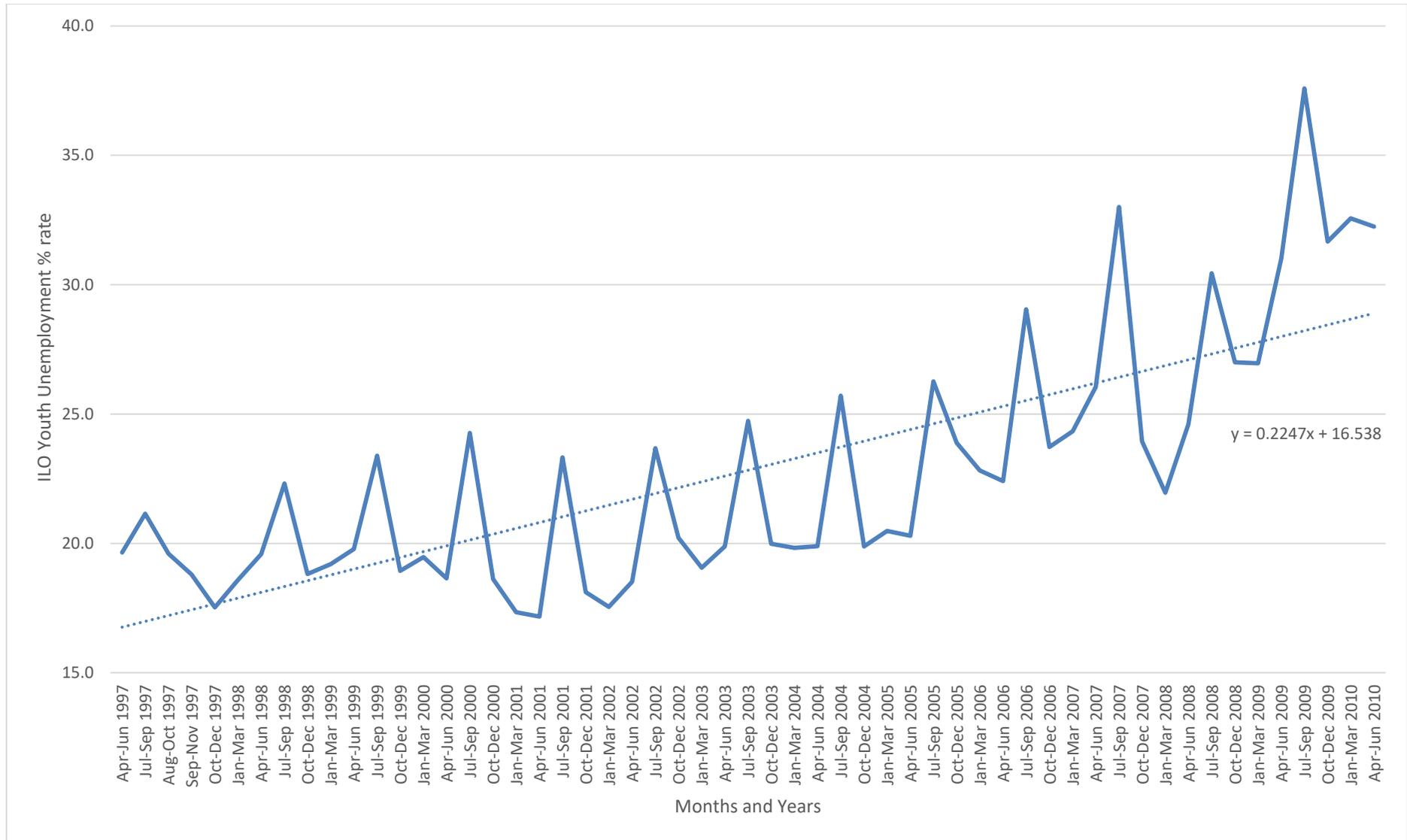
These results in 5.2.1.1. all raise the question as to whether this distortive effect of this blurred line was an unintended consequence of administrative definitions, or an intentional attempt to reduce headline labour market figures. It could easily be argued, for instance, that a consistent underestimation of the Youth Claimant Count and LTU would undoubtedly have helped New Labour politically. These measures/indicators therefore appear to be portraying the nature of their socio-political construction rather than some objective social reality.



**Graph 5.1: Youth Claimant Count (seasonally adjusted)**



**Graph 5.2: Youth Long Term Unemployment (seasonally adjusted) (thousands)**



**Graph 5.3. ILO Youth Unemployment % rate 1997 - 2010 (not seasonally adjusted)**

Source: Office for National Statistics, (2011a)

### 5.2.1.2. Jobs found

According to the available administrative data, it is claimed that between January 1998 and November 2009 a total of 935,630 young people ‘found jobs’ through the NDYP programme out of a total of 1,483,070 young people who started during the same period. This suggests an average ‘success rate’ of 63% over this time period. However, a total of 1,559,990 individuals had started the NDYP when New Labour left office in May 2010, as can be seen in Graph 5.4.

An important limitation of the available data is that there is a complete lack of detail regarding the type of work/jobs participants left the NDYP for. It could be argued that this is important because not all jobs have an equally positive impact on an individual’s welfare. For instance, a well-paid full-time job with prospects of training and promotion would have a very different impact on a person’s welfare compared to a poorly-paid or part-time job with no training or promotion prospects.

The only information available about the type of job is in the definition of the measures provided by the DWP (n.d.):

**“New Deal Young People Jobs – Individuals** contains the number of jobs gained through the programme. If an individual has had two spells and gained a job in each of those spells only one job will be included. This job will be the best job across all spells (in the order: 1. Unsubsidised sustained, 2. Subsidised sustained, 3. Unsubsidised un-sustained, 4. Subsidised un-sustained). For cases where there is more than one best job, the latest of these is recorded.”

The “best job” is defined as one which is unsubsidised by the NDYP and sustained (which was defined as lasting longer than 13 weeks). Other types of employment are prioritised hierarchically according to amount of subsidy and sustainability. However, it could be said that such ordering of data makes such data an ‘ordinal scale’ in that it “has order, but the interval between measurements is not meaningful” (Oakshott, p. 82), i.e. it is an arbitrary numerical scale where the exact numerical quantity of a particular value has no significance beyond its ability to establish a ranking over a set of data points. From available literature no justification or rationalisation of this ranking is made. It is only implicit that a job which is unsubsidised and lasts longer than 13 weeks is better than progressively more subsidised and less sustainable jobs.

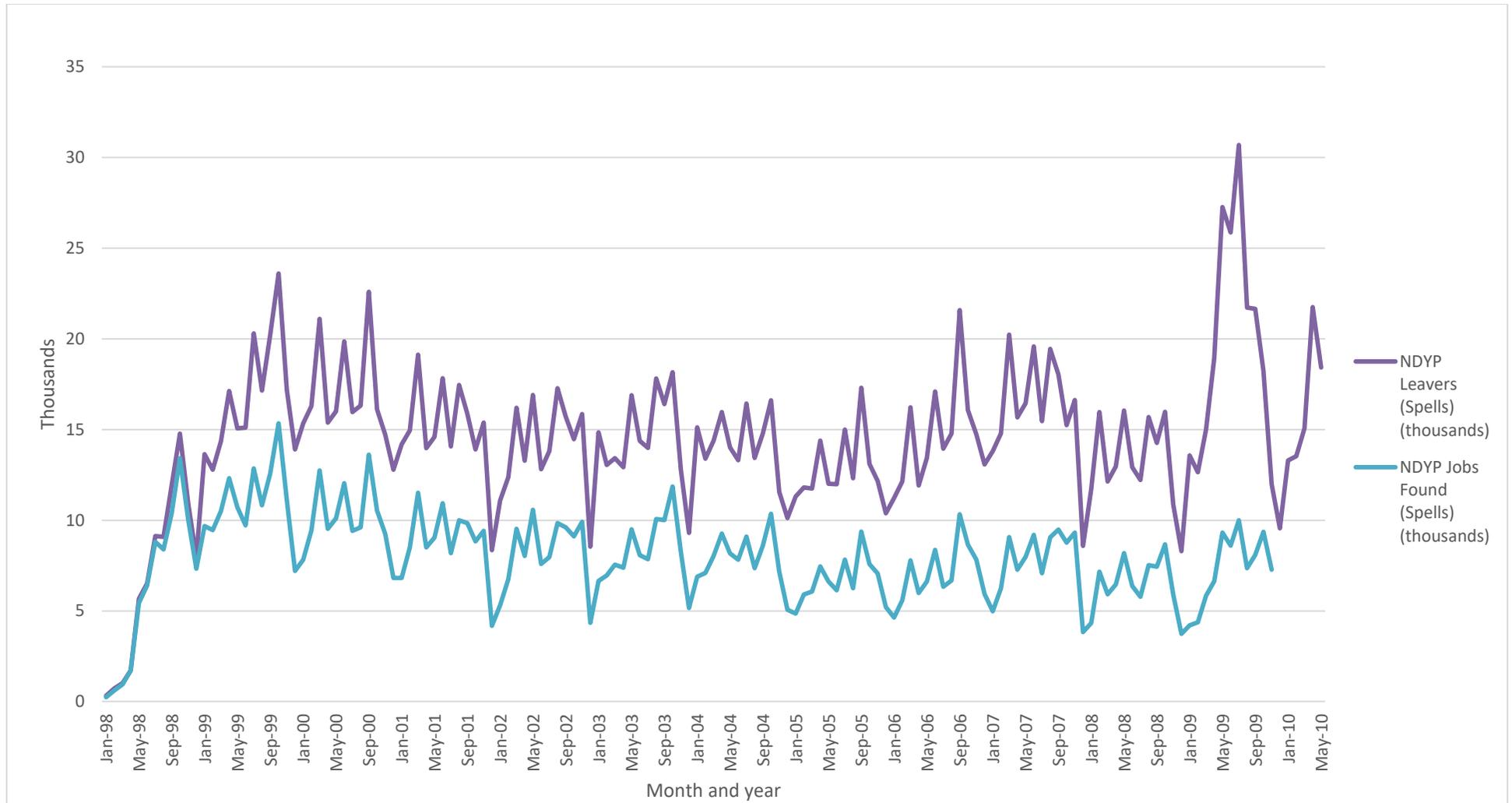
It should be noted that NDYP participants finding jobs and thus leaving the NDYP for work would not have substantially impacted the Claimant Count. By participating in the NDYP Options stage participants would already have ceased to have been measured through the Claimant Count. On the other hand, it may have impacted the British Labour Force Survey's measure of 'Youth Unemployment'. This is important because the Claimant Count is the primary measure used by politicians and the media when discussing unemployment. Individuals leaving the NDYP for reasons other than work may have impacted the Claimant Count if they were doing so to return to claiming JSA.

As can be seen in Graph 5.4. there were significant numbers leaving the NDYP for unknown destinations. This is also important as it may be indicative of participants leaving to become self-employed, leaving the labour market altogether or becoming 'economically inactive'. Section 5.2.1.4. below discusses the extent that this may be linked with an increased incidence of NEET's under New Labour.

The available data also lacked information about the gender of leavers. This is important because young females may leave the NDYP to have children. Unaffordable childcare then leads to their exclusion from the labour market (Lloyd *et al*, 2008). As a result of caring responsibilities, female workers are also more likely to need flexible or part-time employment. Add to this that females are also more likely to suffer discrimination (*ibid*, 2008) and the available data is all the more inadequate to discuss the impact of the NDYP on female participants.

When trying to gain insight into the impact of individual 'Options' of the NDYP upon unemployment it was found that more explicit data showing the route of individuals through the New Deal was only available for the period May 2009 to May 2010, as can be seen in table 5.1. During this period the programme appears to have the vast majority of participants on the 'Full-time education and training Option'. The Employment Option had the fewest participants during this period. It is also interesting to note that even in May 2009, when a high figure of 76,590 individuals began the gateway, the numbers making it to the Follow-through stage were consistently low.

Without data prior to this period it is difficult to draw any stronger conclusions about the impact of the Options across the whole programme.



**Graph 5.4: NDYP Leavers and Jobs Found (spells) (thousands)**

**New Deal Young People Leavers – Spells** contains the number of completed spells on the programme and the immediate destination of that spell. If an individual has left more than once, each spell and immediate destination will be included.

**New Deal Young People Jobs – Spells** contains the number of jobs gained through the programme. If an individual has had two spells and gained a job in each of those spells both jobs will be included. However, only one job per distinct spell on the programme will be included.

**Table 5.2. Stage of participation at the end of the month**

Date	Total	Gateway	Options – Employment	Options – Full Time Education and Training	Options – Voluntary Sector	Options – Environmen t Task Force	Follow- Through
		Participant s (thousands )	Participant s (thousands )	Participant s (thousands )	Participant s (thousands )	Participant s (thousands )	Participants (thousands)
<b>May-09</b>	116.32	76.59	1	14.18	7.99	3.16	13.39
<b>Jun-09</b>	108.73	67.07	1.03	14.97	8.84	3.49	13.33
<b>Jul-09</b>	97.79	57.67	1.02	14.03	8.21	3.29	13.57
<b>Aug-09</b>	89.85	53.71	0.95	12.26	6.61	2.75	13.57
<b>Sep-09</b>	80.11	49.58	0.78	9.72	4.37	2	13.67
<b>Oct-09</b>	74.46	45.17	0.76	9.59	4.12	1.82	12.99
<b>Nov-09</b>	72.81	43.92	0.75	9.47	4.2	1.78	12.68
<b>Dec-09</b>	73.96	45.4	0.72	9.09	3.99	1.68	13.07
<b>Jan-10</b>	76.95	49.32	0.61	8.67	3.79	1.54	13.01
<b>Feb-10</b>	77	49.75	0.52	8.64	3.8	1.53	12.76
<b>Mar-10</b>	75.97	49.53	0.49	8.24	3.76	1.48	12.46
<b>Apr-10</b>	67.68	44.98	0.39	7.53	3.55	1.36	9.87
<b>May-10</b>	58.4	38.6	0.32	7.13	3.48	1.27	7.6

### 5.2.1.3. Re-tread

The DWP measured a total of 1,559,990 individuals who had started the NDYP when New Labour left office in May 2010. During the same period there were 2,224,170 NDYP separate programme starts. Both of these measures are drawn in Graph 5.3. The gap between these two plots suggests that a significant level of ‘re-tread’ or ‘re-cycling’ by NDYP participants<sup>102</sup>. Further analysis of the data suggests that in an average month, 4,458 participants were passing through the programme for at least their second time.

More accurate data of the level of re-tread did not become available until after New Labour had left office. Table 5.2 shows the total number of starters each year, and also the number of starts. From 1999 onwards an average of around 25% of participants had started NDYP twice. Rates of re-tread remained consistently high throughout the NDYPs operation. Although only very small numbers made it to seven or more starts, this data undermines claims to efficacy of the NDYP in reducing youth unemployment and re-tread.

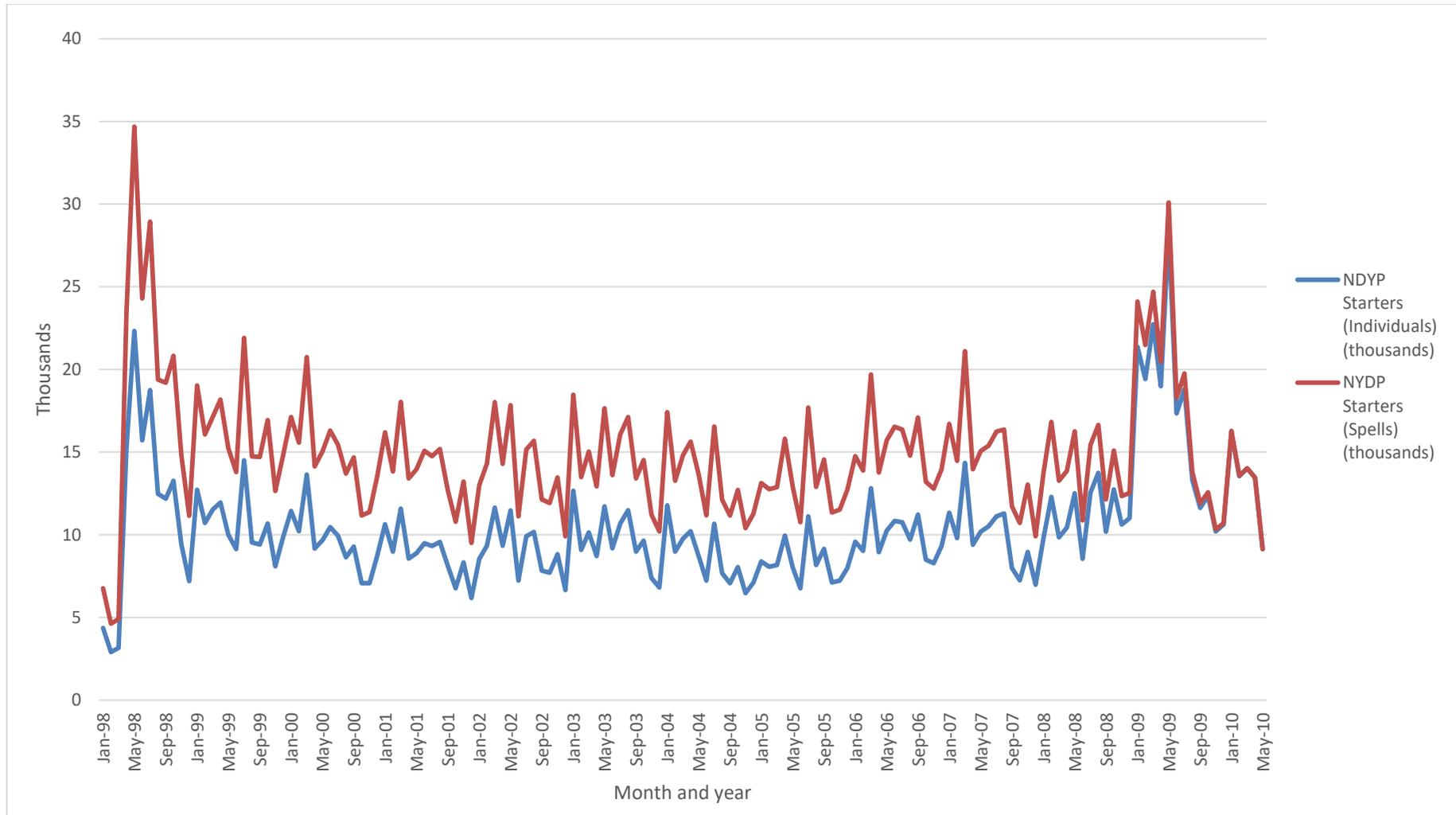
**Table 5.3. Number of people starting the New Deal for Young People, and the number of times they have joined the programme**

	Total starters	Number of People who started on NDYP					
		Two Times	Three Times	Four Times	Five Times	Six Times	Seven or more times
1998	214,060	1,450	10	-	-	-	-
1999	223,240	24,930	370	-	-	-	-
2000	201,920	55,670	3,650	90	-	-	-
2001	186,150	52,880	13,200	670	30	-	-
2002	185,470	46,650	18,100	2,880	170	10	-
2003	191,310	45,030	18,540	5,110	590	40	-
2004	175,050	39,640	15,920	5,140	950	90	10
2005	173,740	39,420	15,160	4,990	1,070	110	20
2006	196,780	44,110	16,570	5,370	1,230	170	10
2007	185,510	44,330	17,450	5,770	1,350	200	20
2008	180,520	44,360	18,460	6,480	1,580	250	30
2009	223,340	43,540	17,440	6,030	1,580	220	30
2010	82,580	16,930	6,490	2,530	720	150	10

<sup>102</sup> ‘Recycling’ or ‘re-tread’ can be defined as those “who repeatedly claim JSA without finding sustained employment between claims” (Carpenter, 2006. p. 7).

Data Source: DWP (2011)

High levels of re-tread/recycling between benefits and work is an important problem as it suggests multiple barriers to employment which are not being fully addressed by the welfare-to-work programme (Carpenter, 2006; Hill, 2012). These barriers include a lack of qualifications due to prior educational failure, financial insecurity, alcohol and substance abuse, physical and mental health problems, discrimination based on features other than age, poor job-search behaviour/skills, and a lack of financial incentives (Hill, 2012). The structure of the NDYP, especially the Gateway period, appears to focus mainly on search behaviour with little concern for these other barriers. Only when participants reach the Options period do some of the other barriers begin to be addressed, for example, the 'Full time education and training Option' may address a lack of qualifications and prior education failure. Issues such as alcohol and substance abuse or physical and mental health problems would have fallen under the NHS and are therefore not within the scope of this thesis. Issues such as the lack of financial security in low-skilled low-paid work are also unlikely to be solved by the NDYP. The National Minimum Wage and the Tax Credits system made some impact upon this issue, and this will be discussed in Chapter 9 of this thesis.



**Graph 5.5: NDYP Starters (individuals and spells) (thousands)**

**New Deal Young People Starters – Spells** contains the number of starts to the programme. If an individual has started more than once, each start will be included.

**New Deal Young People Starters – Individuals** contains the number of people starting the programme. If an individual has started more than once, the last start will be included.

#### 5.2.1.4. NEETs

Another statistical measure used by New Labour is that of 'NEETs'. NEETs are defined as 'young people' (in this case those aged 16-24) who are not in employment, education or training. The term NEET rose to prominence when it featured repeatedly in a report *Bridging the Gap* by the Social Exclusion Unit (1999) (Gonan *et al*, 2008). It has been argued that it was this report that led to the introduction of the Connexions as a means of monitoring and controlling the transitions of young people from education into the labour market (Furlong, 2006).

NEETs are often not counted in the Claimant Count because often they do not claim JSA, but could potentially be included in the ILO Youth Unemployment measure if they meet the criteria and self-report as such. This means, therefore, that many NEETs would never have entered the NDYP because they were not claiming JSA and so would not have met the pre-entry criteria.

Although it was only possible to find data for England, administrative data suggests that the number of individuals counted as NEETs rose by an average of 30,300 per year between Q3 2000 and Q1 2010. It reached a peak of 1,074,000 in Q3 2009 as can be seen in Graph 5.4. This is arguably important because it suggests that an increasingly large number of young people were not only not working, but also not close to the labour market or engaged in formal activities that would eventually return them to employment. This is not to say, however, that NEETs could not have been simultaneously involved in informal labour market activity such as working cash in hand in the so-called 'black' or 'shadow economy'.

This apparent failure of the NDYP has been highlighted by other writers such as Field & White (2007) who also observed an increasing number of NEETS alongside decreasing levels of economic activity. Evidence presented here corroborates their claims beyond 2007 and casts further doubts upon whether the NDYP had an overall positive effect upon youth employment.

An additional reason for the increase in the number counted as NEETs may be that young people were avoiding claiming JSA as this would have necessitated them

joining the NDYP after 6 months. By avoiding JSA they were thus able to avoid any such conditionality obligations.

However, some writers have focused their concerns on the use of the 'NEET' concept (Furlong, 2006; Yates & Payne, 2007). By classifying some young people as NEETs, New Labour identified those requiring targeted support and intervention. The NEET concept however failed to capture important details about their lives and did not propose the right support (*ibid*, 2007). Instead, New Labour placed emphasis on moving young people into an EET (in employment, education or training) status without an understanding of the reasons for their 'NEET' status and often without appropriate support (*ibid*, 2007). As one Connexions Team Leader so persuasively stated:

"It's a sad fact that what gets measured gets done" (*ibid*, 2007. p. 340).

It could be argued, therefore, that the statistical convention of NEETs was not as useful a concept as it may first appear. Connexions were tasked with reducing the number of NEETs. As Yates & Payne found, this led to one-on-one interviews and support being focused on the 'low-hanging fruit', i.e. those young people who were easiest to help. Those with more complex barriers were found to be less likely to even be called in for an initial interview (*ibid*, 2007).

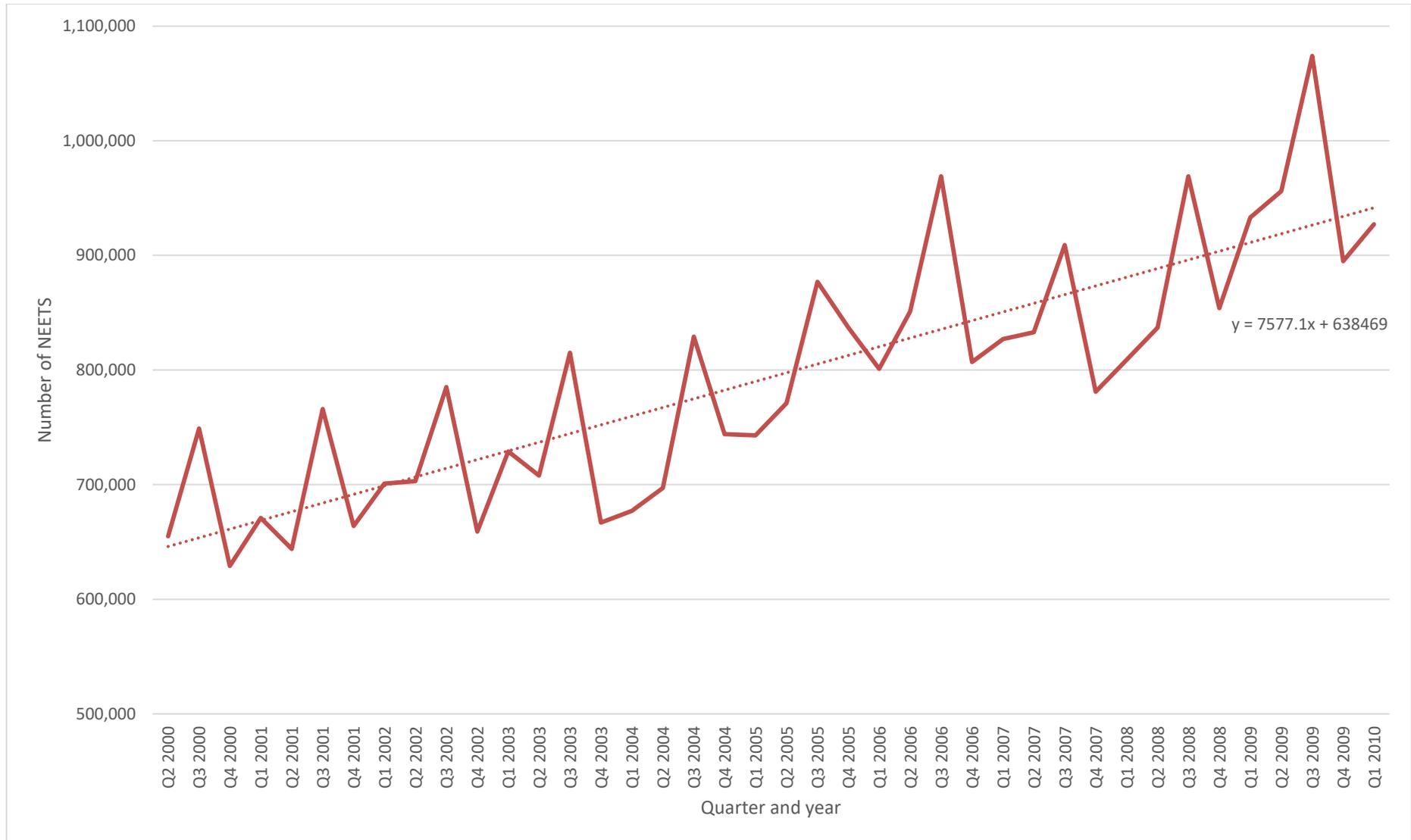
It could perhaps be argued that a failure to take a more holistic approach to tackling the underlying problems of all young people in the labour market ultimately led to increasing numbers of young people being counted as NEETs. This argument could be further developed with the important concept of social exclusion.

Social exclusion has been defined as "the dynamic process of being shut out [...] from any of the social, economic, political and cultural systems which determine the social integration of a person in society" (Walker & Walker, 1997. p. 8). Levitas took this idea further by saying that social exclusion is a deeper idea than just poverty and subsistence, but is about an individual's ability to participate in the customary life of society (1999). It could therefore be argued that the NEET concept is too narrow to encompass the multiple social problems and barriers faced by some young people.

These young people are not merely excluded from the employment and/or the labour market, but excluded from participating in society at large. This argument appears especially important in light of the weight given to social exclusion discourse by New Labour (Hutton, 1996; Levitas, 1996; 1999; Byrne, 2005). The target setting and performance management driven nature of NEETs may therefore have displaced a focus on social exclusion and broader efforts that would have reduced social exclusion.

As mentioned earlier, it could be countered that despite NEETs being excluded from mainstream society and its labour market they may have participated in the informal economy and have developed their own social networks and activities. Social exclusion is therefore only 'a problem' in this context if one is concerned with individuals avoiding their tax obligations.

Others such as Furlong (2006) make a similar claim that the NEET category is extremely heterogeneous: it includes young people who are available for work and are actively seeking work (meeting the ILO Unemployed definition), but also includes those who are not available or seeking working (the long-term sick, the disabled, those with caring responsibilities). Those not seeking work may have been pursuing other interests, resting, developing new skills through voluntary work or going travelling (*ibid*, 2006). The NEET category is therefore seriously compromised by its inclusion of young people who are disadvantaged and struggling to navigate transitions or exercise choice alongside privileged young people who are able to exercise much more choice (*ibid*, 2006).



**Graph 5.6: Number of NEETs in England, 2000-2010**

Source: ONS, 2010.

### **5.2.1.5. Deadweight loss and additionality**

An important consideration when evaluating the impact of the NDYP is whether additional numbers of young people found employment, or were supported into employment than would otherwise have been the case (known as 'additionality').

Of related importance is whether a significant number of those who found employment or were supported into employment would have found employment without the 'treatment' of the programme (known as 'deadweight loss').

Writing of the NDYP, Riley & Young argued:

“Inevitably, some of these people would have found a job anyway because of natural labour market turnover and the general expansion of employment in the economy” (2000. p. 1).

There appears to be strong evidence to support this claim. As was shown in Chapter 5, a considerable proportion of those entering employment under New Labour appear to have done so as a result of strong economic growth.

Between 1998 and February 2000, Riley & Young argue that there appeared to be stronger outflows from unemployment amongst the 18-24 year old age group compared to 25-29 and 30-49 year old groups. Riley & Young were not able to identify the characteristics of the NDYP that led to this greater outflow compared to other age groups. It could be argued that this greater outflow was a result of self-removal from the programme. However, without appropriate longitudinal and cross-sectional data covering the entire period of operation it is impossible to draw strong valid conclusions.

Attempts were made early in the history of the NDYP to estimate levels of additionality and deadweight loss:

**Table 5.4: Estimates of NDYP deadweight loss**

<b>Research</b>	<b>Estimated deadweight loss</b>	<b>Estimated employment additionality</b>
NIESR (1999)	50%	6%
Blundell <i>et al</i> (2002)	-	5%
Blundell <i>et al</i> (2004)	-	5.7%
<b>Average estimate</b>	<b>50%</b>	<b>5.57%</b>

Blundell *et al* (2002) and Blundell *et al* (2004) both note that they did not consider the long-term effects of the New Deal.

Longer-term effects of the NDYP can be examined using available data. This data is shown in Graph 5.5, and appears to suggest that over time there was declining employment additionality. This means increasing numbers of NDYP participants leaving for unknown destinations. Graph 5.6. further substantiates declining additionality as the gap between numbers of NDYP starters (spells) and numbers of jobs found (spells) can be seen to gradually increase over the course of the programme.

These results may reflect a declining positive impact of the NDYP, or perhaps a tightening of the youth labour market as both Claimant Count and ILO Unemployment had been declining strongly since 1993. However, the decline in employment additionality seems to continue during the financial crisis following very much a similar seasonal pattern before beginning a sharp increase in July 2009.

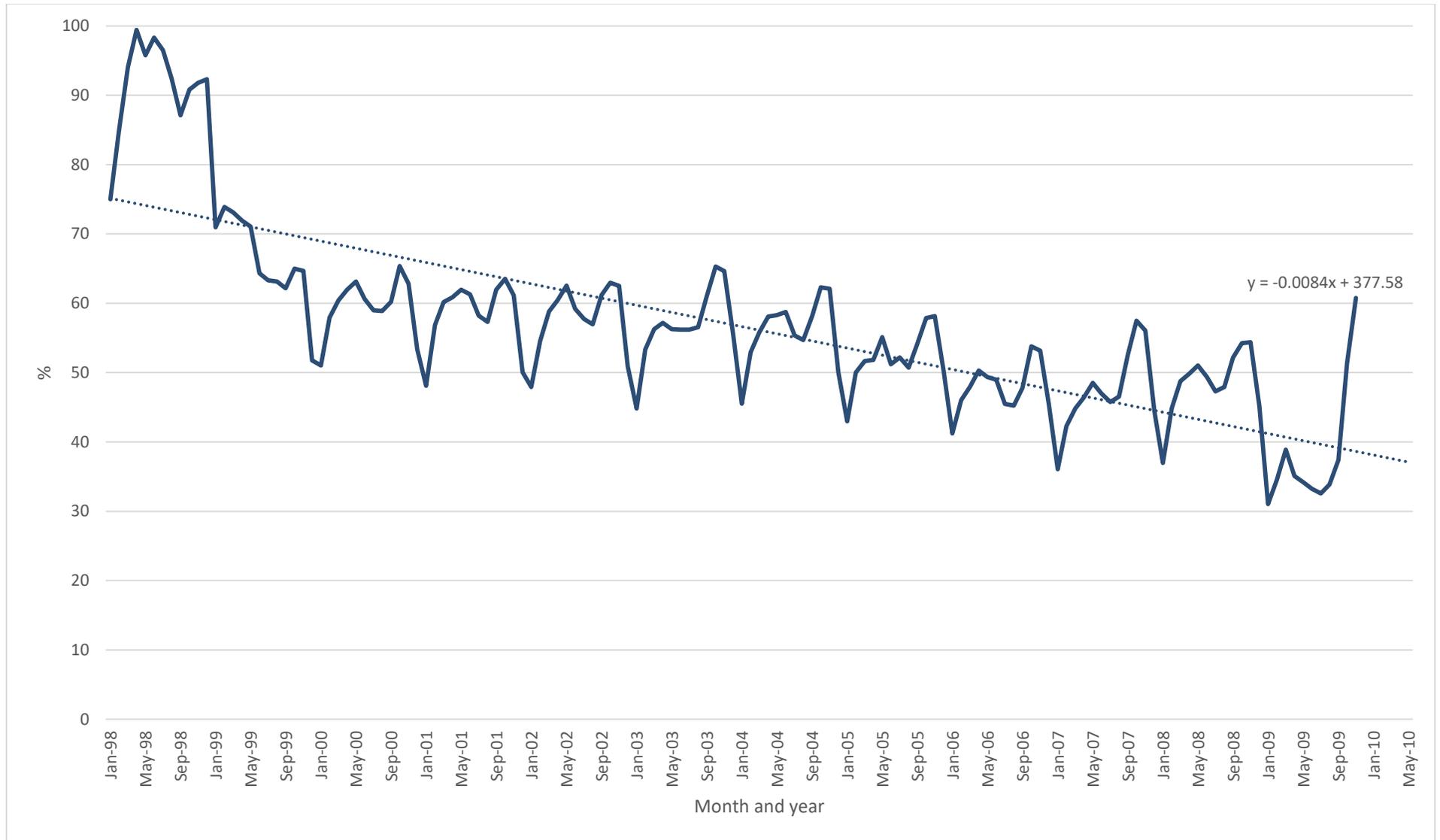
Estimates of deadweight loss are limited to a single piece of research by the National Institute of Economic and Social Research (1999). Although the deadweight loss of the NDYP is estimated to be 50%, McEldowney (1997) argues:

“A high level of deadweight by itself does not necessarily imply a policy failure. It could well be the case that high deadweight runs alongside a continuous stream of benefits arising from the scheme” (p. 185).

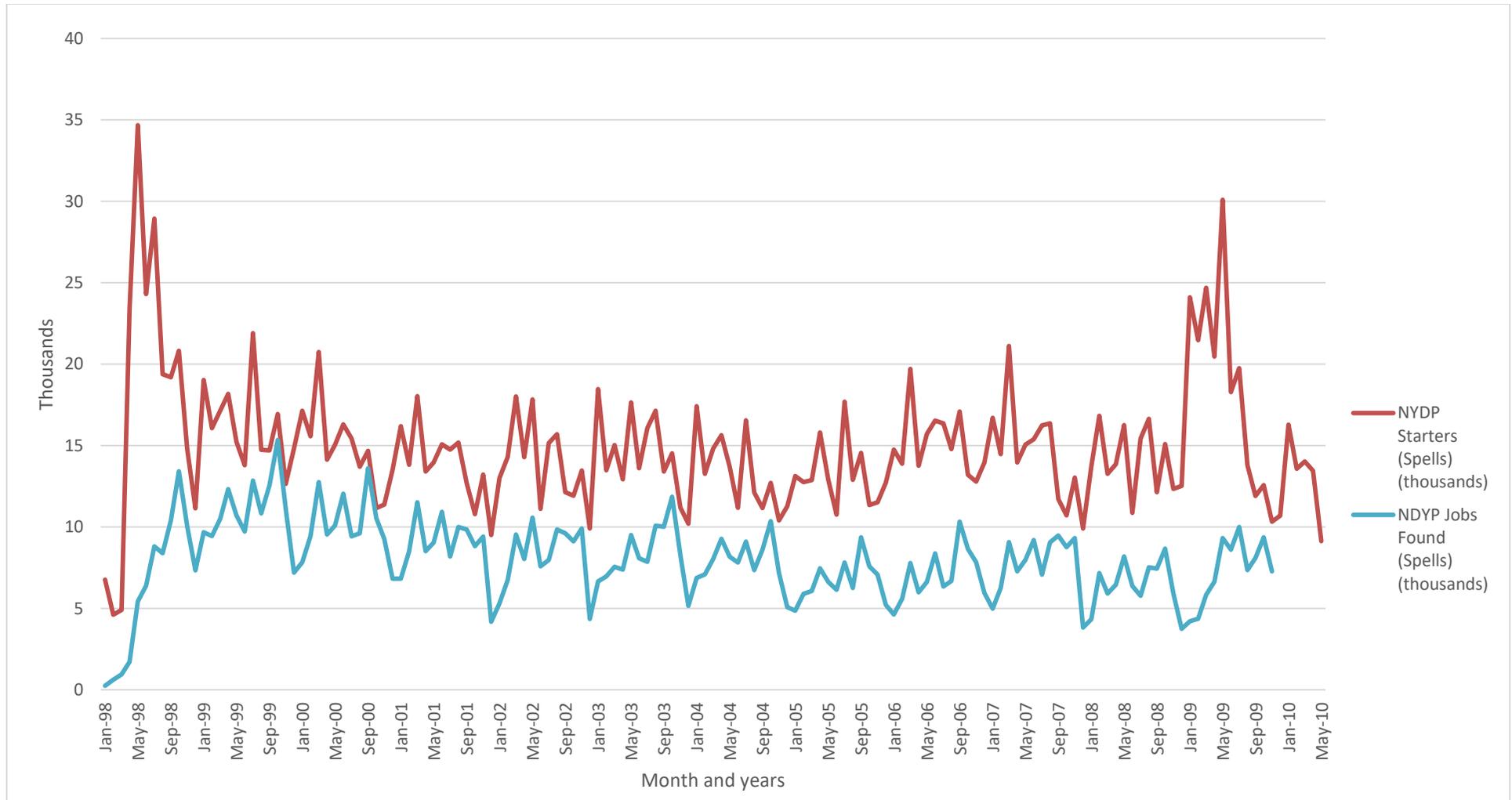
What McEldowney omits is that the opportunity-cost of public money spent on programmes like the NDYP is arguably still important, i.e. whether the money could have been better spent elsewhere; especially with such high levels of deadweight and such low sustained levels of additionality.

Despite the arguments presented here, whether deadweight loss and additionality are the most useful concepts for evaluation remain contested. The greatest difficulty in assessing deadweight loss and additionality is that such concepts are difficult to measure without a 'control group' to compare 'experimental' groups to. Others have raised similar concerns about use of these evaluation concepts such as an oversimplification of additionality and deadweight to simple counterfactual questions, a lack of 'scientific rigour' (small sample sizes and non-generalizable results), a negative attitude towards deadweight loss (and subjectivity more broadly), and an argument that these concepts represent a "crude tool to use in evaluation" (McEdowney, 1997. p. 185).

It could be argued that there was the potential for the subsidised NDYP Employment Option to have had a positive impact on the supply of jobs to the market. However, without data showing the uptake of the jobs subsidy it was not possible to assess this impact.



**Graph 5.7: % of NDYP leavers gaining employment**



**Graph 5.8: NDYP Starters (Spells) and Jobs Found (Spells) (thousands)**

**New Deal Young People Starters – Spells** contains the number of starts to the programme. If an individual has started more than once, each start will be included.

**New Deal Young People Jobs – Spells** contains the number of jobs gained through the programme. If an individual has had two spells and gained a job in each of those spells both jobs will be included. However, only one job per distinct spell on the programme will be included.

### 5.2.1.6. The impact of the NDYP on non-participants

In addition to impacting participants of the NDYP, it has been argued that the programme may have had an impact on non-participants of the programme. For example, Riley & White argue:

“It is also possible that the help received by NDYP participants disadvantages short-term unemployed people not qualified for the programme. This would be the case if for example fewer Employment Service resources are available to non-participants or if employers substitute New Dealers with subsidised wages for other young people” (2000. p. 12).

A range of phenomenon have been defined for the potential impact of the NDYP on non-participants: substitution and displacement/crowding out.

Substitution can be defined as “the proportion of assisted individuals who are recruited instead of (and thus substitute for or replace) individuals in the same company” (Hasluck, 1999).

Displacement can be defined as “the proportion of employment change in participating firms that results from the programme giving such firms a competitive advantage over non-participating firms” (Hasluck, 1999).

Beale *et al*, including several previous evaluations, found no evidence to support either substitution or displacement occurring under the NDYP (2008). Others have argued that the relatively small proportion of the overall labour market accounted for by young workers means that any substitution effect would be small (Select Committee on Education and Employment, 2000).

Prof. Richard Layard, the architect of the New Deal programmes, goes further by saying that displacement and substitution are fallacious. These concepts, he argues, derive from the ‘lump-of-labour fallacy’ which claims that there are only a set number of jobs within an economy (Layard, 2001). The reality, he argues, is that if there is an increase in employable individuals in the market place, this creates a downward pressure on wages, making it possible for higher levels of employment at the same

inflationary pressure (*ibid*, 2001). However, in making this argument, Layard appears to forget the possible impact of the National Minimum Wage (NMW) creating a price floor for the cost of labour (though young people were only given the 'Development rate' of the NMW). Thus, wages can only drop so far and firms may be artificially limited in the amount of labour they are able to employ. At this point it could be argued that substitution and displacement may come into play, especially when workers supplied through the NDYP are subsidised.

Despite Layard's arguments, displacement and substitution were widely hinted at in the press although in less technical terminology (The Guardian, 1997; Local Government Chronicle, 1998; The Sentinel (Stoke), 1998; West Morning News (Plymouth), 1998). In these articles, the eagerness of firms to sign up to take subsidised NDYP participants is highlighted.

Upon examining available administrative data, no evidence could be found of displacement or substitution occurring. However, given that these phenomena occur within firms, it is unlikely that any administrative data would exist unless deliberately gathered at the time. This is supported by Hasluck (1999) who suggested appropriate data for collection focusing heavily on the behaviour of firms. Proxy measures or indicators would if anything be more likely to suggest a causal relationship. However, no suitable proxy measures or indicators of substitution or displacement could be found.

### **5.3. New Deal for Musicians (NDfM)**

The New Deal for Musicians was officially launched in October 1998. The programme was piloted between August 1999 and November 2002 (Somerville & Brace, 2004), and could be argued to represent a consequence of the *Cool Britannia* trend of the late 1990s where British groups such as Blur and Oasis were globally popular bands. The NDfM was originally targeted at those who were also eligible for the NDYP, but was extended to incorporate the ND25+ when the programme became permanent from November 2002 (*ibid*, 2004). The aim of the NDfM was to help unemployed musicians into sustainable careers in the music industry as either artists under contract or as self-employed artists (*ibid*, 2004).

The NDfM offered participants a range of support in the form of:

- A full-time education and training open learning pack from a Music Open Learning Provider (MOLP);
- Access to specialist Music Industry Advisers (MIA); and,
- Self-Employment Flexibilities.

Just like other New Deal programmes, there is 'Follow-through support' and advice for those unable to find work at the end of the NDfM period.

The NDfM came to an end in October 2009 when it merged with the Flexible New Deal.

### **5.3.1. The impact of the NDfM**

Assessing the impact of NDfM is perhaps the most challenging out of all the New Deal Programmes. The niche nature of the programme and its comparatively small size has perhaps led to only a limited number of small-scale evaluations being carried out mainly during the early years of operation (Cloonan, 2002; 2003; Kazimirski, 2001; Thomas *et al*, 2000; 2001). These evaluations have focused mainly on Scotland in the case of Cloonan, and Northern Ireland in the case of the Department for Employment and Learning Northern Ireland (DELNI) (2007). However, UK wide evaluations were carried out by Thomas (2000; 2001) and Kazimirski (2001).

Cloonan's qualitative evaluations of the NDfM were, on the whole, very positive. He argues that the NDfM especially was built around notions of employability, i.e. enhancing human capital as part of New Labour's support for lifelong learning (Coffield, 1999. Cited in Cloonan, 2003). The MOLP provision of open-source learning materials received mixed reviews but was an important part of increasing employability (Cloonan, 2003). However, the importance of cultural, and perhaps social capital, were also identified as key factors in the success of the NDfM, especially the role of MIAs who provided confidence and validation to those who wanted to become professional musicians, but who had previously received a cynical response from Employment Service staff (*ibid*, 2003).

DELNI's (2007) own comparative evaluation of the performance of the NDfM in Northern Ireland and mainland Great Britain suggests a very mixed impact:

**Table 5.5: Leavers Progressing into Employment 1999/2000 to December 2005**

	<b>Percent entering employment (%)</b>
NDfM DEL Database	11.5
NDfM 1 <sup>st</sup> Destination of Leavers	33.0
NDfM Current Destination of Leavers	37.0
ND25+*	20.2
NDYP	31.9
NDYP average and ND25+	25.4
ND Full Time Education and Training**	28.0
ND Education and Training Opportunities**	21.0

Source: DELNI, 2007

\* based on leavers progressing into unsubsidised employment

\*\* based on leavers progressing into unsubsidised employment 1998/99 to December 2005

DELNI found that the NDfM performed better than both NDYP and the ND25+ participants in terms of leavers entering employment and staying in employment during the period 1999 to December 2005. This perhaps supports the claims of Cloonan (2002; 2003) that the NDfM places more emphasis on employability i.e. human capital, and may therefore lead to better outcomes in the long-run.

A comparison between the implementation of the NDfM in Northern Ireland versus mainland GB however suggests wide disparities between administrative areas:

**Table 5.6: Recorded Destination\* of leavers DEL & Jobcentre Plus**

	<b>NDfM DEL Database</b>	<b>NDfM Jobcentre Plus Database</b>
Employment	12%	31%
Benefits	37%	7%
Other known	32%	12%
Unknown Destination	19%	50%
Total	100	100

Source: DELNI, 2007

\* Destination on leaving to end Dec '05

**Table 5.7: First destination upon leaving NDfM**

	<b>NI%</b>	<b>GB%</b>
Entered employment; of which kind:		
- Full-time	24	42
- Part-time	5	13
- Self-employed	4	5
Those in employment from above employed within the music industry	(5)	(16)
Entered education/training	7	2
New Deal Option	2	17
Returned to unemployment	53	15
Other	5	5
Total	100	100

Source: PEER Consulting Survey of NDfM Past participants cited in DELNI, 2007.

**Table 5.8: Current Activity of NDfM Leavers**

	<b>NI%</b>	<b>GB%</b>
In employment; of which kind:		
- Full-time	23	32
- Part-time	8	12
- Self-employed	6	4
Those in employment employed with the music industry	(10)	(15)
In education/training	5	2
Unemployed and claiming benefit/on a government training scheme	43	36
Unemployed and not claiming benefit	4	9
Other	11	5

Source: PEER Consulting Survey of NDfM Past participants cited in DELNI, 2007.

As can be seen in tables 5.7. and 5.8., the participants of the NDfM in Northern Ireland performed worse than those in mainland GB in both the short-term and longer-term with lower rates of almost all types of employment, except self-employment, lower rates of employment in the music industry and far higher rates of returning to unemployment and associated benefits. The DELNI offered no explanation for this

disparity<sup>103</sup> but instead offered recommendations to improve the performance of the NDfM including further restricting the programme to only “those individuals who have a realistic chance of succeeding in the music industry” (2007, p. 70) as well as the introduction of work placements, increased monitoring and more accessible workbooks (*ibid*, 2007). Unfortunately, despite Freedom of Information (FOI) requests, data was not available for the remainder of the UK.

## 5.4. Chapter 5 Summary and Conclusions

Using a range of available administrative data and other evidence this chapter has examined the statistical impact of the New Deal for Young People (NDYP).

The first part of this chapter set out the structure of the NDYP before examining the possible impact the programme may have had on young people between 1997 and 2010. Attention was drawn to how ‘young people’ are defined and how this client group may have particular issues not faced by other client groups. It was argued, however, that this definition has evolved over time and appears to be a function of changes in JSA eligibility and ILO definitions of ‘young people’ versus ‘adults’.

There is little doubt that as ‘young people’, however defined, make the important transition from full-time education to work they will often struggle with the transition. A lack of work experience and work-ready skills will inevitably see them struggle to gain employment in the first place, but also to hold down that employment in the longer run until they have amassed that experience and skills. Furlong (2006) makes the point that “Many young people move into temporary and insecure employment without experiencing NEET”, and also “A move into work or training or continued participation in education does not necessarily signify a lack of vulnerability or the absence of a need for quality training to sustain future career development” (p. 566). The important conclusion of this is that, even if in employment, younger workers remain vulnerable to the increasingly insecure nature of the UK labour market.

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<sup>103</sup> An obvious explanation may be the generally higher rates of unemployment in NI and the greater opportunities for employment in the music industry in mainland Britain.

Given the variation in the age at which young people make the transition from full-time education to work is so broad, the age range up to 25 years old seems appropriate. The lower limit of 18, however, has been defined by JSA eligibility. It therefore excludes those who leave education between 16 and 18, and also those who may have left or who never entered mainstream education earlier, such as school-refusers or the children of travellers.

Rates of Youth Claimant Count and Youth Long-Term Unemployment (LTU) amongst young people were examined. It was argued that due to the structure of the NDYP, the measured Claimant Count and rates of LTU may have been distorted and artificially appeared lower than they would otherwise have been without the NDYP (Wood, 1998; White & Riley, 2002). Evidence to support these claims was indeed found in the relevant administrative statistics over the period 1998- 2010. Far from representing some objective social reality, these statistics instead represent the socio-political nature of their construction. This raises the question of how useful the Youth Claimant Count and Youth LTU measures remain when trying to study the impact of youth labour market policy.

It could be argued that these measures remained useful to New Labour on a political level. Being the 'headline' figures used by the media to report labour market activity, their artificial lowering through the distortion already discussed was to New Labour's advantage. There was therefore arguably no motivation for them to challenge or change these measures and the judgements or social conventions underlying them.

In a number of areas the NDYP was found to be wanting when examining internal administrative measures. A comparison of the number of individual starts to the NDYP versus the number of repeat starts suggested a considerable amount of re-tread was occurring. More detailed data was not available until 2011 but this appeared to show that from 1999 onwards an average of around 25% of participants had started NDYP at least twice. In some cases, individuals had several programme starts (see Table 5.2.). This may have been due to the NDYP failing to tackle the underlying barriers to employment faced by these participants. NDYP participants therefore failed to gain sustained employment and thus were forced to re-start the NDYP. It is also possible

that they gained no employment between programme starts but merely returned to the NDYP after a further 6 months of JSA.

Under New Labour the number of individuals counted as NEET was found to have increased steadily throughout their time in office. Although the term 'NEET' is contested, it may be indicative of the underlying barriers to employment faced by the young which leads to their social exclusion. The increasing number of young workers counted as NEETs would therefore have been very disappointing for New Labour who placed tackling social exclusion at their centre of their 1997 manifesto (Labour, 1997).

The NEET concept was also found to be not without its critics (Furlong, 2006; Yates & Payne, 2007). Furlong argued the concept was extremely heterogeneous, including young people with a range of labour market experiences: some were NEETs due to disadvantage while others were there by choice, e.g. middle class teenagers taking a gap year after college. This raises concerns about how useful this concept is as a measure of Youth labour market activity. Yates & Payne were also concerned that a myopic focus on reducing the number of NEETs (those identified as requiring targeted support and intervention). The NEET concept, however, was failing to capture important details about their lives and did not propose the right support (*ibid*, 2007). These criticisms of the NEET concept, like those of the Youth Claimant Count and Youth LTU, raise the question of how useful this concept is when trying to evaluate the labour market impact of welfare-to-work programmes.

A range of estimates for deadweight loss and additionality of the NDYP were examined. Although not conclusive these estimates suggest a high deadweight loss of around 50%, and additionality of around 5%. These estimates are arguably useful as they give some indication of the positive effect of the NDYP. However, it was argued that statistical constructs are flawed (McEdowney, 1997). These criticisms include over-simplification of additionality and deadweight to simple counterfactual questions, a lack of 'scientific rigour' (small sample sizes and non-generalizable results), a negative attitude towards deadweight loss (and subjectivity more broadly), and an argument that these concepts represent a "crude tool to use in evaluation" (McEdowney, 1997. p. 185). Again, these criticisms, like those of other statistical measures, undermine their use for evaluating labour market programmes.

The impact of the NDYP on non-participants was also examined. Previous evaluations found little to no evidence of substitution or displacement by NDYP participants (Select Committee on Education and Employment, 2000; Beale *et al*, 2008). Despite suggestions of firms being eager to recruit NDYP participants over others (The Guardian, 1997; Local Government Chronicle, 1998; The Sentinel (Stoke), 1998; West Morning News (Plymouth), 1998). Layard (2001), however, was quick to dismiss substitution or displacement as fallacious social problems. This appears to be true given the available evidence. Due to a lack of data or other evidence it was not possible to estimate the positive impact of the NDYP on the supply of jobs.

Finally, this chapter examined the New Deal for Musicians (NDfM). Although also aimed at the same 'youth' client group, the NDfM took a very different approach when compared with the NDYP: it was heavily focused on improving directly relevant skills and qualifications to boost employability<sup>104</sup>, work experience and supporting the development of personal networks within the music industry through the Music Industry Advisors. The result of this differing approach was that the NDfM performed better than both the NDYP and the ND25+.

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<sup>104</sup> A human capital approach rather than a simple work-first approach.

## **CHAPTER 6 – The impact on the long-term unemployed – The New Deal for 25 plus/New Deal for the Long Term Unemployed (ND25+/NDLTU) and Flexible New Deal (FND)**

This chapter discusses the impact of New Labour's labour market policies on the working age population who were 'long-term unemployed' aged 25 to 49 (inclusive), i.e. those too old for the NDYP but too young for the ND50+. New Labour sought to reduce unemployment and the New Deal 25 plus (ND25+, sometimes called the New Deal for the Long Term Unemployed or NDLTU). Those aged over 50 years of age fell under the New Deal for those aged 50 plus (ND50+) and are addressed in chapter 7.

### **6.1. Defining client groups**

In terms of the scope of the ND25+, the decision to include those aged between 25 and 49 is arguably one of administrative expedience and based on age rather than any other feature of the client group. It could be argued that this may have been because this client group constitutes the bulk of the unemployed amongst the wider working age population<sup>105</sup>. Thus, it was felt they required their own New Deal programme. It could also be argued that the definition of this group was also a political decision. For example, 'Youth unemployment' as a political issue appears to have arisen in the 1970s and 80s when recession and long-term unemployment unduly impacted young people (Sinfield, 1981).

When individuals reach the age of 25, if they had been unable to gain a job through the NDYP they would have transferred to the ND25+. However, there is no available data or information as to how many individuals would fall into this category of transferees.

Those eligible for the ND25+ appear to have been defined by age and the length of their unemployment, in this case the client group consisted of those aged between 25 and 50 years old and met other conditions related to LTU.

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<sup>105</sup> Those aged 16-64

It can be argued an unknown number of participants may have joined the ND25+ from the NDYP after reaching the age of 25 years old, and an unknown number may also have left the ND25+ upon reaching the age of 50 years old. However, numbers of participants making these transitions to and from the ND25+ was not recorded, further muddying the water as to the impact of the ND25+.

It could be argued that the 25-49 year old client group appears not to have suffered any age-related barriers to employment. They may however have suffered from more general barriers to employment such as a lack of qualifications due to prior educational failure, financial insecurity, alcohol and substance abuse, physical and mental health problems, discrimination based on features other than age, poor job-search behaviour/skills, and a lack of financial incentives (Carpenter, 2006; Hill, 2012).

## **6.2. The New Deal 25+/New Deal for the Long Term Unemployed (ND25+/NDLTU)**

The New Deal for 25 Plus was introduced in April 2001 as an improved version of the New Deal started in 1998 (Somerville & Brace, 2004). Participation was required if:

- A person was aged between 25 and 49, and;
- They had been claiming JSA for 18 out of the previous 21 months, or;
- They had been receiving National Insurance Credits for 18 out of the previous 21 months; and
- They did not live in one of New Labour's Employment Zone areas.

If an individual lived in an Employment Zone they had to participate in the Employment Zone scheme instead (*ibid*, 2004).

In a similar structure to the NDYP, the ND25+ had a four month Gateway period which consisted primarily of intensive help to find unsubsidised jobs (a strong focus on search behaviour). It also offered support with communication skills, interview technique, confidence building, homelessness, drug dependency and debt, help with basic skills such as literacy, numeracy and IT skills, and support for special groups such as those with disabilities or health problems, ethnic minorities and those living in rural areas (*ibid*, 2004).

Those who failed to find work during the Gateway period progressed to the 'Intensive Activity Period' (IAP) which consisted of a set of activities tailored for each individual. These would include at least one of the following:

- Help with basic skills;
- Work placements with employers;
- Work experience placements;
- Training that had strong labour market links;
- Motivation, soft skills and jobs search provision; and,
- Any other support which would help to overcome barriers to work (*ibid*, 2004).

The IAP was designed to:

- Address 'deep-seated barriers to work';
- Provide work experience;
- Act as incentive to move into work; and,
- Serve as a deterrent to fraud (*ibid*, 2004).

Like the NDYP, there was a subsidised employment element to the ND25+. However, this differed in that there was no formal training commitment or payment for training associated with the subsidy (*ibid*, 2004).

Also, like all of the New Deal programmes, the ND25+ had a 'Self-employment provision' which provided assistance with how to set up and run a business and supported a period of 'test trading'. The role of the Self-employment provision was to encourage participants to move into independent self-employment or other employment (*ibid*, 2004)<sup>106</sup>.

If a participant passed through both the Gateway and IAP and was still unable to find work they moved through to a 'Follow-through' period which, unlike the NDYP, only lasted for six weeks, but for participants with additional barriers this could be extended to a maximum of 13 weeks.

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<sup>106</sup> Underpinned by the belief that some work, any work, is better than no work.

### **6.2.1. Previous evaluations of the ND25+**

Unlike the NDYP, very little research has been conducted into the ND25+. Only two DWP research reports were commissioned to evaluate minor pilot programmes in addition to the ND25+ (Page *et al*, 2006; Miller *et al*, 2008).

Page *et al* (2006) evaluated the Gateway to Work (GtW) component of the ND25+ which had been introduced in 2003. The GtW was a two week full-time training programme mandatory for those who had been claiming JSA for four weeks after joining the ND25+ Gateway. This sought to improve levels of job take-up by improving employability (Page *et al*, 2006). The GtW was found to be of only limited success and did not represent value for money. It produced no increase in the proportion moving into employment. Participants left the New Deal from the Gateway slightly earlier resulting in a five percentage point reduction in participants moving to the IAP (*ibid*. 2006).

Miller *et al* (2008) evaluated 'Employment Retention and Advancement' (ERA) which offered financial incentives and in-work support to help individuals continue and advance within the labour market. The ERA was aimed at unemployed lone parents, lone parents working part-time and long-term unemployed individuals in receipt of government benefits. It was found that the ERA had a similar impact on employment, earnings and benefit receipts as other individuals in the ND25+ group being evaluated, with only small gains (2-3%) in the rate of employment (*ibid*, 2008).

No other evaluations were carried out, presenting significant gaps in knowledge. It was therefore necessary to gather further data from the DWP tabulation tool and conduct further analysis before appropriate conclusions could be drawn.

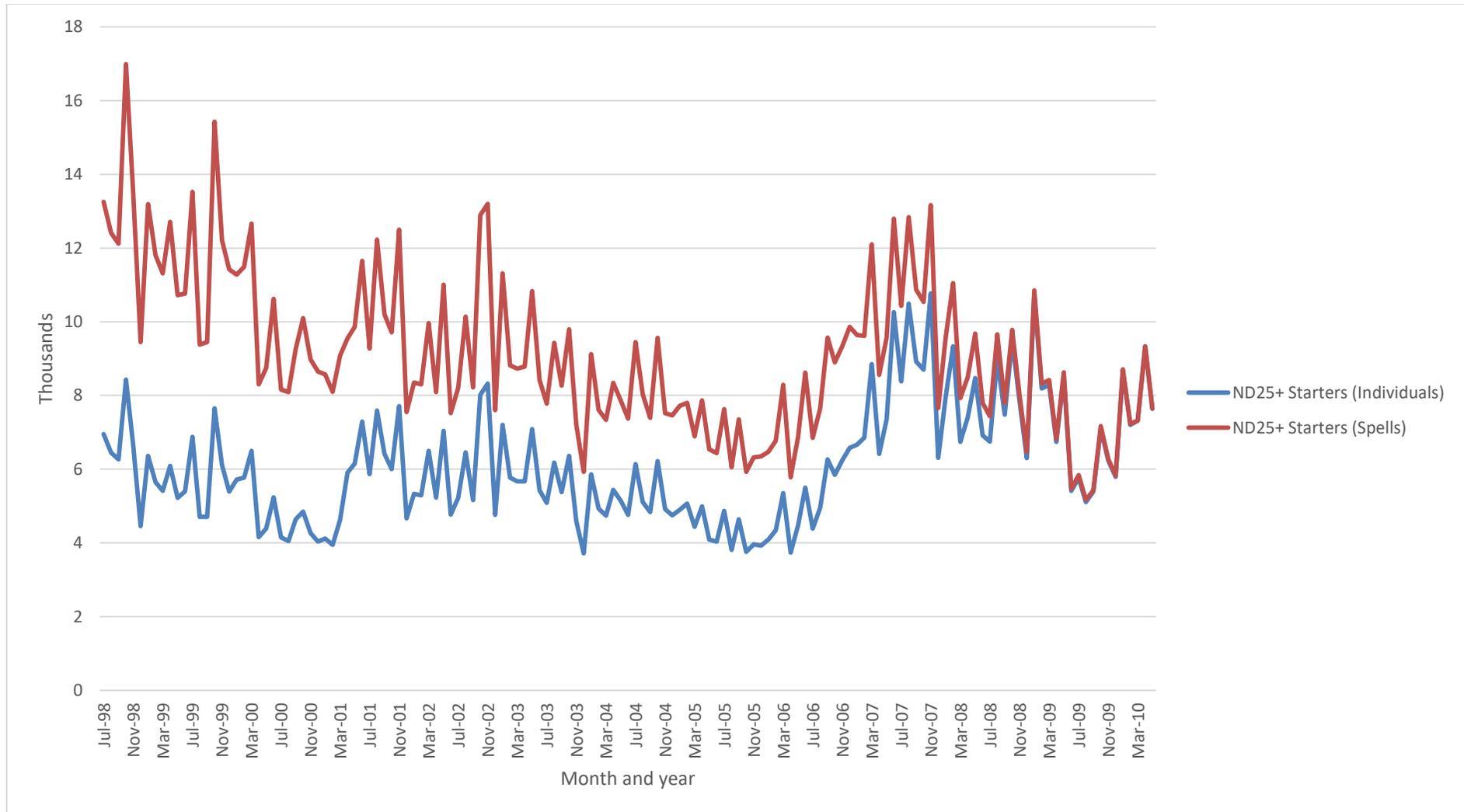
## **6.2.2. The Impact of the ND25+**

### **6.2.2.1. Re-tread**

Available administrative data for the ND25+ suggests that, like with the NDYP, ND25+ participants were highly likely to suffer repeat spells on the New Deal programme. Graph 6.1 below shows the number of both individual starters and programme starters. The statistics suggested that initially 50% of participants were individuals who had been through the programme before. Although this declines over time until eventually reaching zero in March 2010, it suggests that the ND25+ began with only limited success in reducing repeat spells, but that this improved over time.

Table 6.1., constructed from data released in 2011 by the DWP, provides a more accurate portrayal of the extent of re-tread. Although considerably less than 50% according to this dataset, an average of 22,000 participants re-entered the ND25+ annually between 1997 and 2010. Just like the NDYP, this raises concerns about the effectiveness of the ND25+ in reducing long-term unemployment or tackling the barriers to sustained employment faced by participants discussed earlier in section 6.1. It could be argued that these barriers are likely to be the same or very similar, even for this slightly older and more work-experienced client group. Especially for those who entered the ND25+ from the NDYP. However, no data is available for participants who followed this route.

It should be noted that there are periods when there is a peak of re-tread around 2000-2002 and 2007-2008 amongst those starting the ND25+ for the second and third times. These peaks also coincided with major macro-economic shocks of the dot.com bubble bursting and the global financial crash. This suggests that these events may have temporarily increased the numbers returning from employment to the ND25+. Numbers re-treading the ND25+ remain quite consistent for the remainder of this time period.



**Graph 6.1: ND25+ Starters (individuals and spells) (thousands)**

**New Deal 25+ Starters – Individuals** contains the number of people starting the programme. If an individual has started more than once, the last start will be included.

**New Deal 25+ Starters – Spells** contains the number of starts to the programme. If an individual has started more than once, each start will be included.

**Table 6.1. Number of people starting the New Deal for 25 Plus, and the number of times they have joined the programme**

	Total Starters	Number of People who started on ND25+					
		Two Times	Three Times	Four Times	Five Times	Six Times	Seven or more times
1998	78,240	40	-	-	-	-	-
1999	149,020	20,140	90	-	-	-	-
2000	124,750	41,730	8,330	70	-	-	-
2001	124,990	28,380	10,190	1,230	20	-	-
2002	122,720	23,700	11,760	3,680	160	-	-
2003	114,680	22,810	9,690	3,370	350	30	-
2004	108,280	22,720	8,510	3,540	850	60	10
2005	91,420	20,080	7,750	3,310	1,110	100	20
2006	101,030	22,250	9,730	4,110	1,480	300	20
2007	132,320	30,690	14,950	6,980	2,990	880	90
2008	108,350	25,000	12,140	6,020	2,710	920	190
2009	86,310	18,850	9,200	4,960	2,380	1,030	320
2010	67,150	12,590	5,750	2,950	1,460	680	270

Data Source: DWP, 2011

### **6.2.2.2. Intensive Activity Periods (IAP)**

Like the NDYP, there is only data available for IAP participation between May 2009 and May 2010. In Table 6.2 below it can be seen that 'Work Experience Placements' and 'Training' were the most popular. It is interesting and arguably important to note that the Employment and Self-Employment IAPs had the fewest participants. Given that these are the pathways which 'activate' workers the most by pushing them closest to the labour market, one would have expected them to be the most popular.

However, it is difficult to ascertain whether this pattern of participation was the case throughout the entire ND25+ period of operation under New Labour. The data may instead have reflected the concurrent recession with workers choosing to increase future employability by engaging with training and education before returning to more active routes into employment once the economy recovered and labour market conditions improved.

**Table 6.2: Stage of participation at the end of the month**

	Total									
		Gateway	IAP – Employment	IAP – Basic Employability Training/ Basic Skills	IAP – Self Employment	IAP – Education and Training Opportunity	IAP – Work experience / Placements	IAP – IAP Training	IAP – Other	Follow Through
	Participants (thousands)	Participants (thousands)	Participants (thousands)	Participants (thousands)	Participants (thousands)	Participants (thousands)	Participants (thousands)	Participants (thousands)	Participants (thousands)	Participants (thousands)
<b>May-09</b>	51.88	24.99	0.34	2.37	1.34	1.03	6.68	5.98	0.08	9.08
<b>Jun-09</b>	47.6	21.34	0.35	2.25	1.4	0.93	6.74	5.98	0.07	8.53
<b>Jul-09</b>	41.72	18.03	0.32	1.87	1.29	0.79	6	5.56	0.05	7.81
<b>Aug-09</b>	38.64	17.64	0.27	1.52	1.19	0.66	4.98	4.86	0.03	7.5
<b>Sep-09</b>	36.12	18.27	0.23	1.26	0.89	0.59	3.38	3.89	0.01	7.6
<b>Oct-09</b>	36.17	19.35	0.21	1.3	0.81	0.56	3.14	3.84	0.01	6.96
<b>Nov-09</b>	37.73	20.72	0.2	1.38	0.8	0.61	3.25	4.01	0.01	6.77
<b>Dec-09</b>	39.17	21.88	0.18	1.44	0.78	0.61	3.43	4.15	0.01	6.68
<b>Jan-10</b>	42.04	24.3	0.14	1.46	0.75	0.7	3.62	4.39	0.01	6.66
<b>Feb-10</b>	43.55	25.01	0.11	1.56	0.76	0.77	3.92	4.76	0.01	6.66
<b>Mar-10</b>	45.13	25.79	0.07	1.64	0.83	0.83	4.08	5.08	-	6.8
<b>Apr-10</b>	44.56	26.65	0.04	1.57	0.92	0.82	4.05	5.19	0.01	5.33
<b>May-10</b>	43.27	26.32	0.02	1.51	0.89	0.79	4.16	5.08	0.08	4.42

### 6.3.2.3. ND25+ Leavers

Graph 6.2. below shows leavers from the ND25+. The available data for the ND25+ leavers reflects a similar story to the numbers of starters, suggesting initially high levels of re-tread which decline over time as the number of leavers (individuals) and leavers (spells) converge. Again, this may have reflected improvements in the performance of the ND25+ during implementation, but this cannot be said for certain.

Graph 6.3. below compares Starters (spells) with Leavers (spells) on the ND25+. Overall it took from July 1998 until March 2001 for the first participants to begin leaving the ND25+ programme. However, Graph 6.4 suggests that all of the first participants left the ND25+ for work and that none returned. It is not explained in the data or any available document how this could have occurred.

The number of leavers appears to have increased rapidly from March 2001 while the numbers who gained employment does not follow a similar trajectory. This peaks in February 2008 when 7,000 more participants left the programme than found jobs. This again is troubling and suggests that the ND25+ had only a limited effect in finding and supporting participants into work.

Finally, it is important to note that data of leavers did not record exactly where leavers went who did not find employment. It could be argued that the 25-49 year old age group was less of a priority than 'young people' who explicitly appeared in the New Labour manifesto (Labour, 1997). There was therefore no recording/monitoring of individuals who could be classed as NEETs in the 25+ age group.

Of those who 'found jobs', no further data is publicly available as to the nature of the 'jobs found'. This raises countless important questions: Do these jobs constitute sustained employment? Were they full or part-time? Were they zero-hour contracts? Were they self-employed positions? How much did the roles pay? Did the roles constitute a possible long-term career path or a minimum wage job with no prospects?

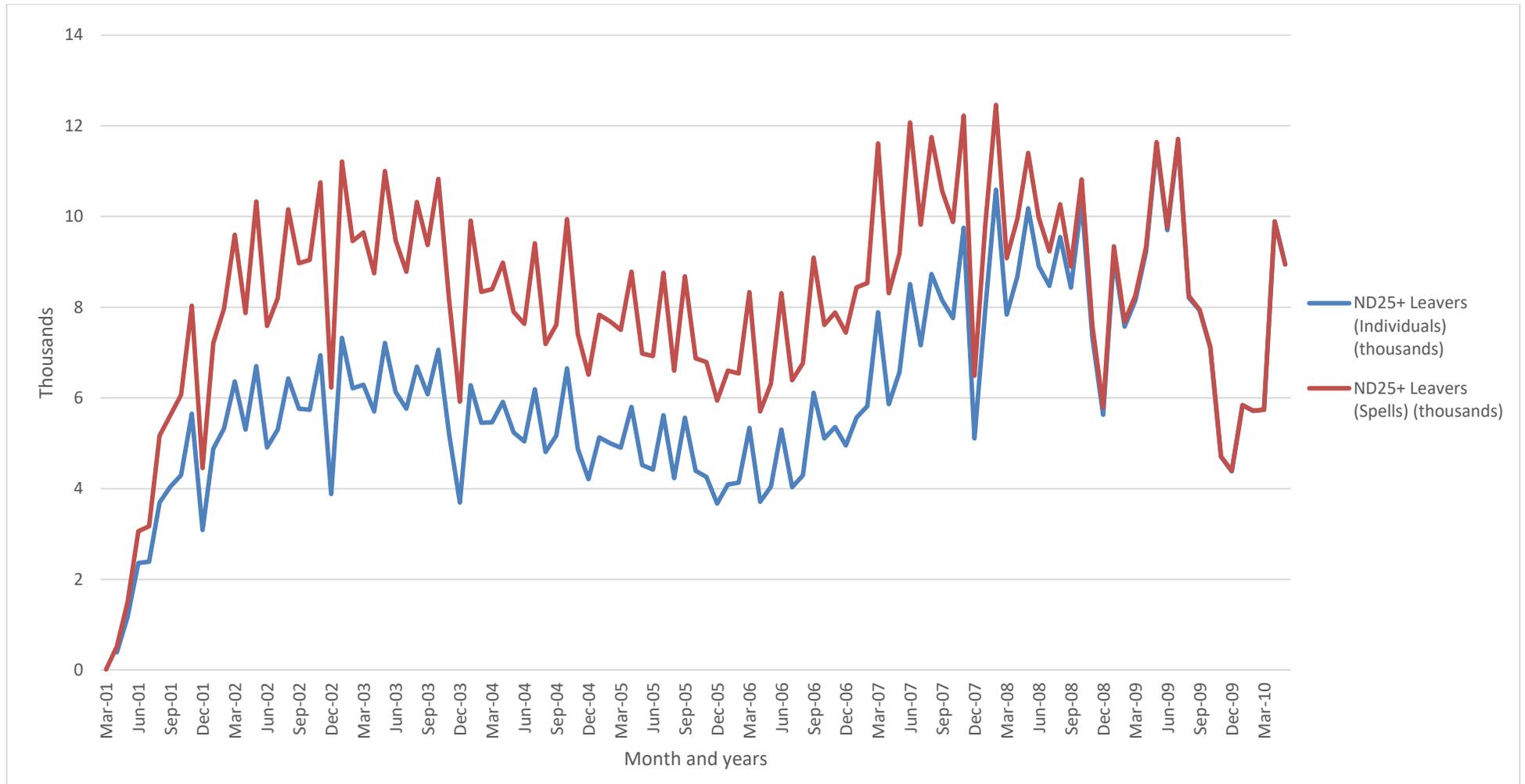
It can be argued that these are all important questions because New Labour, through their manifestos, and other policy documents appeared to prefer an individual to have

some work, indeed any amount or type of work, rather than have an individual claim out-of-work benefits (Labour, 1997; 2001; 2005; DWP, 1998). According to the ILO definition of 'in employment' (ILO, 1982) which was used by the DWP/ONS domestically under New Labour<sup>107</sup>, an individual need only have 1 hour of work per week to be considered 'in employment'. It is therefore possible that New Deal participants could have left the New Deal and found a job with only 1 hour of work per week. This inevitably very low level of income could then have been supported through the Tax Credit system introduced from April 1999. The full impact of the introduction of Tax Credits will be discussed in Chapter 9.

Ultimately, given the definition of 'in employment' adopted and the support given for those in poorly paid jobs, New Labour may have benefited politically from the seemingly artificial boost in the numbers of those counted as being 'in employment'. Those placed in the position of being counted as 'in employment' while in low paid, part-time or otherwise precarious work may have had different feelings and experiences about whether they were really better off in work rather than on benefits both financially and in terms of job security.

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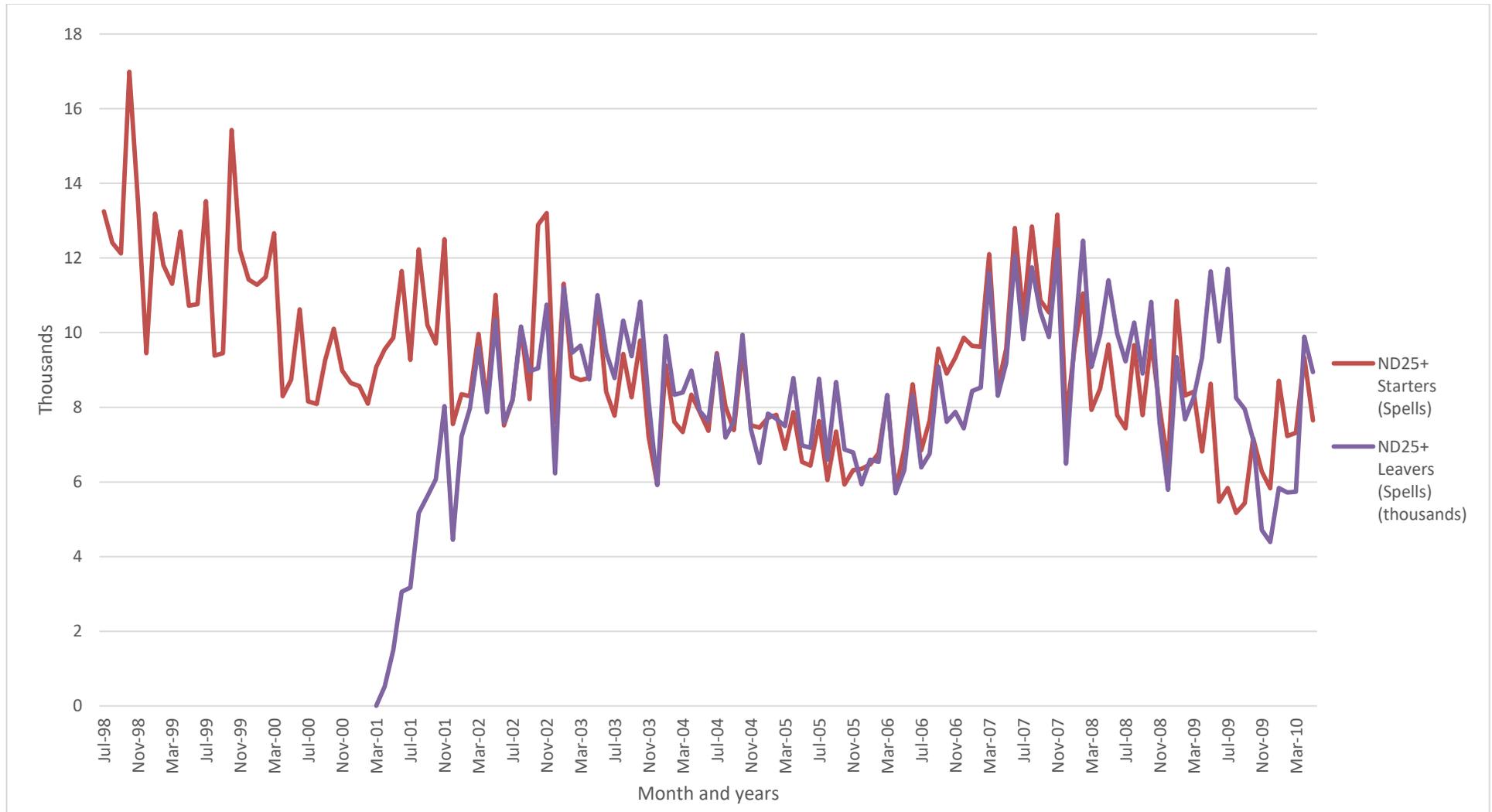
<sup>107</sup> Unlike the Eurostat definition of Employment used in the European Union Labour Force Survey (EU LFS) which has a far greater reflection of individual circumstances by asking a broad range of questions about an individual's type of employment. Although the ONS appears to sometimes use Eurostat data (ONS, 2014b), it does not appear to have adopted their definitions, instead continuing to use ILO definitions.



**Graph 6.2: ND25+ Leavers (individuals and spells) (thousands)**

**New Deal 25+ Leavers – Individuals** contains the number of people leaving the programme and their immediate destination. If an individual has left more than once, the last time they left, with associated immediate destination, will be included.

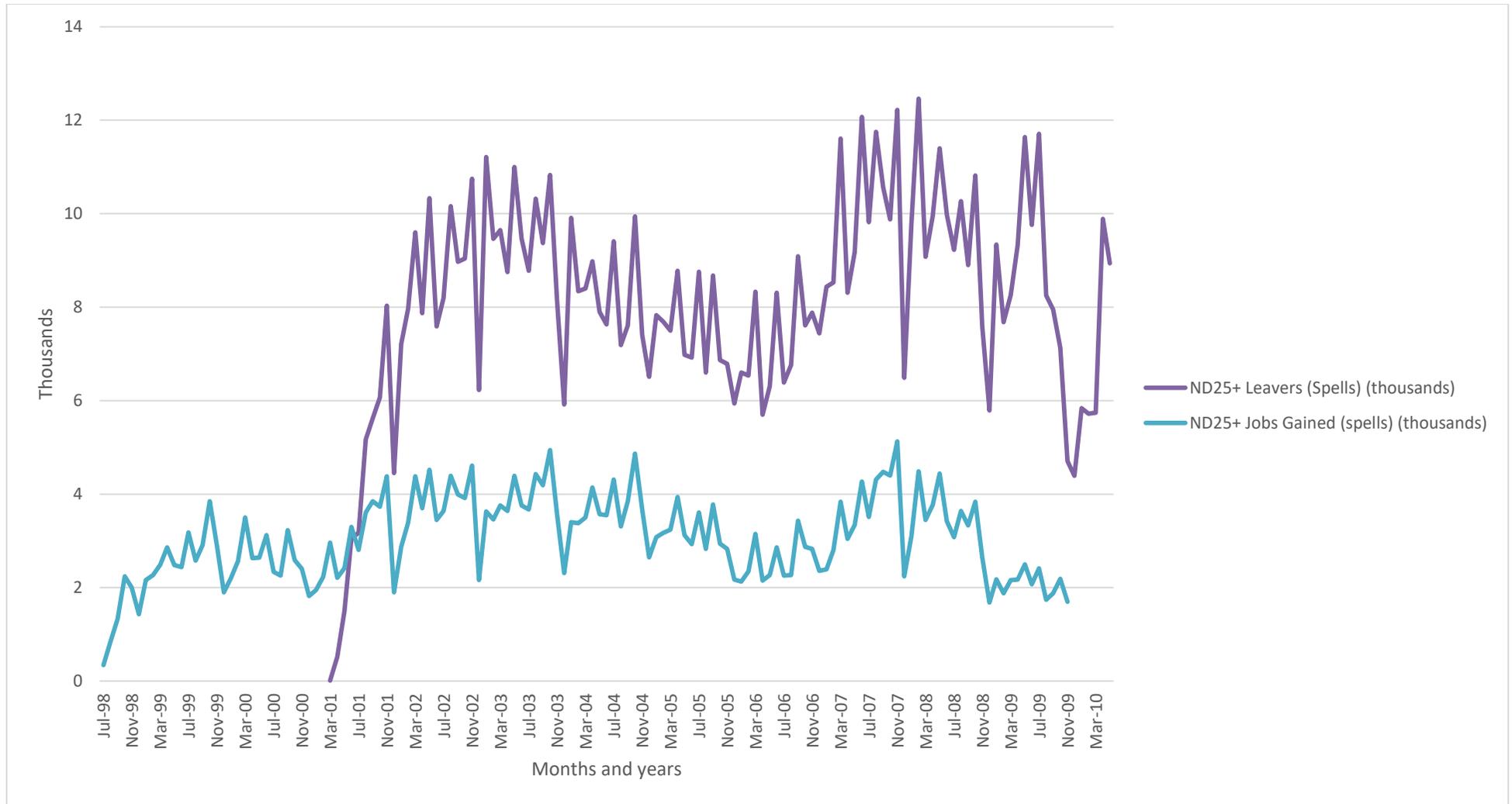
**New Deal 25+ Leavers – Spells** contains the number of completed spells on the programme and the immediate destination of that spell. If an individual has left more than once, each spell and immediate destination will be included.



**Graph 6.3: ND25+ Starters (spells) and leavers (spells) (thousands)**

**New Deal 25+ Starters – Spells** contains the number of starts to the programme. If an individual has started more than once, each start will be included.

**New Deal 25+ Leavers – Spells** contains the number of completed spells on the programme and the immediate destination of that spell. If an individual has left more than once, each spell and immediate destination will be included.



**Graph 6.4: ND25+ Leavers (spells) and Jobs Gained (spells) (thousands)**

**New Deal 25+ Leavers – Spells** contains the number of completed spells on the programme and the immediate destination of that spell. If an individual has left more than once, each spell and immediate destination will be included.

**New Deal 25+ Jobs Gained – Spells** contains the number of jobs gained through the programme. If an individual has had two spells and gained a job in each of those spells both jobs will be included. However, only one job per distinct spell on the programme will be included.

## 6.4. The Flexible New Deal (FND)

In an effort to tackle the perceived failures of the various New Deal programmes, the Flexible New Deal was introduced in October 2009 to replace all New Deal programmes. The FND brought together features from across the New Deals, with unemployed individuals being supported by advisors who provided one-on-one support to develop a plan for, and to find suitable work.

At the centre of the FND were five core principles:

1. A stronger framework of rights and responsibilities to move benefit customers from being passive recipients to active jobseekers.
2. A personalised and responsive approach to individual customer needs providing tailored employment and skills support to meet the needs of both customers and local employers.
3. A partnership approach with public, private and third sector organisations working together to maximise innovation, leading to more and better outcomes.
4. Devolving and empowering communities for future sustainable employment at the heart of neighbourhood renewal.
5. Not just jobs, but jobs that pay and offer opportunities for progression, with an emphasis on sustaining and progressing in work to ensure all customers who need help to develop their skills have access to the relevant pre-employment and in-work training (DWP, 2009).

These five principles in themselves raise important implications to consider. The first principle calls for a stronger framework of rights and responsibilities to create active job seekers. The implication being that the previous frameworks were not strong enough and that too many benefit recipients were passive. The second principle calls for a personalised and responsive approach aimed at meeting the needs of both customers and local employers. The implication being that it was felt that the previous programmes lacked a personalised and responsive approach. The fourth principle promises to devolve and empower communities with sustainable employment. The implication that policy had been unnecessarily centralised and disempowering without providing sustainable employment. The final principle offers 'not just jobs', but jobs that offer pay and promotions. This is perhaps the most important implication for this thesis, as it implies that the previous New Deal programmes, with their 'work first'

agenda focused on 'just jobs' which did not pay, offered little in the way of progression and sustainability, and provided insufficient support for skills development both pre-employment and once in employment.

#### **6.4.1 The effect of the Flexible New Deal**

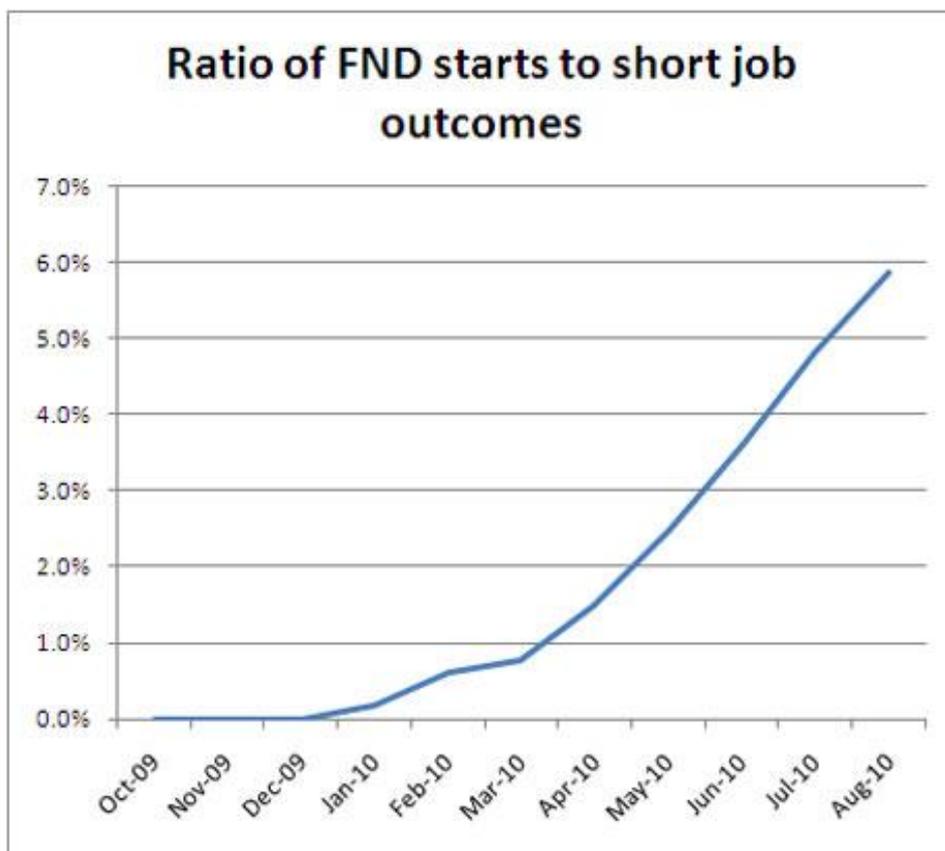
The FND was in place for 7 months before New Labour left office. Although the FND continued to be in effect until 2011, being replaced with the Coalition Government's Single Work Programme, the scope of this thesis includes only effects within the timeframe of New Labour holding office. Despite only being in place for such a short period of time, when Chris Grayling announced the FNDs cancellation in 2010 he said:

"I cancelled the Flexible New Deal because it was clear it wasn't designed to meet the needs of people looking for work, but today's figures show it is even worse than I thought" (Cited in O'Brien, 2010).

Figures quoted in 2010 suggest that by November 2010, £500 million had been paid for only 16,000 job starts from the FND<sup>108</sup> (HC debate, 22<sup>nd</sup> November 2010). O'Brien (2010) highlights that this low number of job starts is in stark contrast to the 279,000 who entered the FND in the same time period. He goes on to emphasise that of the 16,000 job starts, only 3,870 got a longer-time job. Although the FND had positive results, there was an increasing ratio of short-term job outcomes to FND starts suggesting worsening performance. It could be argued that this ran counter to Principles 4 and 5 of the FND: of sustainable employment with opportunities for progression.

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<sup>108</sup> An average of £30,000 per job start.



**Graph 6.5. Ratio of FND starts to short job outcomes**

Source: O'Brien, 2010.

Note: Could not be re-drawn due to a lack of the original data.

Of research carried out by the DWP itself, only two pieces of evaluation research have been conducted on the FND (Vegeris *et al*, 2010; Vegeris *et al*, 2011). These reports quite understandably tell the qualitative story of a programme in its infancy suffering the inevitable problems of a new government programme: poor understanding of systems and procedures, poor communication, problems with outsourced providers and a range of reported effects. Just like the previous New Deal programmes, those with better qualifications and older participants reported requiring less support from the FND. Davies (2013) does, however, suggest that the FND failed to meet its DWP objectives, perhaps due to the removal of incentivising forces within the quasi-market programme. He also rightly suggests that a 'work first' approach is especially unhelpful in an economic environment of increasing Claimant Counts.

It could be argued that the FND was a noticeable progression in New Labour's thinking on welfare-to-work: that even in light of other very specific barriers to employment, the unemployed generally suffered the same problems. These included a lack of work

experience, work-ready skills and qualifications, affordable childcare, and health problems. The FND therefore appears to have broken down the barriers between client groups while at the same time tightening conditionality.

## **Chapter 6 Summary and Conclusion**

This chapter focused on the New Deal for 25 Plus (ND25+) and the Flexible New Deal (FND). The structure of the ND25+ was discussed followed by a summary of previous evaluations of the ND25+. It was noted that very few evaluations had been conducted (Page *et al*, 2006; Miller *et al*, 2008). Both of these evaluations were of limited scope and lacked generalizable conclusions.

Relevant administrative data was evaluated and it was found that, like the NDYP, there was a considerable amount of re-tread. However, over time re-tread did appear to reduce. Table 6.1 showed that repeat spells remained a consistent problem that was never fully overcome. Such high levels of re-tread are indicative of the ND25+ failing to tackle the underlying barrier to sustained employment faced by participants.

Intensive Activity Periods (IAPs) of the ND25+ were briefly examined, but with such a limited time-span recorded by the DWP, no clear trends could be observed or conclusions drawn. The destination of ND25+ participants was examined. Again, available administrative data was limited and strong conclusions difficult to reach. However, it was noted that the all-inclusive definition of 'in employment' adopted by New Labour was important<sup>109</sup>.

The final part of this chapter focused on the much-maligned and short-lived Flexible New Deal. This programme could potentially have yielded better results than predecessor programmes but was not run for long enough to yield informative feedback. Of important note is Davies (2013) who argued against the 'work first' approach of the FND. This argument could be applied to all of the New Deal programmes, and will be developed as a conclusion of this thesis in chapter 10.

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<sup>109</sup> As discussed in chapters 3 and 4.

## **CHAPTER 7 – The effect on those aged over 50 and the Disabled (ND50+ and NDDP)**

### **7.1. Introduction**

Although New Labour made explicit policy commitments in their 1997 manifesto towards supporting young people into work (Labour, 1997), commitments towards older workers and the disabled were noticeably absent. It was not until the 2001 manifesto that these groups received attention (Labour, 2001). However, even then most references to older workers and the disabled were heralding policy programmes already set in motion such as the NDDP and ND50+. These client groups were not New Labour's highest priority when it came to welfare-to-work<sup>110</sup>.

This chapter discusses both the ND50+ and NDDP. This is because the two client groups that these programmes sought to serve overlapped considerably as many older workers suffer an increasing "incidence of reported health problems and disabilities," (Humphrey *et al*, 2003. p. 7). Ill health constitutes one of what Atkinson *et al*, (2006) labelled 'age-related employment barriers'. Therefore, many participants may have been eligible for either programme, but each programme had their own specificities which may have affected their participants and non-participants in different ways.

This chapter begins by exploring how disability is defined, the ways in which 'disability' as defined relates to unemployment, but also how unemployment can cause disability and health problems. This inter-causality has important implications. As part of the debate, rates of incapacity benefit are evaluated and how these have been affected by changes in definitions of 'disability'.

The relationship between older workers and disability is then addressed, especially the importance of industrial diseases and age-related conditions. As part of this complex labour market picture, early retirement is examined by looking at state pension conditions, industrial superannuation and pay-offs and their effect on older

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<sup>110</sup> Arguably because they reflect 'the deserving poor' and were therefore not expected or compelled to find work.

workers. Finally, the chapter explores the ND50+ and the NDDP and their statistical impact on the labour market. The chapter finishes with a conclusion which draws together this complex debate.

## **7.2. The broader context**

Chapter 1 of this thesis discussed the importance of de-industrialisation and the changing structure of the UK economy. It is also important to consider the effect increasing life expectancy has had on the labour market. In 2012, life expectancy at birth reached 79 for men and 82.7 for women. By 2062 it is expected to reach 87.3 for males and 93.3 for females (ONS, 2013). Increasing life expectancy places pressure on pension funds. The result has been a gradual increase in the State Pension Age (SPA) and thus the encouragement of older workers to stay in work. This is problematic for those with chronic complaints, including industrial diseases or other illnesses and will be discussed later in this chapter.

## **7.3. Defining 'disability'**

It is a recurring argument throughout this thesis that how client groups are defined affects their treatment by policy makers and social statisticians. Finkelstein (1980) argued that the very notion of disability came about as a result of capitalist society and the associated processes of urbanisation and industrialisation. Prior to capitalist society, 'the disabled' were just individuals who were part of the large marginal and often destitute group who survived by begging and through agricultural work. He claims the idea of 'disabled people' as a specific group with a defined 'place' in society just did not occur. This is not to say that society was not aware of those who were often termed as 'cripples' who would suffer discrimination, but they were not defined as a specific identifiable category.

Following the industrial revolution, more paid work moved to machine-based work in urban factories and thus there was no longer demand for the labour of disabled people (*ibid*, 1980). With less access to work, disabled people began to be perceived as a burden on society and thus defined as a social problem (*ibid*, 1980). Disabled people thus came to be excluded and increasingly segregated from the wider (able-bodied)

productive population, increasingly being seen as 'abnormal' compared to the 'normal' able-bodied. Thus their physical and mental abnormalities led to what Finkelstein calls the 'institutional phase' during the Victorian era where these abnormalities were defined as medical problems with the disabled coming under the control of the medical profession within custodial institutions (asylums, alms houses and workhouses) alongside the mentally ill, the old and the poor. This segregation lasted into the 20<sup>th</sup> century. Finkelstein argued that a third phase in the treatment of the disabled was where the medical profession attempted to re-integrate the disabled in order for them to become self-supporting. In his own words: "[...] in industrialised societies, phase two can be seen as the period in which cripples disappeared and disability was created. Phase three heralds the elimination of disability" (Finkelstein, 1980. p. 8). Finkelstein's argument, however, is lacking in evidence; the majority of the population probably did not work in factories and alternative occupations for disabled people probably did exist.

More recently, Bernell (2003) argued that the first step in defining the term 'disability' is the identification of a theoretical framework from which the actual definition is then based. These frameworks include the functional limitations framework, the medical approach and the socio-political approach. Most definitions of disability have their roots in the functional limitations framework (*ibid*, 2003) where Nagi (1969) uses the term disability to describe "an inability or limitation in performing socially defined roles and tasks expected of an individual within a given environment" (cited in Bernell, 2003. p. 37).

The medical approach differs in that an individual is considered disabled if they have one or more specified medical conditions and this approach is often used in empirical labour market research (DeJong, Batavia & Griss, 1989; DeLiere, 2000; Parsons, D. 1980a; 1980b. cited in Bernell, 2003). This approach is important because individuals may be denied being defined as disabled and receiving any appropriate support if their condition is not 'approved'. Consequently, Bernell argues, "Quantitatively, there is the potential to provide inaccurate statistics regarding the number of individuals who are work disabled," (p. 38). However, this argument of 'inaccurate statistics' rests on there being some form of objective definition of disability to which prevalent forms of measurement do not comply. Such a definition does not exist, and is arguably unlikely

to, especially given the variety of ways that individuals may experience the same medical condition. For example, a condition such as rheumatoid arthritis may present as disabling levels of pain in one individual while in another individual the condition could respond well to treatment and thus it presents no barrier to them continuing in their existing occupation. The conditions feature on any approved list may also be open to reinterpretation by policy makers. Thus the statistics of those measured under this approach represent the health conditions viewed by medical professionals and policy makers as work-disabling at a specific point in time.

The socio-political approach, on the other hand, is critical of the previous two approaches for viewing disability as a problem that an individual has while placing little emphasis on the other talents or technological changes that minimise the need for physical capabilities (Hahn, 1985. cited in Bernell, 2003). Advocates of the socio-political approach instead shift the focus away from the individual towards the wider social, cultural, economic and political environments. Therefore “disability is considered the consequence of a “disabling environment”<sup>111</sup>” (*ibid*, 2003. p. 38). It could be argued that the socio-political approach is the driving force behind legislative attempts to create an enabling environment. For example, the main consequences of the *Disability Discrimination Act 1995* was that it made it illegal for potential employers, educational institutions and other service providers to give less favourable treatment for any reason related to a person’s disability. It required employers to make a ‘reasonable adjustment’ for disabled workers. The *Disability Discrimination Act 1995* also created The National Disability Council to assist in the implementation and enforcement of the act. New Labour continued this legislative approach with the enactment of *The Disability Discrimination Act 2005*, *The Equality Act 2006* and *The Equality Act 2010*.

It is interesting to note, however, that the *Disability Discrimination Act 1995* defines disability as “a physical or mental impairment which has a substantial and long-term adverse effect on his<sup>112</sup> ability to carry out normal day-to-day activities” (s.1 (1)(1).

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<sup>111</sup> i.e. the social problem is that individuals are not necessarily disabled by virtue of a physical incapacity, but that infrastructure such as train stations were not designed to give individuals with that physical incapacity access.

<sup>112</sup> s. 6 of The Interpretation Act 1978 requires the masculine pronoun to be interpreted as referring to both sexes unless there is a reason to do otherwise.

Such a definition would appear to fit more comfortably within the functional limitations framework.

The Labour Force Survey defines a 'work-limited disabled person' as somebody who has "a health problem which they expect to last for more than a year which limits the kind or amount of work they might do," (Social Trends, 1999). This definition is therefore a mix of the functional limitations framework and medical approach. The long-term sick and disabled are also usually classed as 'economically inactive' (ONS, 2012).

#### **7.4. Disability and unemployment**

The definition used by the Labour Force Survey is built on the assumption that having a disability will limit the kind or amount of work a disabled person may do. Given this, it is therefore likely that disabled people will suffer from higher levels of unemployment overall. Disabled people also suffer significant barriers to gaining employment and are also more likely to suffer from discrimination because of their disability (Roberts *et al*, 2004). Conversely, being unemployed can also lead to disability, physical and mental health problems (Linn *et al*, 1985). Research has found that unemployment is statistically linked with a higher incidence of somatization disorder<sup>113</sup>, obsessive-compulsiveness, depression and low self-esteem, anxiety, feelings of alienation and a less internal locus of control, all of which results in more frequent visits to healthcare professionals.

This research indicates those defined as 'disabled persons' are more likely to be unemployed and, that being unemployed has the potential to damage physical and mental health resulting in greater numbers being categorised as disabled. Given the wider context of de-industrialisation, structural economic change and an ageing population it could be argued that there would be an upward pressure on the number of those defined as disabled and suffering unemployment as a result. This is explored further below.

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<sup>113</sup> Somatization disorder is a long-term (chronic) condition in which a person has physical symptoms that involve more than one part of the body, but no physical cause can be found.

## 7.5. Rates of Incapacity Benefit

Unemployment caused by disability could be reflected in a range of measures and indicators such as the key benefits claimed by the disabled during New Labour's terms of office. These include Incapacity Benefit (IB)<sup>114</sup>, Income Support (IS)<sup>115</sup> and Severe Disablement Allowance (SDA)<sup>116</sup>. Conversely, it could be argued that related statistics instead are more likely to reflect administrative definitions of the time rather than reflecting the experiences of those defined as disabled people. An excellent example of this can be seen in Graph 7.1. which plots IB caseloads.

In Graph 7.1. overall there appears to be a gradual long-term decline in Incapacity Benefit total caseloads, i.e. individuals claiming IB. A regression line drawn from the data suggests an average decline of 85.2 claimants every 3 months. May 1997 to January 2001 was below trend, January 2001 to October 2008 above and October 2008 onwards was again below trend.

A simplistic evaluation of this data would suggest that New Labour was succeeding in reducing the numbers claiming Incapacity Benefit, perhaps due to providing better support to help the disabled enter employment. However, important changes in IB occurred which offer alternative interpretations. In October 2008, New Labour introduced Employment & Support Allowance (ESA). ESA replaced IB, IS paid because of an illness or disability, and SDA. The introduction occurred at the same time as the dramatic drop in IB caseloads in October 2008. ESA's replacement of IB, IS and SDA offers an explanation for the sudden decrease in IB caseloads.

ESA also changed the definition of what it meant to be disabled. Although financial support remained in place for those capable of no work, all existing IB claimants and

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<sup>114</sup> IB was introduced through the *Social Security (Incapacity for Work) Act 1994*. IB replaced sickness benefit and invalidity benefit. IB may be claimed by individuals deemed "incapable by reason of some specific disease or bodily or mental disablement of doing work which he could reasonably be expected to do in the course of the occupation in which he was so engaged" s.5. (171B)(2).

<sup>115</sup> IS was introduced through the *Social Security Act 1986*. IS was an income-related benefit and so could only be claimed if a claimant was not engaged in remunerative work and had no other income. It could therefore be claimed by disabled individuals of working age.

<sup>116</sup> SDA was introduced through *The Social Security Contributions and Benefits Act 1992*. To be eligible, an individual must have been deemed incapable of work, and have been incapable of work for a period of more than 196 consecutive days. They must also be of working age.

new ESA claimants were given a 'Work Capability Assessment' (Walker, 2011). 1.3 million of these assessments were carried out between October 2008 when ESA was introduced and November 2010. 39% of those examined were deemed fit enough to work, 17% were classified as capable of some form of work with the right support, 36% dropped out during the application process and just under 7% or 1 in 14 were classified as completely unfit to work (*ibid*, 2011). It is not clear from available literature how many individuals appealed being classified as fit enough to work or capable of some work. This massive re-classification of claimants previously labelled disabled will also have reduced claimant caseloads.

Graph 7.2. plots total claimants for all out-of-work benefits aimed at the disabled: ESA, IB and SDA. However, it does not include IS. Graph 7.2. displays a similar general downward trend in claimant numbers. In October 2008, total claimants increased slightly towards the trend suggesting that changes to IB/ESA simply changed the administrative definition of some individuals rather than, as Graph 7.1. indicates, an exodus off out-of-work benefits amongst disabled claimants.

Graph 7.2. is also interesting in that total caseloads peaked around November 2003 with 2.78 million claimants, and total claimants of these benefits being above trend between February 2001 and November 2006. Given the strong average rate of GDP growth, especially between the 2001 dot.com bubble recession and the financial crisis of late 2007, one would have expected caseloads to be below trend during this period as strong growth might have encouraged and supported the disabled to find work<sup>117</sup>. It is also surprising that the graph shows disability claims going down despite unemployment going up post-2008. This suggests that the data may be reflecting some other phenomenon, most likely the statistical outcome of changes to the structure of welfare programmes<sup>118</sup>, or as discussed above, changing definitions of disability.

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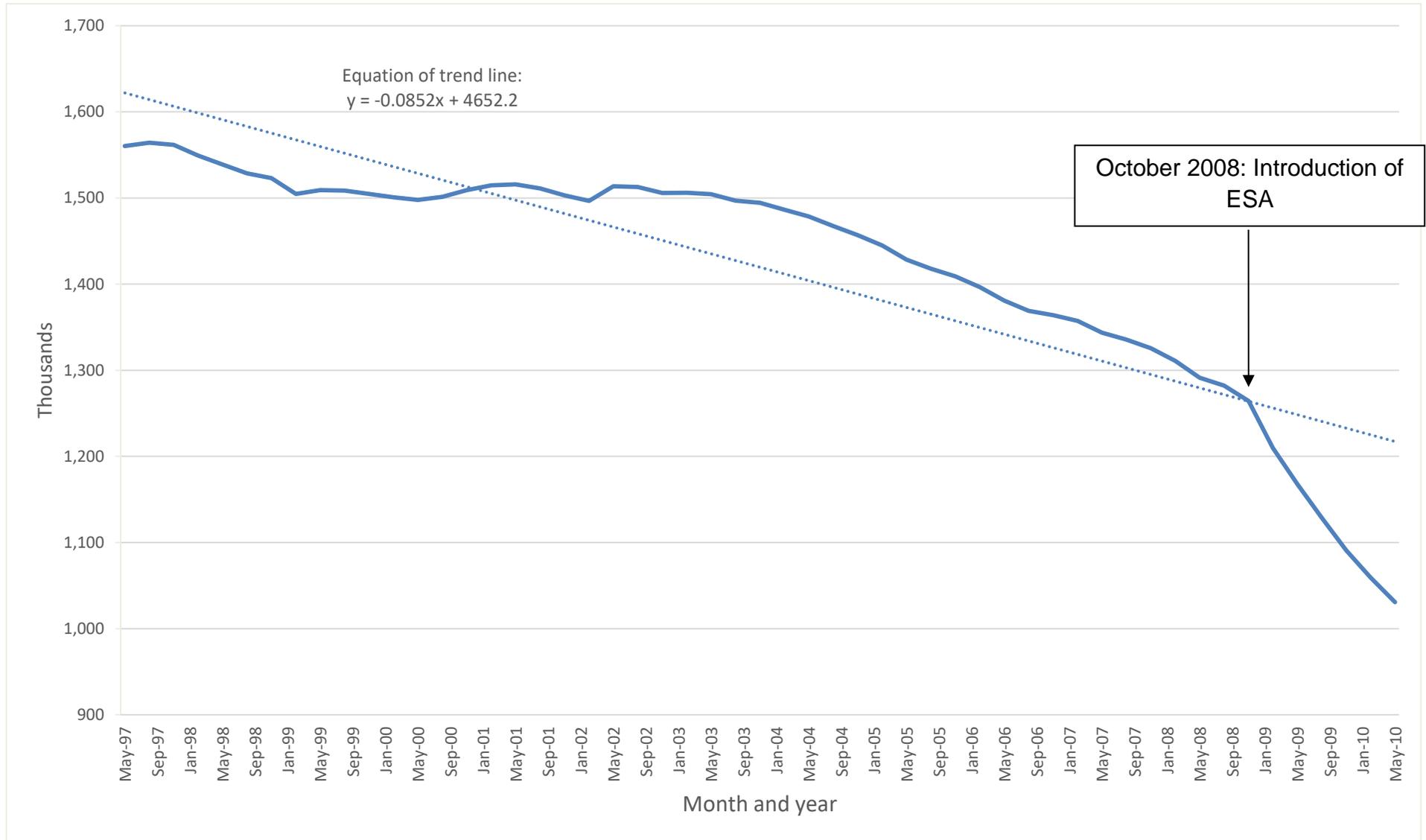
<sup>117</sup> This potentially created problems if unemployment recurred: individuals would have proved themselves capable of work thus making it more difficult to prove the impact of a disability or illness on gaining and maintaining employment.

<sup>118</sup> As was the case with the NDYP.

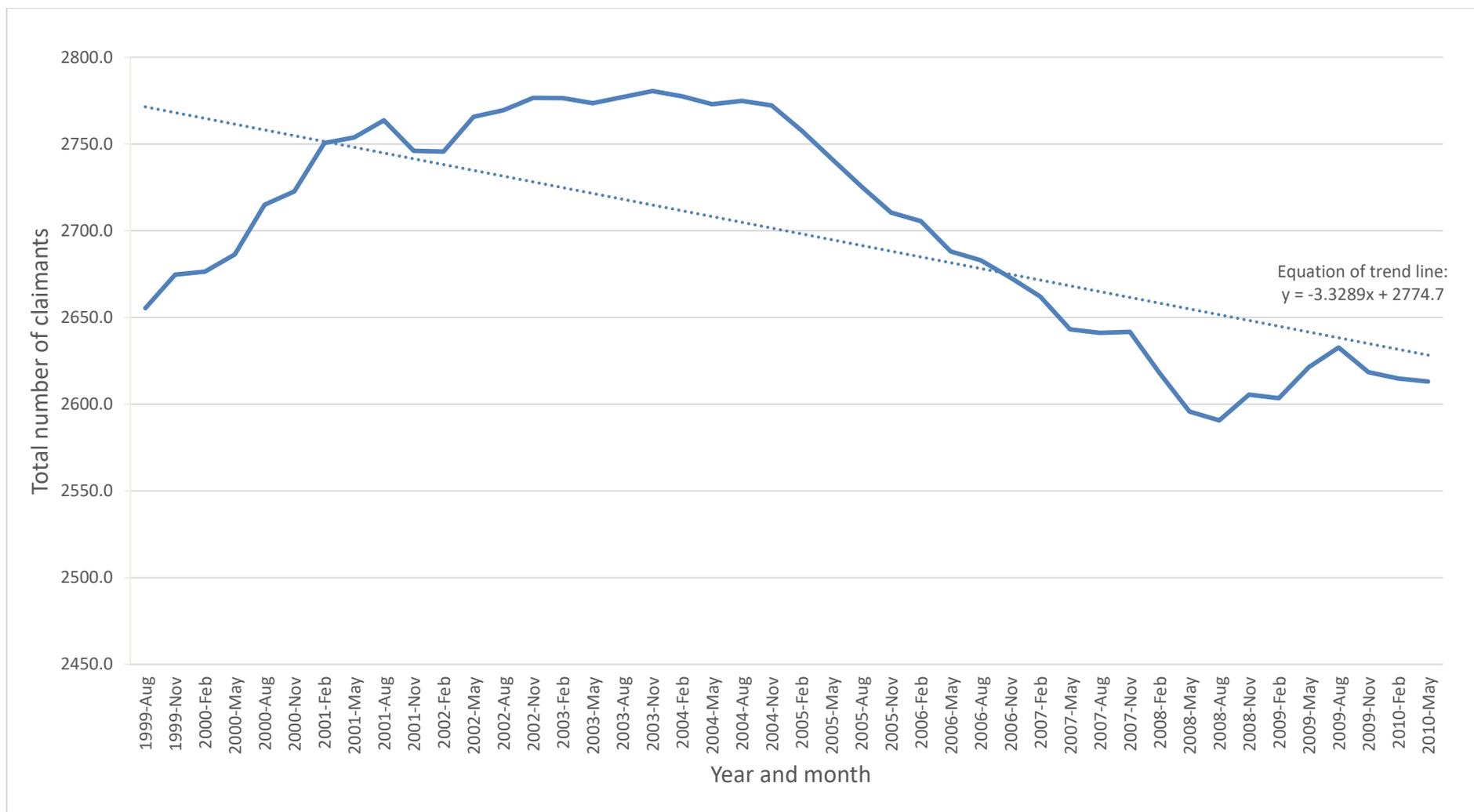
Using available data, literature and media sources, the long-term decline in claimants of IB and other disability related benefits remains unexplained. Related welfare-to-work schemes which may have had an effect, such as *Pathways to Work*, were not introduced until after 2006. Although 'radical reform' had been planned around 2005 to reduce IB claimants, New Labour decided to back down and did not plan any target reduction in IB during Blair's time in office (Kirkup, 2006). Others have suggested that the number claiming IB and related benefits was in decline during this period and that New Labour were on target for reducing claimant numbers because of the sheer number of claimants retiring or dying while on the benefit (Hartley-Brewer, 2006). At the time, Philip Hammond claimed that 880,000 IB claimants were over 55 and would retire before the Government's target date (*ibid*, 2006)<sup>119</sup>. The death and retirement of individuals suffering from the legacy of industrial diseases may therefore partly explain this long-term decline in claimant numbers.

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<sup>119</sup> This further supports the argument that the NDDP and ND50+ served an overlapping client group.



**Graph 7.1: Incapacity Benefits Total Caseloads (thousands)**



**Graph 7.2.: Total claimants of Employment & Support Allowance and other incapacity benefits**

Source: ONS, 2014b.

Notes: Includes claimants of Employment and Support Allowance, Incapacity Benefit and Severe Disablement Allowance.

Not seasonally adjusted

## 7.6. Older workers and disability

As noted above, older workers suffer an increasing “incidence of reported health problems and disabilities,” (Humphrey *et al*, 2003. p. 7). Their research consisted of 2,808 face-to-face interviews with individuals aged 50 to 69 years of age and was conducted during the summer of 2002. This study found the most widely reported problems were heart, blood pressure or circulation problems (23% of respondents), followed by problems or disabilities connected with the back or neck (21% of respondents), legs or feet (21% of respondents), and arms or hands (17% of respondents). Psychological problems were relatively less widely reported by respondents: 8% of respondents reported suffering from depression, bad nerves or anxiety and 3% reported suffering from mental illness or other nervous disorders. The majority of those who took part in this particular study (60% of respondents) described their general health as either ‘good’ or ‘very good’ suggesting that older people accept increasing health problems and assess their general state of health in this context (Humphrey *et al*, 2003). Less of a surprise is that recipients of IB were the most likely to report having poor general health (*ibid*, 2003).

The mechanics of the link between the categories ‘older workers’, ‘disability’ and ‘unemployment’ is strong. The natural aging process inevitably takes its toll. However, in the wider context of de-industrialisation and structural economic change discussed in Chapter 1, the legacy of industrial diseases also appears to have been of great importance. Humphreys (2003) found that around 30% of those leaving work did so due to illness/health problems. The effect of industrial diseases on older workers is explicitly recognised by the DWP in their *Industrial Injuries Disablement Benefits: technical guide* (Gov.uk, 2014) which includes an extensive list of over 70 prescribed diseases, their causes and associated occupations. Diseases categorised under group A have a physical cause, group B have a biological cause, group C have a chemical causes and group D includes any other cause. For example: Disease Number A2 is Cataract which is linked to any job involving “Frequent or prolonged exposure to radiation from red-hot or white-hot material. For example, glass and metal workers, stokers” (Gov.uk, 2014. p. 44).

On the whole, New Labour adopted and maintained the previous benefits regime for workers affected by industrial illnesses through the Social Security Contributions and Benefits Act 1992 and the Social Security Administration Act 1992. New Labour modified these acts only slightly with the Social Security Act 1998. This merely clarified the decision making process as to what constitutes an industrial accident (Sections 29 and 30) and made allowance for further regulations (additions or modifications) concerning industrial diseases (Section 32). Given this policy inheritance (Rose, 1990) it could be said that there existed great stability in the administration of benefits towards individuals who were defined as suffering from industrial diseases or the consequences of industrial accidents.

The benefits payable under this legislation were known as Industrial Injuries Scheme Benefits (IISB) (Gov.uk, 2014). These benefits included:

- Industrial Injuries Disablement Benefit;
- Constant Attendance Allowance;
- Exceptionally Severe Disablement Allowance;
- Reduced Earnings Allowance<sup>120</sup>;
- Retirement Allowance.

The level of payments made to claimants depended on the 'Degree of Disablement' as defined in the DWP Regulations and expressed as a percentage (Gov.uk, 2014). For example, loss of sight is 100%, loss of one hand is 60%, and the loss of an index finger would be 14% (*ibid*, 2014). Therefore, older individuals with any form of industrial illness or injury were likely to be defined as disabled under the Industrial Injuries Scheme, thus making them eligible for both the New Deal for 50 Plus *and* the New Deal for Disabled People. As argued at the beginning of this chapter, there was considerable overlap between these two groups.

The Industrial Injuries Scheme used a medical approach to defining 'disability'. This is potentially problematic as it ignores the role of the physical environment around an individual. It also ignores the subjective experience of the individual who is

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<sup>120</sup> Individuals can only receive Reduced Earnings Allowance for accidents that happened, or diseases that started, before 1 October 1990 (Gov.uk., 2015).

categorised as being disabled and their capacity to overcome any medical problem. Individuals are instead assessed for their 'Degree of Disablement' and given benefits according to a set scale. This would have the potential effect of incentivising labour market withdrawal rather than participation<sup>121</sup>.

It is interesting to note how little research has examined these labour market dynamics, especially the effect of age-related illnesses<sup>122</sup>. It is also important that it was possible for individuals classed as disabled to withdraw from the labour market in another way: early retirement. The following section examines that route.

### **7.6.1. The effect of pension eligibility on early retirement for disabled workers**

As part of this complex labour market picture, early retirement was examined by looking at State Pension (SP) conditions, industrial superannuation (occupational pensions) and redundancy pay and the effect they had on older workers and those categorised as 'disabled'.

*The Pensions Act 1995* set out the SP conditionality which New Labour inherited, while *The Pension Schemes Act 1993* regulated private pension schemes. National Insurance contributions were governed by *The Social Security Contributions and Benefits Act 1992*. The State Pension Age (SPA) under Labour was 65 for men and 60 for women. *The Pensions Act 1995* included transitional conditions to gradually increase and equalise the pension age for those born after the 6<sup>th</sup> April 1950<sup>123</sup>. *The Pensions Act 2007* further increased the pension age for women born between 6<sup>th</sup> April 1959 in increments onwards towards a SPA of 68 years for men and women. However, to be eligible for the full pension while Labour were in power, men required 44 qualifying years (of NI contributions) while women required 39 qualifying years.

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<sup>121</sup> This would be a negotiated withdrawal, not an ensnaring of 'skivers'. Welfare recipients would have a proven willingness to work demonstrated by their work history.

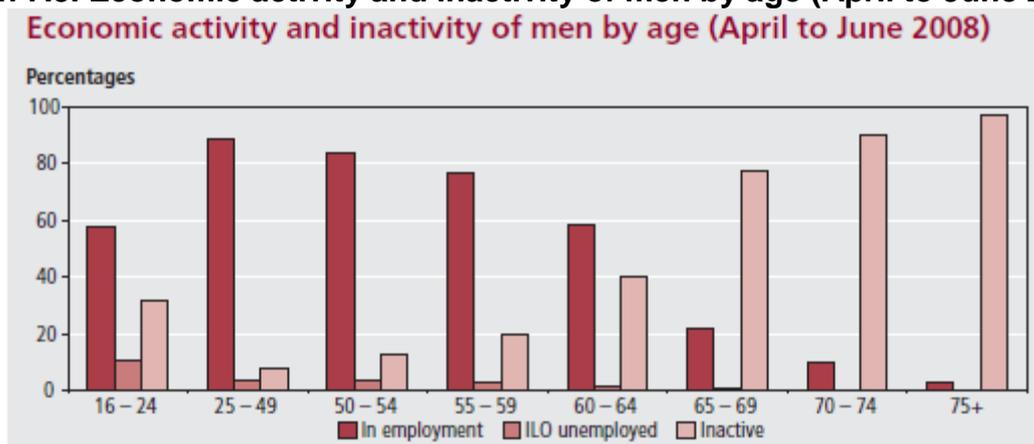
<sup>122</sup> It should be noted, however, that disability legislation does not concern itself with age but with the nature of previous employment.

<sup>123</sup> However, none of this had a statistical effect before 2010.

Therefore, early retirement was impossible if an individual was planning to rely upon their State Pension. Individuals suffering from industrial illnesses in such a position would have had to have waited, perhaps relying on Incapacity Benefits, Income Support and other benefits to tide them over in the meantime.

Older workers classified as disabled who were members of occupational pension schemes, on the other hand, faced very different possible outcomes. In an effort to encourage these workers to retire earlier, redundancy packages and pay offs could have been offered which included 'buying back years', i.e. topping up occupational pensions to allow these individuals to retire before SPA. This is potentially significant as large numbers of individuals could have ceased to be included in most labour force data while still being of working age<sup>124</sup>. It is possible that these individuals could instead have been counted through the LFS and classified as 'economically inactive' despite their not showing on any other benefit claimant statistics. This possibility does appear to be true of available LFS data as can be seen in Graph 7.3. below. Above the age of 50, economic activity declined and economic inactivity increased to the extent that 40% of men aged between 60 and 64 were categorised as economically inactive. This particular snapshot of data was at the height of the recession, and thus it could also be expected that employers would shed older workers first.

**Graph 7.3. Economic activity and inactivity of men by age (April to June 2008)**



Source: ONS, 2009b.

Note: Could not be redrawn due to lack of original data.

<sup>124</sup> Working age population is defined by the ONS as those between 16 and 64 years of age. This is a simple adoption of the ILO definition of working age population.

The available data suggests that older workers and those defined as disabled were at great risk of being pushed out of the labour market. It is therefore important to examine the two key programmes New Labour had in place to try to discourage labour market exit amongst these two groups. The remainder of this chapter debates the ND50+ and the NDDP schemes.

## **7.7. The New Deal 50+ (ND50+)**

### **7.7.1. Structure of the ND50+**

The New Deal for 50 Plus was aimed at the long-term unemployed amongst older workers, i.e. those over 50 years old. It was introduced in April 2000. There was again a focus on paid employment, by which it was meant working as an employee for someone else, or being self-employed (Somerville & Brace, 2004).

Participation in the ND50+ was voluntary. It was aimed at individuals who had lived in the UK, had been made redundant following a downsizing or closure of the organisation because of economic downturn, found it difficult to get a job because of the lack of any qualifications and there being less demand for unskilled labour in their area, had left work to look after a member of their family, or, had a disability or long-term illness<sup>125</sup> (*ibid*, 2004).

To have entered the ND50+, individuals had to:

- Be over 50 years old (there was no early entry or upper age limit);
- Have received at least one of the following benefits:
  - Job Seeker's Allowance
  - Incapacity Benefits
  - Severe Disablement Allowance
  - Income Support
  - Minimum Income Guarantee (this was replaced by State Pensions Credit from October 2003) (*ibid*, 2004).

The ND50+ had a very different structure to the NDYP and ND25+. The programme was instead composed of three elements: Advice from a New Deal personal advisor

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<sup>125</sup> The ND50+ was therefore also aimed at 'the disabled'.

on how to find paid employment (sometimes called 'Caseloading'<sup>126</sup>); being able to claim Working Tax Credit once participants have secured paid employment; and, being able to claim a grant to help with training once paid employment is secured (*ibid*, 2004).

### **7.7.2. The effect of the ND50+**

Few DWP-commissioned evaluations of the ND50+ have been conducted. The DWP has, however, funded a number of studies on pilot programmes associated with the ND50+ (Atkinson *et al*, 2006; Dorsett & Speckesser, 2006; Dorsett & Smeaton, 2008; Tennant *et al*, 2007; Daly, 2009; Davis & Ritters, 2009; Watt & Blair, 2009), and also on the broader topic of 'older workers' (Boaz *et al*, 1999; Costigan *et al*, 1999; Hayden *et al*, 1999; Humphrey, *et al*, 2003; Dominy & Kempson, 2006; Gerwyn & Griffiths, 2006; Metcalf & Meadows, 2006; Vickerstaff *et al*, 2008; Blekesaune *et al*, 2008; Willis & Dalziel, 2009).

It is interesting to note that the same themes emerge across these reports; that older people suffer health problems which tend to increase with age; that they tend to have caring responsibilities such as elderly parents or children; that they tend to have fewer qualifications than younger people; and, that they are potentially more likely to suffer discrimination on the grounds of age. As Boaz *et al* comment, "It is evident that older people are a diverse group in all respects" (1999. p. 45). They helpfully suggest that despite this diversity, these barriers to employment are very much the same problems as in wider society. It was argued that these barriers should be tackled across the labour market, rather than just in isolated client groups (*ibid*, 1999).

The DWP tabulation tool offered only a limited amount of administrative data relating to the ND50+, in this case Starters (individuals) and Jobs Gained (individuals). It is not clear from the DWP or other government sources whether more data was collected. It is also not clear why 'Jobs Gained' began being recorded before 'Starters'.

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<sup>126</sup> This may have been a kind of holding pattern, especially for private providers to process participants.

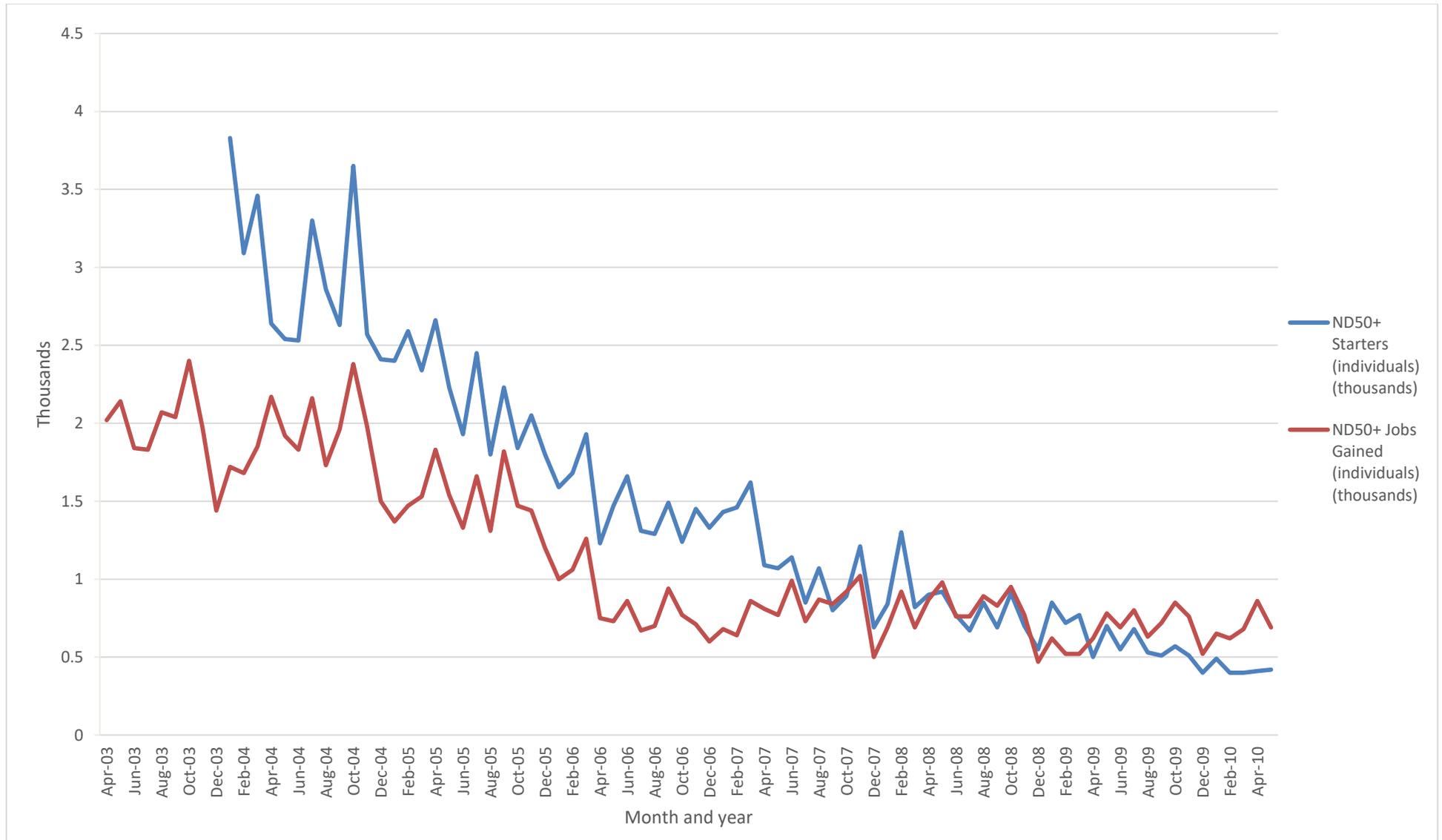
Despite this limited amount of data, it is possible to get a sense of the overall trajectory of the programme's statistical impact<sup>127</sup>.

It could be argued that the data suggests the ND50+ had an increasing 'success' rate over time in finding jobs for those who started the programme. As can be seen in Graph 7.4 below, the number of starts gradually declines while the number of jobs gained converges with it, eventually overtaking starters on a number of occasions. It could therefore be argued that these numbers suggest a rocky start but improving performance of the ND50+ programme. Alternatively, it could be argued that job centres were boosting their results by recording anyone who found a job who was over 50, whether or not they had been on the programme.

However, like the ND25+, the scope of the ND50+ programme was arbitrarily defined by the age of the participants. An unknown number of participants may have joined the ND50+ from the ND25+/NDLTU when they reached the age of 50 years old. As mentioned in section 7.6.1., it could be argued that the ND50+, like Incapacity Benefits, may have been used by participants as a stop-gap between redundancy in later life and retirement. However, it is not possible to determine to what extent this may have been true with the existing data and information in the public domain.

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<sup>127</sup> However, some deadweight effect may also have existed as was found on the NDYP (NIESR, 1999; Riley & Young, 2000; Blundell *et al*, 2004).



**Graph 7.4: ND50+ Starters (individuals) and Jobs Gained (individuals) (thousands)**

## 7.8. The NDDP

### 7.8.1. Structure of The New Deal for Disabled People (NDDP)

The NDDP was a voluntary programme aimed at helping those with an incapacity, illness or disability to return to work. Like the ND50+, participation was entirely voluntary. To qualify for participation, individuals must have been in receipt of one of the following benefits:

- Incapacity Benefit;
- Severe Disablement Allowance;
- National Insurance Credits on the grounds of incapacity;
- Income Support with a disability premium;
- Income Supporting pending the result of an appeal against disallowance from Incapacity Benefit;
- Housing Benefit with a disability premium;
- Council Tax Benefit with a disability premium;
- War Pension with an Unemployability Supplement;
- Industrial Injuries Disablement Benefit with an Unemployability Supplement<sup>128</sup>; or,
- A benefit to Incapacity Benefit that has been imported into the UK under the European Community Regulations on the co-ordination of social security and the terms of the European Economic Area Agreement (Somerville & Brace, 2004).

Also, to have been eligible, individuals had to be aged between 18 and pension age (60 for women and 65 for men), although there were some exceptions, such as those aged between 16 and 20 who were registered with Connexions or the Careers Service (*ibid*, 2004).

The NDDP initially consisted of:

- The NDDP gateway;
- Jobcentre Plus Work Focused Interview/Work Focused Meeting;
- A meeting with a New Deal for Lone Parents Personal Adviser.

Those found to be eligible were then referred to 'Job Brokers' whose role was to provide long-term support, help participants find and secure paid work, and help them to remain in paid work (*ibid*, 2004).

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<sup>128</sup> Unemployability Supplement (UNSUPP) was abolished on 6<sup>th</sup> April 1987 but people in receipt of the benefit immediately before 6<sup>th</sup> April 1987 continued to receive it (gov.uk, 2014).

## 7.8.2. The effect of The NDDP

It is important to note that as a voluntary programme, NDDP participants were self-selecting. Participants would only have put themselves forward if they felt capable of working. It is, therefore, to be expected that the programme would have more success in helping participants into work compared with the compulsory New Deal programmes.

DWP data for the NDDP offers all of the measures used on other New Deal programmes, but 'NDDP Leavers (individuals)' is not available after November 2007. It could be argued that the data reflects the voluntary nature of the NDDP; Graph 7.5 (below) shows a much smaller gap between 'Job Broker Registrations (individuals)' and 'Job Broker Registrations (spells)', suggesting that participants were far less likely than other ND programmes to be repeat participants<sup>129</sup>.

Those who self-selected to participate may already have been aware that they would be likely to find jobs through the programme. On the other hand, it could also show that self-selecting participants were unlikely to want a repeated spell through the programme. Of those who did repeat the programmes, they appear to have been equally successful in finding jobs, as can be seen in Graph 7.6 (jobs gained: individuals and spells) and Graph 7.7 (leavers: individuals and spells). These are very much in contrast to the NDYP which was compulsory and suffered much higher rates of re-tread.

In terms of leavers compared to those who were concurrently registering with Jobs Brokers seen in Graph 7.8, there is a vast gulf at one point, reaching 3,280 in March 2006. Jobs gained versus leavers in Graph 7.9 again suggests a strong reflection of the self-selecting nature of participants with very high levels of success in gaining employment.

When all of these measures are compared to the total numbers of individuals claiming IB while New Labour were in power in Graph 7.1, the results may at first glance

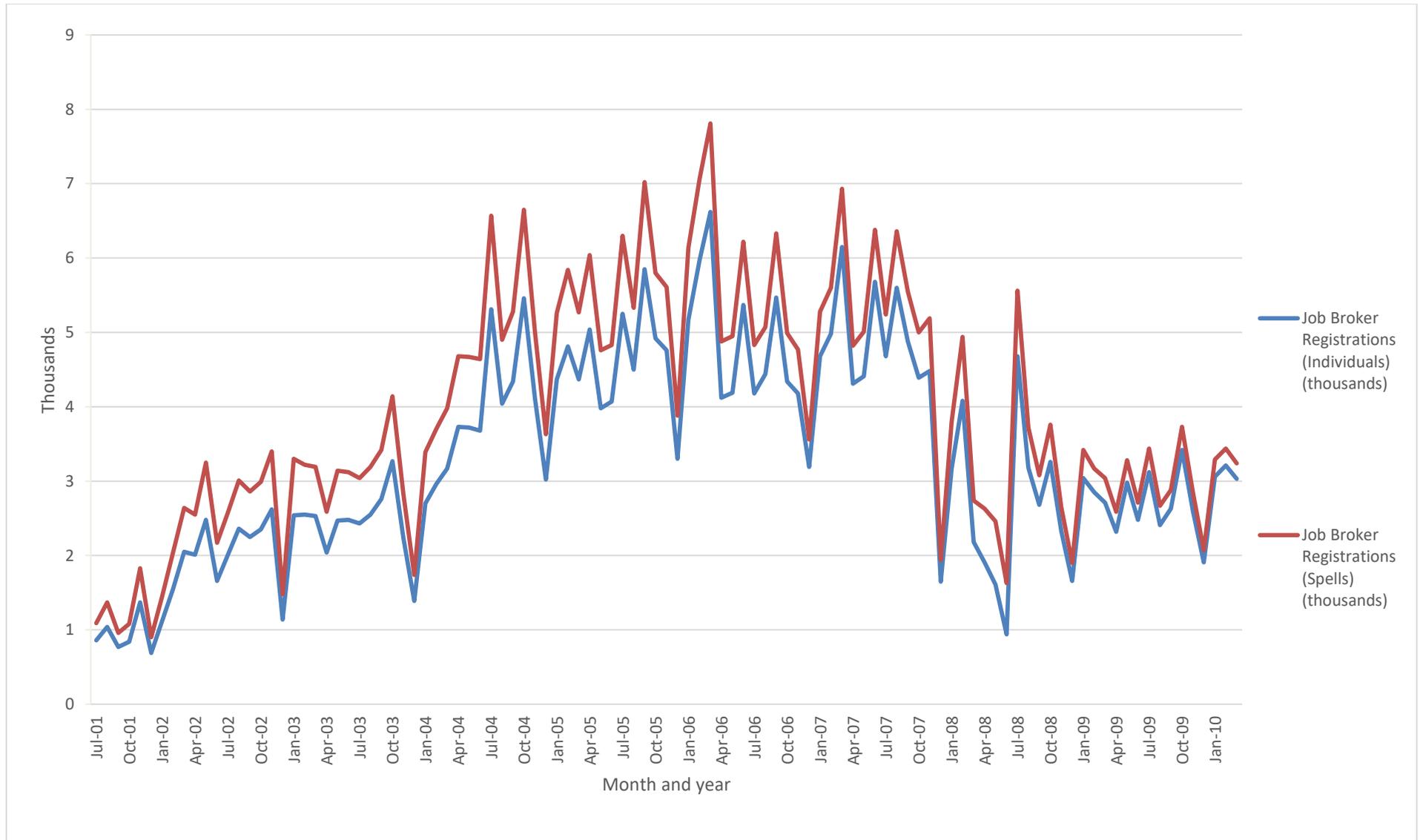
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<sup>129</sup> Also of note in Graph 7.5 is the decline in NDDP Job Broker Registrations following the 2007 recession. This may be evidence of a discouraged worker effect.

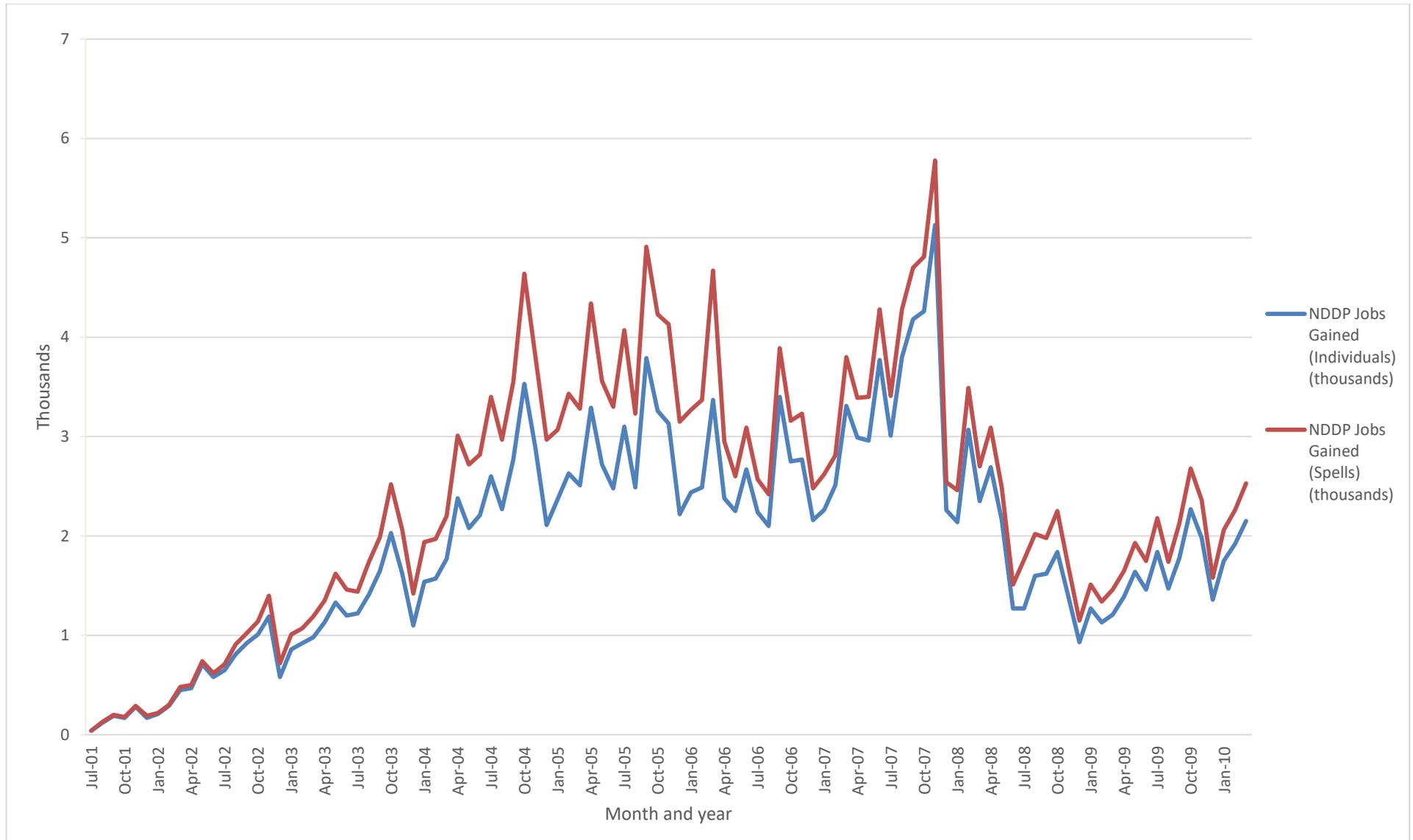
suggest a strong and positive impact of the NDDP through New Labour's entire term in office. Total caseload declined from 1.56 million (2 d.p.) in May 1997 to 1.03 million (2 d.p.) by May 2010, with the strongest declines occurring alongside peaks in the number of NDDP participants gaining jobs.

However, this should not underplay the importance of other concurrent developments which may also have effected IB caseloads, for instance the introduction of the 1995 and 2005 Disability Discrimination Acts. These Acts both re-defined the meaning of 'disability' and 'disabled person' while also giving strong protections against discrimination, especially in the area of employment. Although difficult to evaluate the effect of such rights-based policy in isolation, DWP research suggests that employers were less likely than ever to discriminate against the disabled (Roberts *et al*, 2004). The 'enabling environment' such legislation created by mandating the provision of facilities for disabled people further reduced the barriers to entering and sustaining employment faced by those defined as disabled.

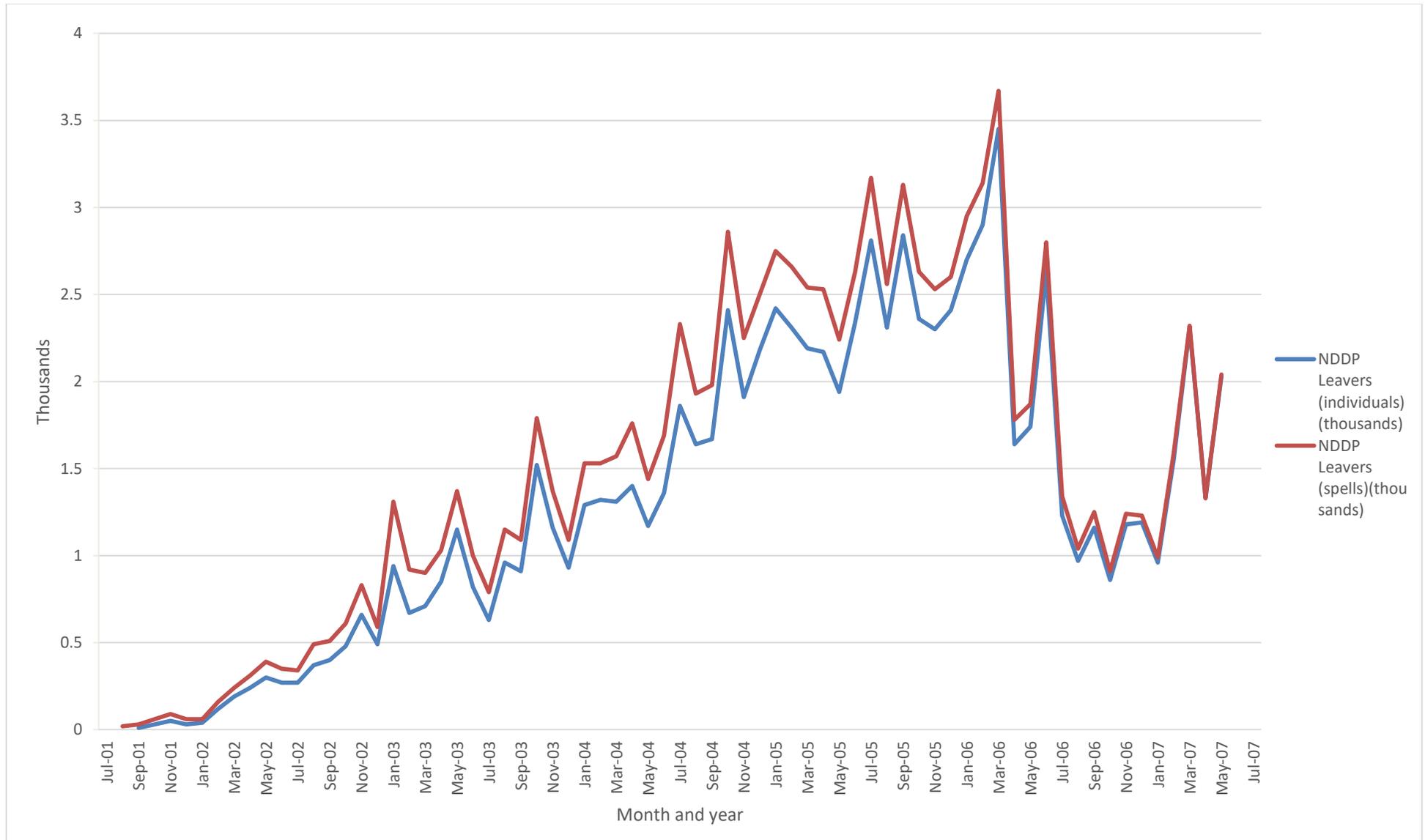
The New Deal for Disabled People (NDDP) was well researched (Dorsett *et al*, 1998; Arthur *et al*, 1999; Ashworth *et al*, 2001; Corden & Sainsbury, 2001; Hedges & Sykes, 2001; Hill *et al*, 2001; Hiscock & Ritchie, 2001; Loumidis *et al*, 2001a; Loumidis *et al*, 2001b; Molloy *et al*, 2003; Beyer *et al*, 2004; Grewal *et al*, 2004; Roberts *et al*, 2004; Berthoud, 2006; Davis *et al*, 2006; Legge *et al*, 2006; Needels & Schmitz, 2006; Pires *et al*, 2006; Roberts *et al*, 2006; Stafford *et al*, 2006; Greenberg & Davis, 2007; Kasparova *et al*, 2007; Orr *et al*, 2007). This research conducted into the NDDP and around issues of disability, despite its often narrow scope, highlighted the same themes that emerged in the research into other New Deal programmes and other client groups. These are: closeness to the labour market in terms of recent work experience, qualifications, skills, health issues and caring responsibilities. This is important as it suggests that, despite the perceived variation in barriers to employment between the client groups addressed by the various New Deal programmes, the reality appears to have been that all unemployed individuals faced the same range of barriers to employment, but each individual came with their own unique combination of these barriers.



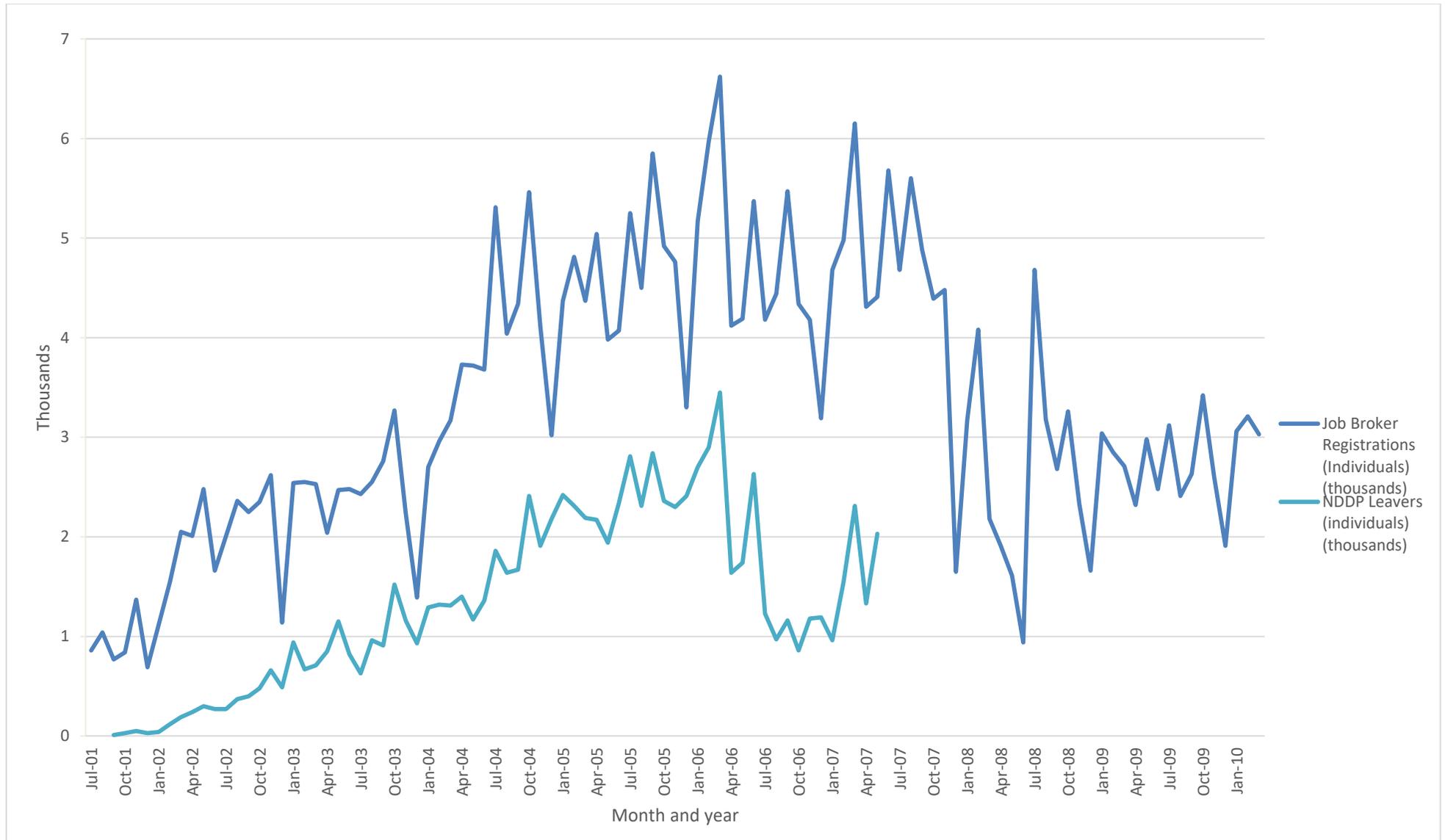
**Graph 7.5: NDDP Job Broker Registrations (individuals and spells) (thousands)**



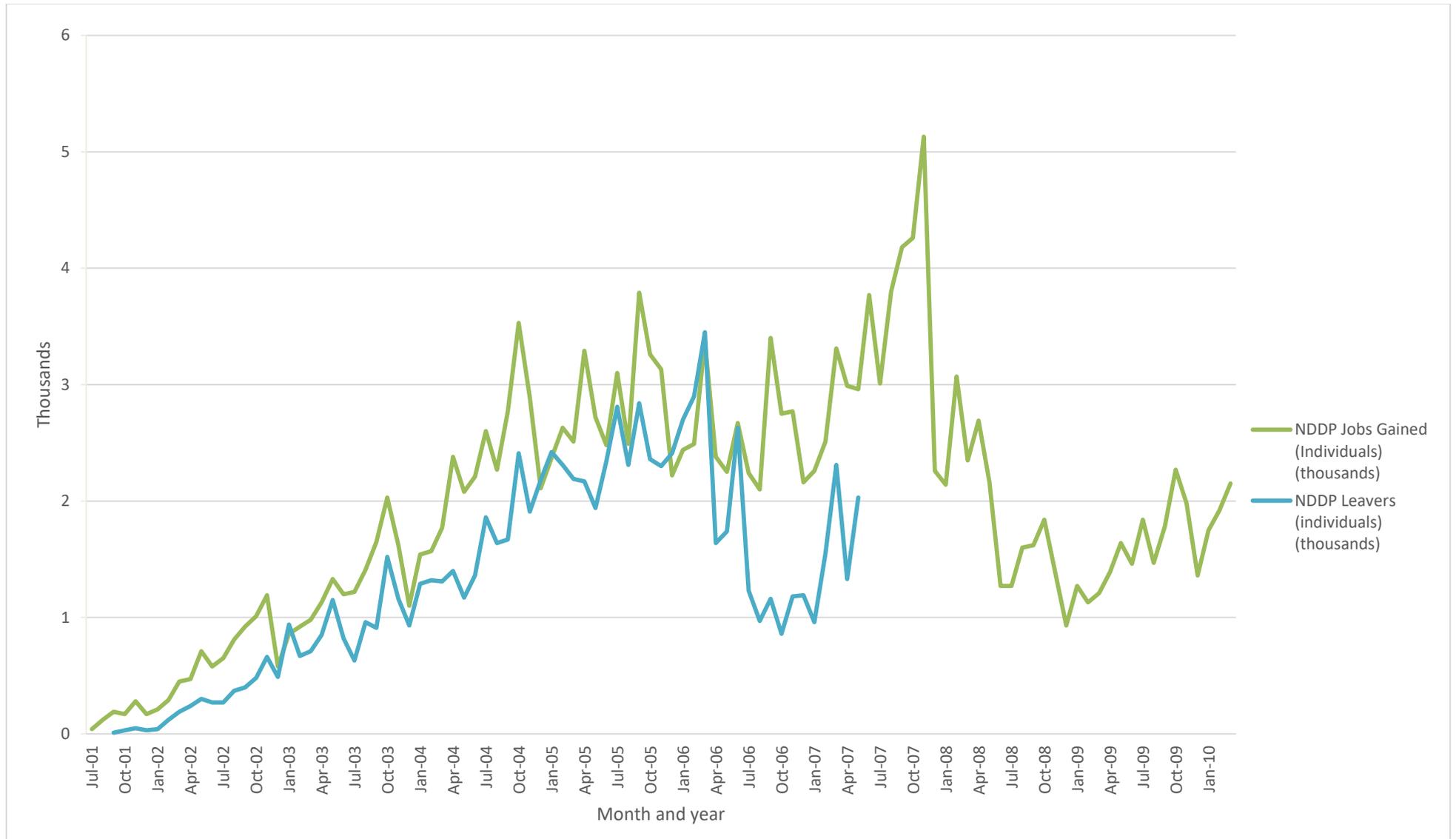
**Graph 7.6: NDDP Jobs Gained (individuals and spells) (thousands)**



**Graph 7.7: NDDP Leavers (individuals and spells) (thousands)**



**Graph 7.8: NDDP Job Broker Registrations (individuals) and Leavers (individuals) (thousands)**



**Graph 7.9: NDDP Jobs Gained (individuals) and Leavers (Individuals) (thousands)**

## 7.9. Chapter 7 Conclusions

At the centre of the New Deal for Disabled People is the convention of 'disability'. In the literature to be 'disabled' is portrayed as a binary condition: one is either disabled or able-bodied and capable of work. This ignores the fact that 'disability' is often not a constant condition but that medical symptoms often wax and wane. This has important implications for social policies, as Berthoud argues: "[...] social policies can create or reinforce, as well as follow, social conventions: a scheme based on the consensus that disabled people are not necessarily expected to work may discourage disabled people from returning to work" (2006. p. 69).

Therefore, conventions of 'disability' have important implications for the statistical constructions used in modern social policy. Although New Labour initially appeared to have adopted existing conventions of disability set out in *The Disability Discrimination Act 1995*, they went on to challenge those conventions with *The Disability Discrimination Act 2005*, *The Equalities Act 1996* and *The Equalities Act 2010*. Rather than categorising some individuals as 'disabled', this legislation adopted a socio-political approach and sought to change the wider physical and cultural environment by outlawing discrimination on the grounds of disability and ensuring that public and private facilities were accessible. The introduction of Employment and Support Allowance in 2008 also challenged existing definitions of disability by re-assessing significant numbers of individuals who had previously claimed Incapacity Benefit.

Within the existing literature there is significant evidence to suggest that the measures of disability adopted by New Labour, like the other measures discussed in this chapter, hid a much more complex labour market. Bartholomew (2006) highlights the conjunction of rapidly increasing levels of IB in the 1980s and early 1990s with geographical pockets of high unemployment. The indefinite and more generous nature of IB compared with other out-of-work benefits may have encouraged more individuals to have claimed IB on the basis of medical conditions such as stress and backache which are difficult to prove (*ibid*, 2006). Houston & Lindsay (2010) convincingly explain this rise in the number of people claiming IB in terms of industrial decline and reduced demand for manual labour that occurred in the UK during this

time. They are keen to stress that this rise is not a result of a 'dependency culture' with many health issues affecting IB claimants which make categorically defining claimants as 'disabled' or otherwise very difficult. It could also be argued that an important factor is that the first to be made redundant are usually workers perceived as less productive, i.e. older workers with a poor health record. Thus, numbers of disability benefit claimants would increase before increases in wider measures of unemployment. In the case of IB it can be argued, therefore, that New Labour appear to have adopted existing definitions and conventions of 'disability' and 'fit for work', but the introduction of ESA dramatically shifted these definitions thus challenging underlying conventions. This affected who was counted, how they were counted and ultimately how they were treated by the DWP.

Although the existing data paints an interesting labour market picture, all too often the statistics tell us more about changes in definitions and conventions rather than the effect of a particular policy or programme. As found in previous chapters, the usefulness of using social statistics to analyse and evaluate welfare programmes appears to be increasingly undermined.

## **CHAPTER 8 – The effect on client groups defined by family structure: The New Deal and New Deal Plus for Lone Parents (NDLP, ND+fLP) and New Deal for Partners (NDP)**

### **8.1. Introduction**

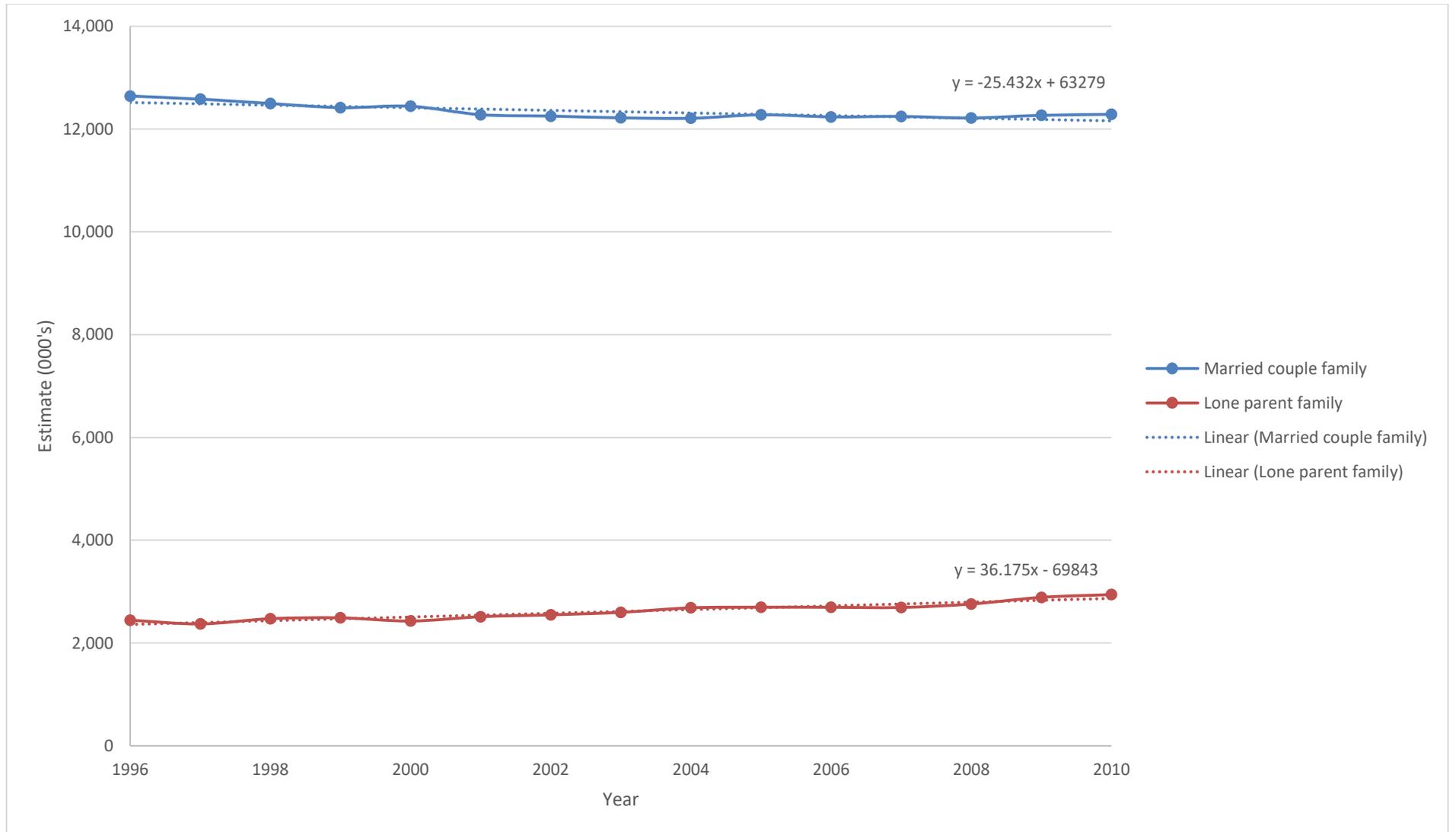
This chapter discusses New Labour's labour market policy aimed at other client groups who are arguably defined by the nature of their family structure. This chapter, therefore, concentrates on the New Deal for Lone Parents, The New Deal Plus for Lone Parents and The New Deal for Partners.

Although it is not explicit in available policy documents or academic literature how lone parents were identified, this was most likely done as a result of their Income Support claim. The claim process would have probed their individual, family and financial circumstances, and thus also identified to the DWP partners who may have been unemployed.

Two of the explicit aims of the NDP were to reduce the number of households where nobody worked and to contribute to a reduction in child poverty (Somerville & Brace, 2004). These two aims appear to have been at the core of what New Labour was hoping to achieve with the NDLP, ND+fLP and NDP.

It can be implied from these policy aims that there was an acceptance by New Labour policy makers that family structures were changing: that it made less sense to structure welfare around 'households' led by a male bread-winner and a female care-giver but to instead individualise the social obligation to work regardless of family structure. As can be seen in Graph 8.1. below, the Labour Force Survey recorded this gradual change in family structures with a downward trend in the number of Married Couple families and an upward trend in Lone Parent families between 1996 and 2010.

The remainder of this chapter will discuss NDLP, ND+fLP and NDP in greater depth.



**Graph 8.1. UK Family structure 1996-2010**  
 Source: ONS (2014). Households and Families.

## 8.2. The Lone Parent client group

The definition of the lone parent client group, like the client groups in previous chapters, appears to have been driven in large part by benefit eligibility. This can be seen in the participation requirements for NDLP/ND+fLP which required individuals to have:

- Been aged 16 or over;
- Had a dependent child under 16;
- Been in receipt of Income Support or not working (Somerville & Brace, 2004).

Being over 16 years old, this group would have been or become eligible for substantial welfare support including Child Benefit and Free School Meals for their child(ren), Income Support for themselves, Council Tax Benefit and, perhaps most importantly, Housing Benefit or social housing.

The lone parent client group and wider policy towards them is particularly well researched (Marsh, 1997; Finlayson & Marsh, 1998; Thomas *et al*, 1999; Lacovou & Berthoud, 2000; Marsh *et al*, 2001; Millar & Ridge, 2001; Marsh & Rowlingson, 2002; Vegeris & McKay, 2002; Casebourne & Britton, 2004; Marsh & Vegeris, 2004; Martin *et al*, 2004; Knight & Kasparova, 2006; Goodwin, 2008; Riccio *et al*, 2008; Collard & Atkinson, 2009; Casebourne *et al*, 2010; Finn & Gloster, 2010; Gloster *et al*, 2010; Ray *et al*, 2010; Sims *et al*, 2010; Haux, 2012).

A recurring theme amongst this vast array of research is a lack of affordable childcare and linked with this the financial uncertainties that would occur in low-paid and usually part-time employment. These presented the strongest barrier to members of this group entering or sustaining paid employment.

Like all other client groups addressed by the New Deal programmes, health issues, a lack of qualifications/skills and limited work experience hindered employability and appeared to present consistent barriers to sustained employment. This is important because parental employment was a central pillar of New Labour's strategy to reduce child poverty. Indeed, New Labour consistently stated that employment was the best

route out of poverty (Blair, 1996; Labour, 1997). The assumptions supporting this were discussed in chapter 4 and 5.

It is not clear from available literature if this client group was made the subject of policy exclusively for economic reasons or if perhaps New Labour were making a moral judgement about family structure. Given their record of anti-discrimination policy (for example *The Equality Act 2006*, *Sexual Orientation Regulations 2006* and *The Equality Act 2010*) this is unlikely to be the case. However, it could be argued that perhaps New Labour believed these particular client groups, by virtue of their circumstances, required support more focused on their needs. It could also be said that Tax Credits and the National Minimum Wage had important roles to play as part of this policy agenda of supporting vulnerable client groups into work<sup>130</sup>.

### **8.3. The Structure of the New Deal for Lone Parents (NDLP) and New Deal Plus for Lone Parents (ND+fLP)**

The NDLP was initially a voluntary programme open to eligible lone parents. New Labour had the target of raising the proportion of lone parents in work to 70% over the course of ten years (Somerville & Brace, 2004). The NDLP programme aimed to help and improve prospects, living standards, job readiness and employment opportunities for lone parents (*ibid*, 2004).

To participate, individuals must have:

- Been aged 16 or over;
- Had a dependent child under 16;
- Been in receipt of Income Support or not working;
- Not been an asylum seeker, but would be eligible if they had Exceptional Leave to Remain, Indefinite Leave to Remain, Refugee Status, Discretionary Leave or Humanitarian Protection (*ibid*, 2004).

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<sup>130</sup> Discussed in Chapter 10.

The programme consisted of a series of interviews between participants and a New Deal personal advisor who offered help, guidance and support for the transition into work. This support included help with the costs of travel or childcare and training.

The NDLP became the New Deal Plus for Lone Parents which began to be rolled out in the spring of 2005. This built on the normal provisions of the NDLP by offering on-going support from Jobcentre Plus Personal Advisors prior to and during the transition to work, financial support of £40 per week in the form of In Work Credit (IWC), childcare support through extended school childcare and other provision, more training opportunities, and confidence building through methods such as mentoring (Select Committee on Work and Pensions, 2007).

Policy towards lone parents was developed further in November 2008 with the introduction of Lone Parents Obligations (LPO). A central component of LPO was that lone parents would gradually lose their eligibility for Income Support based on the age of their youngest child. The changes to loss of eligibility for IS was introduced in phases: from November 2008 lone parents with a youngest child aged 12 and over, from October 2009 with a youngest child aged ten and over, from October 2010 with a young child aged seven and over, and from May 2012 with a youngest child aged 5 and over. Lone parents who lost entitlement to IS were expected to claim JSA or Employment and Support Allowance (ESA).

#### **8.4. The effect of the NDLP and ND+fLP**

The NDLP and ND+fLP, like the NDYP, is well researched. However, like the NDYP this research focuses largely focused on small pilots or covered only short periods (Jarvis, 1997; Finch *et al*, 1999; Woodfield & Finch, 1999; Hales *et al*, 2000a; Hales *et al*, 2000b; Hasluck *et al*, 2000; Lewis *et al*, 2000; Dolton *et al*, 2006; Knight *et al*, 2006; Thomas & Jones, 2006; Brewer *et al*, 2007; Brown & Joyce, 2007; Hosain & Breen, 2007; Ray *et al*, 2007; Thomas, 2007; Cebulla *et al*, 2008; Jenkins, 2008).

It is unsurprising that those studies which evaluated the NDLP and ND+fLP, and which were funded by the DWP, are noticeably uncritical of the performance of these programmes in reducing unemployment amongst lone parents, despite reports of what

could be argued to be quite a low percentage of participants finding jobs (Knight *et al*, 2006).

Analysis conducted for this thesis suggested high levels of re-tread amongst participants of the NDLP. The financial crisis in 2007 (and possibly the introduction of Lone Parent Obligations in November 2008 and October 2009<sup>131</sup>) appears to have exacerbated this problem as can be seen in the concurrent spike of initial interviews (spells) compared to initial interviews (individuals) in 2007-08 in Graph 8.2. This is supported by similar peaks in the numbers of starters in Graph 8.3. There are also high levels of spells throughout the programme.

In terms of jobs gained, the NDLP does appear to have had some measure of success in finding jobs, with peaks in March 2004<sup>132</sup>, as can be seen in Graph 8.4. However, as highlighted earlier in this chapter, there is no clear causal relationship between the NDLP/ND+fLP and individuals finding work. The estimate of Okun's law found earlier suggests significant deadweight loss as many New Deal participants would have found jobs anyway. There may also have been many easy-to-place well-qualified individuals with recent work experience.

The introduction of the LPOs appears to have further affected the numbers leaving the NDLP/ND+fLP with a spike in early 2008, as can be seen in graph 8.5. However, this also coincides with a slowing in GDP growth and an increase in unemployment across the whole population. This may, therefore, have resulted in more lone parents who had been made redundant joining the NDLP immediately with a hope of returning to employment more quickly, although this cannot be said with certainty.

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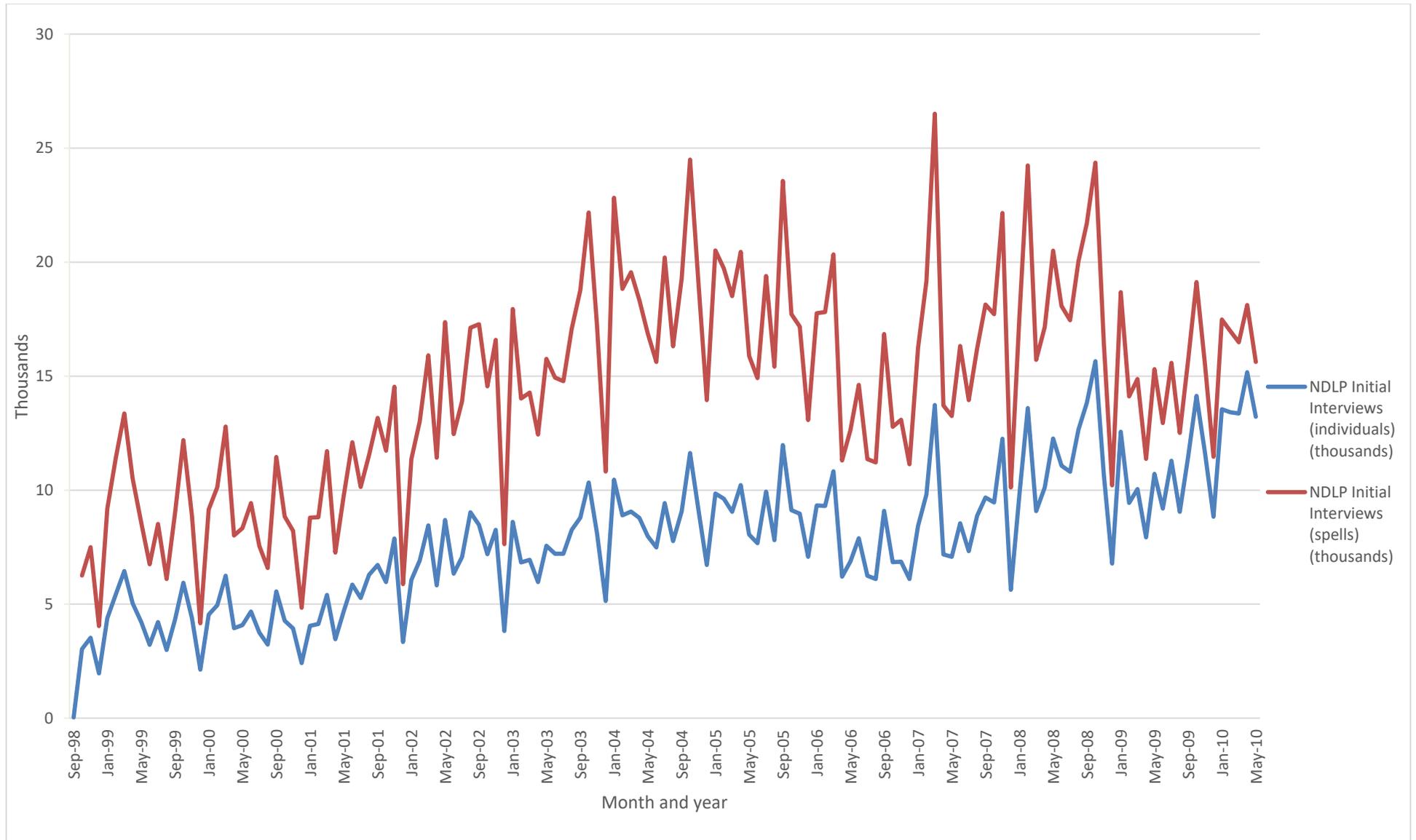
<sup>131</sup> Lone Parent Obligations meant that lone parents lost entitlement to Income Support based on the age of their youngest child. This was phased in; from November 2008, for lone parents with a youngest child aged 12 and over; from October 2009, to lone parents with a child aged ten and over, with further tightening of conditionality after New Labour had left office (DWP, 2013).

<sup>132</sup> From available research no reason could be found immediately to explain this peak in 2004. The NDLP and ND+fLP were operated 'in-house' by the DWP for their entirety. However, in 1998 New Labour had introduced the National Childcare Strategy that included provision of free part-time childcare. Although initially limited, the offer of a free place was extended to all three year olds from 2004 (Gheera *et al*, 2014).

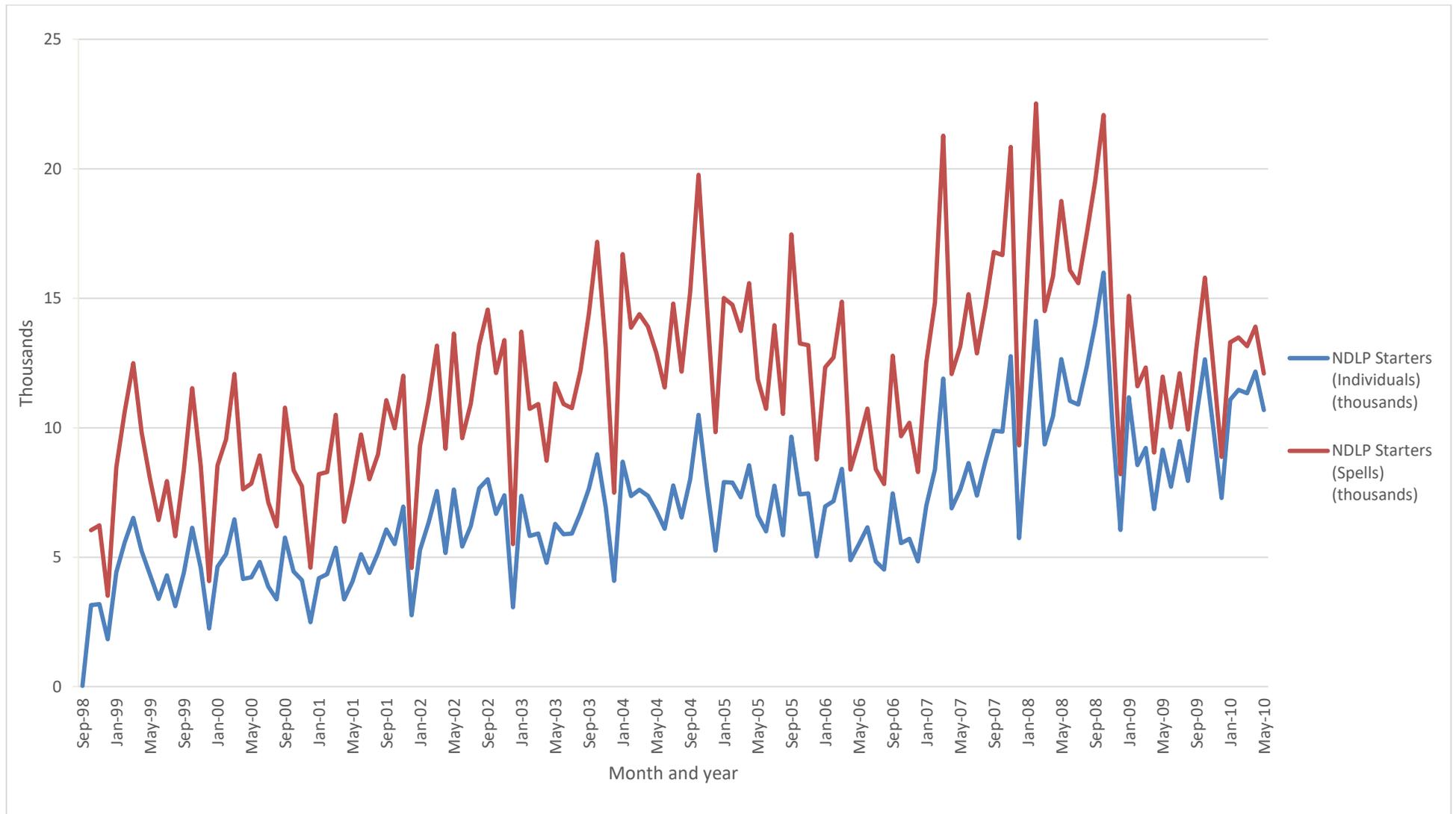
Graph 8.5. suggests that numbers joining and numbers leaving the NDLP/ND+fLP tended to follow each other's trends. This could be explained in terms of participants not remaining on the course for long periods. Some will inevitably find work, while some will return to Income Support or other benefits. Those who had another child would also no longer have been covered by the programme because they were no longer available for work. Graph 8.6. suggests that over time the numbers leaving the NDLP/ND+fLP for work decreases over time. This would, therefore, suggest a decreasing 'success' rate of the NDLP/ND+fLP in terms of finding work for participants.

The NDLP/ND+fLP programmes differ from other New Deal programmes in that participants are defined not only by their own characteristics (in this case single parenthood), but also those of their children (the age of the youngest child). It could be argued that these programmes reflect the moral judgements made by policy makers towards single parenthood. The voluntary nature of the NDLP/ND+fLP until the introduction of LPOs suggest that New Labour were generally supportive of those who found themselves lone parents. The literature and the policy programmes lack the language of moral condemnation found in the writings of moral underclass discourse (Murray & Mead, 1987) of the previous Conservative administration in their "Back to Basics" campaign of the early 1990s. Despite this, no explicit statement appears to have been made by New Labour extolling the virtue of unpaid work such as raising children. On the contrary, even towards the end of his premiership, Blair restated his belief that work was "the best form of welfare" (Blair, 2007. cited in Smith *et al*, 2010).

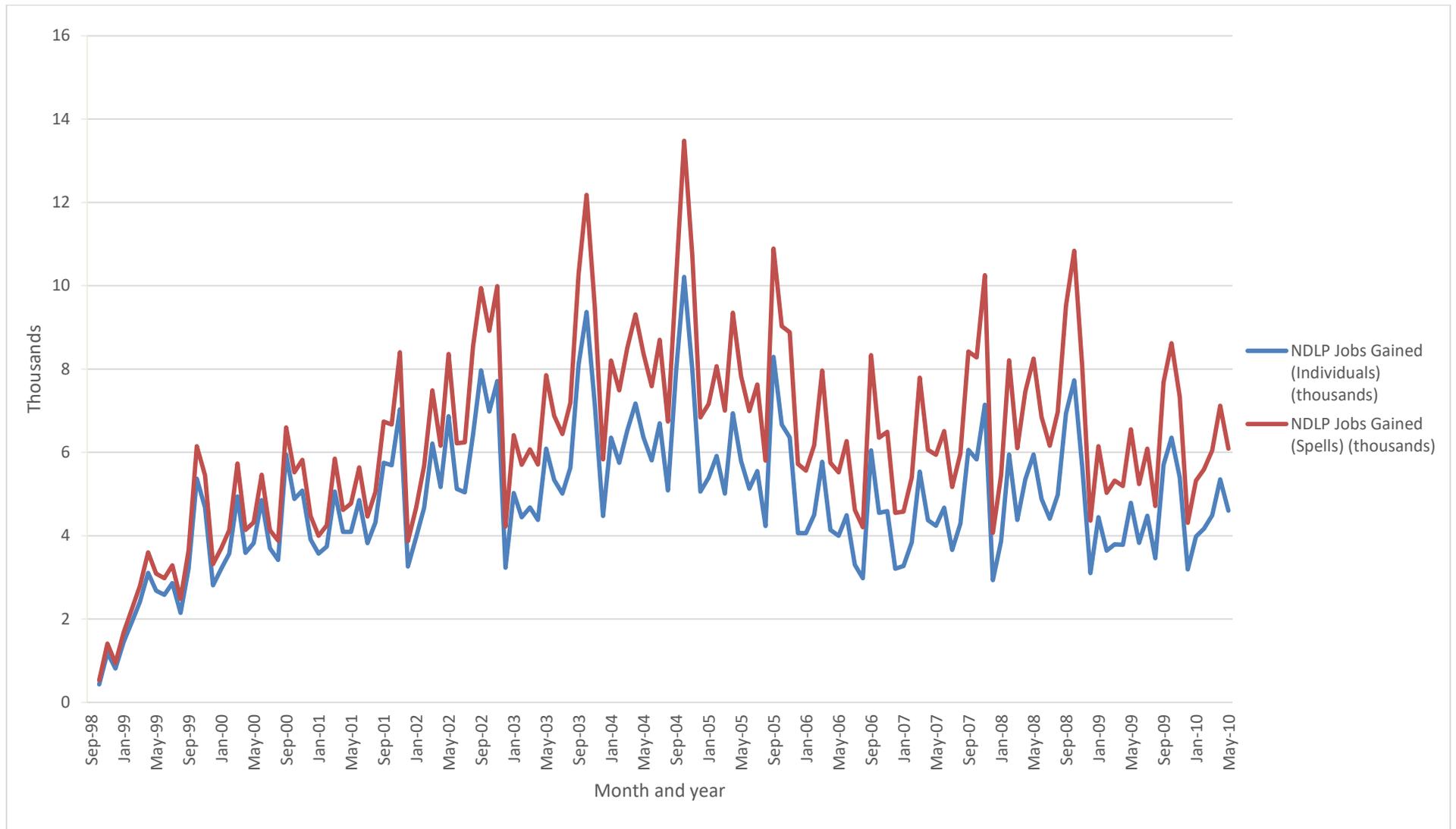
It could be argued, however, that the introduction of LPOs in 2008 reflected a change in the conventions adopted by New Labour; perhaps a feeling that lone-parents, despite having childcare responsibilities, were capable of at least some work. On the other hand, the retrenchment towards less generous welfare policy may also have reflected the tightening fiscal position of government following the slowing of growth, the financial crisis and associated bank bailouts.



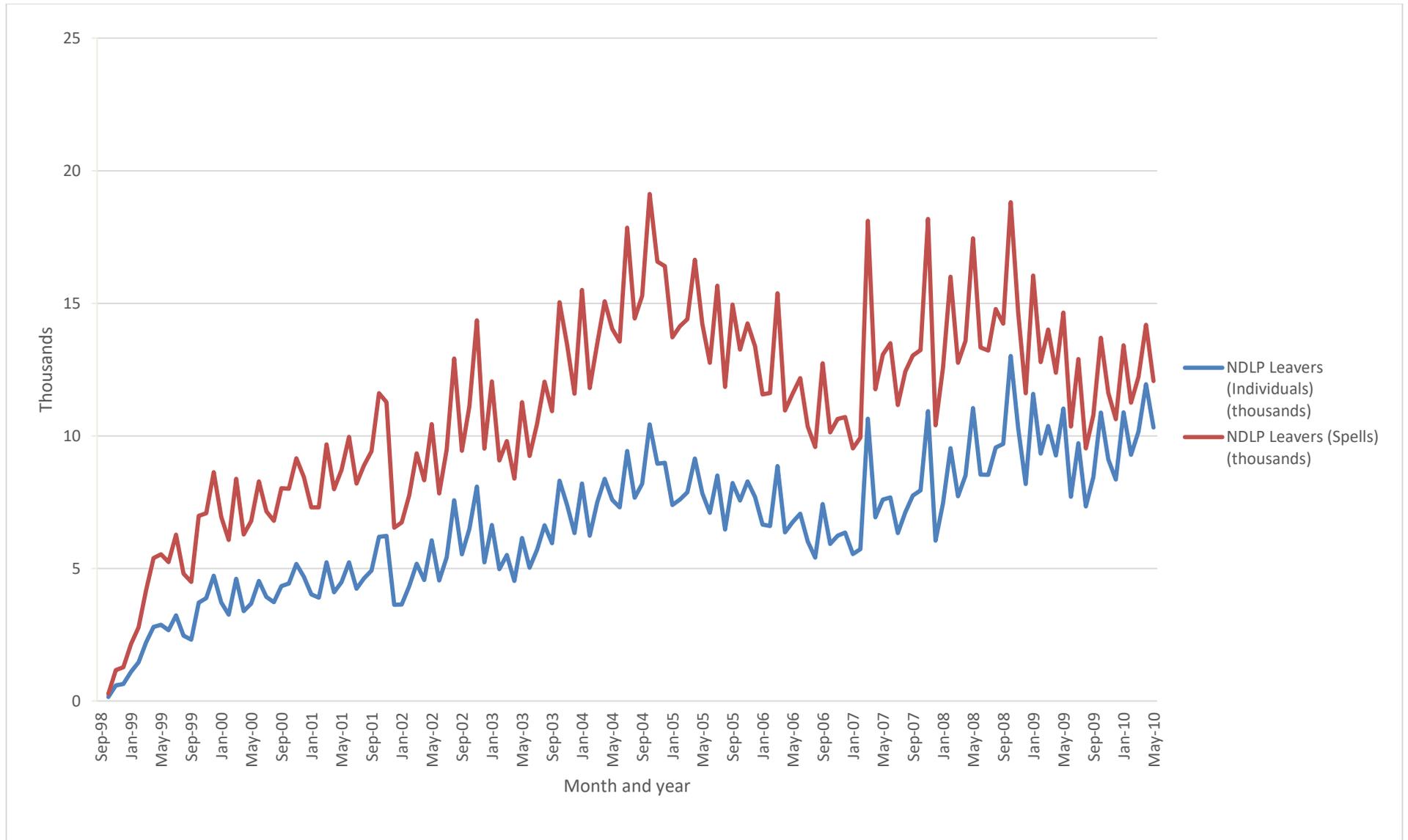
**Graph 8.2: NDLP Initial Interviews (Individuals and spells) (thousands)**



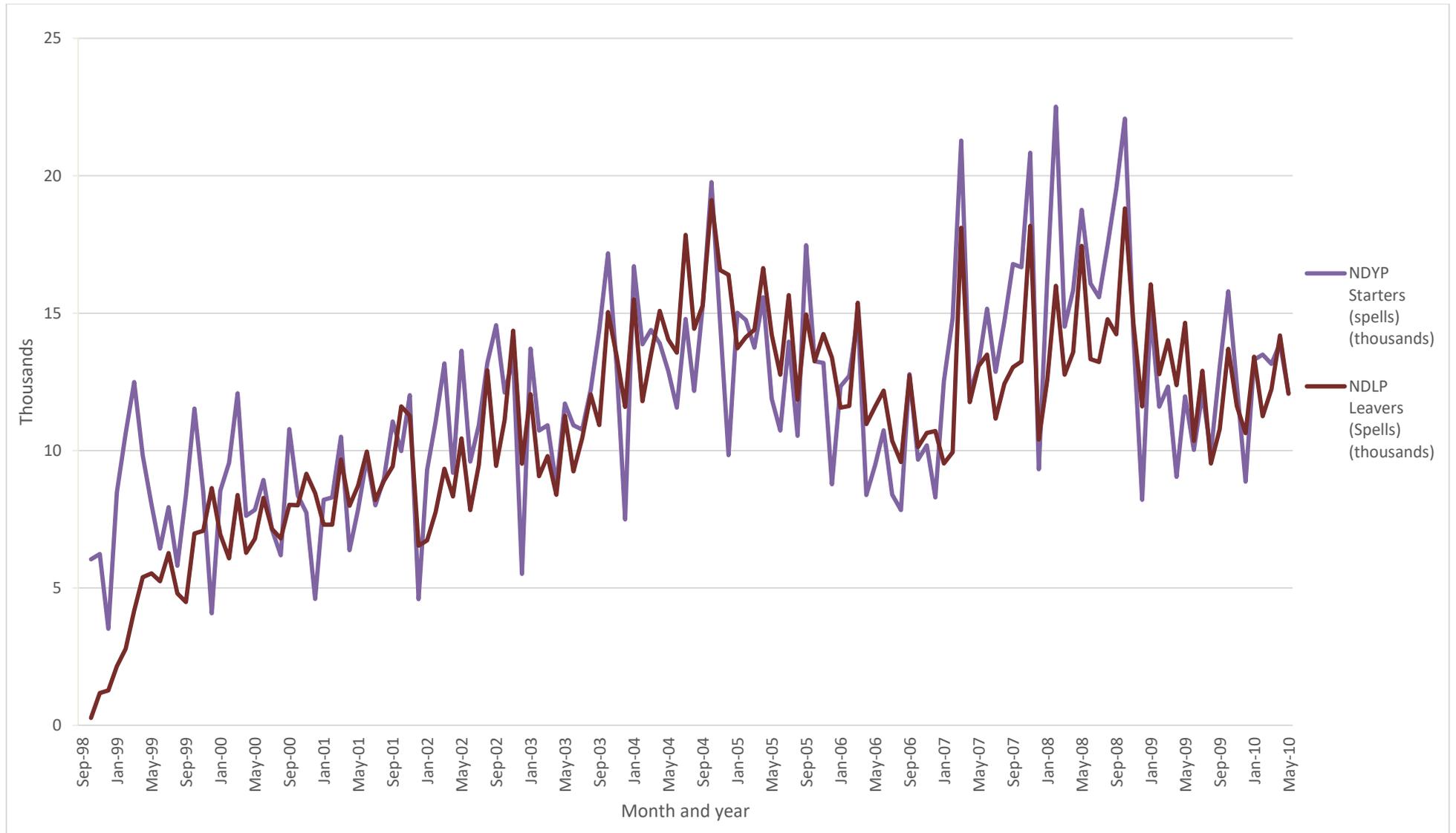
**Graph 8.3: NDLP Starters (individuals and spells) (thousands)**



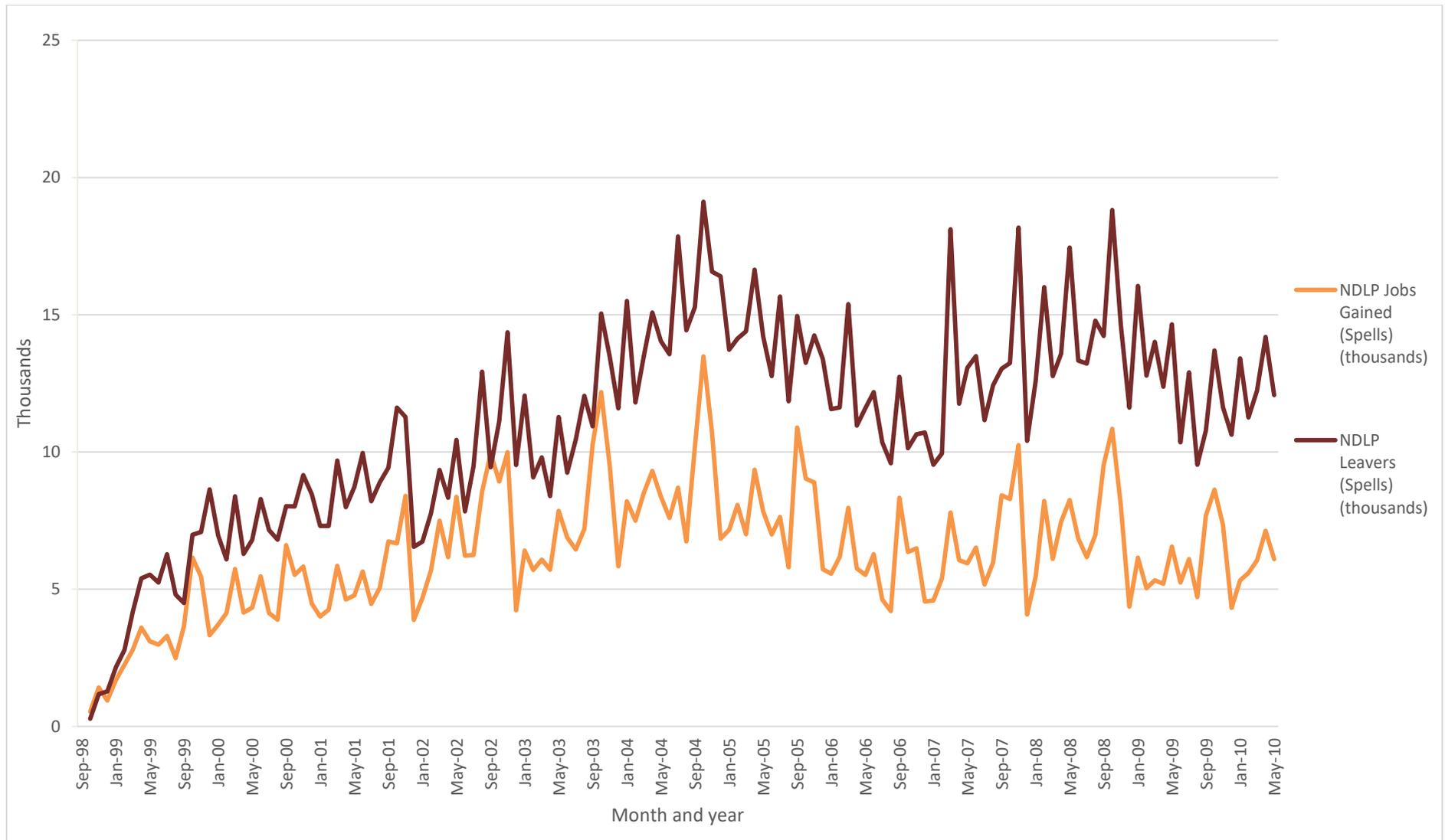
**Graph 8.4: NDLP Jobs Gained (individuals and spells) (thousands)**



**Graph 8.5: NDLP Leavers (individuals and spells) (thousands)**



**Graph 8.6: NDLP Starters and Leavers (spells) (individuals)**



**Graph 8.7: NDLP Jobs Gained and Leavers (spells) (individuals)**

## 8.5. The Structure of The New Deal for Partners (NDP)

The NDP was designed for the partners of out-of-work benefits claimants (whether they were married or just living together), and aimed to get at least one member of the household into work.

The main aims of the NDP were to:

- Reduce the number of households where nobody worked;
- Encourage unemployed partners to become economically active;
- Help partners already working part-time to increase their hours if they wished or to improve their employment prospects; and
- Contribute to a reduction in child poverty (Somerville & Brace, 2004).

As discussed in 9.1., this individualisation of labour market policy appears to reflect New Labour's acceptance that family structure was changing and that labour market policy should reflect this.

Like the NDLP, it gives access to a personal adviser who provides incentives and support in looking for and moving towards work (*ibid*, 2004). From October 2004, the NDP was extended to include partners in families receiving Working Tax Credit (*ibid*, 2004). Both non-working partners working less than 16 hours a week were eligible<sup>133</sup>. According to Somerville & Brace, "The aim of this [was] to further reduce child poverty by helping both partners to support the family through paid work" (p. 311). While the NDP was voluntary, from 12<sup>th</sup> April 2004, Work Focused Interviews became mandatory for partners whose claim for a specified benefit had lasted six months, but only in areas with Jobcentre Plus offices (Coleman *et al*, 2006).

## 8.6. The effect of the NDP

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<sup>133</sup> This requirement is linked to the Working Tax Credit requirement that a single parent with 1 or more children had at least 16 hours of work per week. It required couples with 1 or more children to have at least 24 hours work between them (with 1 of the couple working at least 16 hours per week).

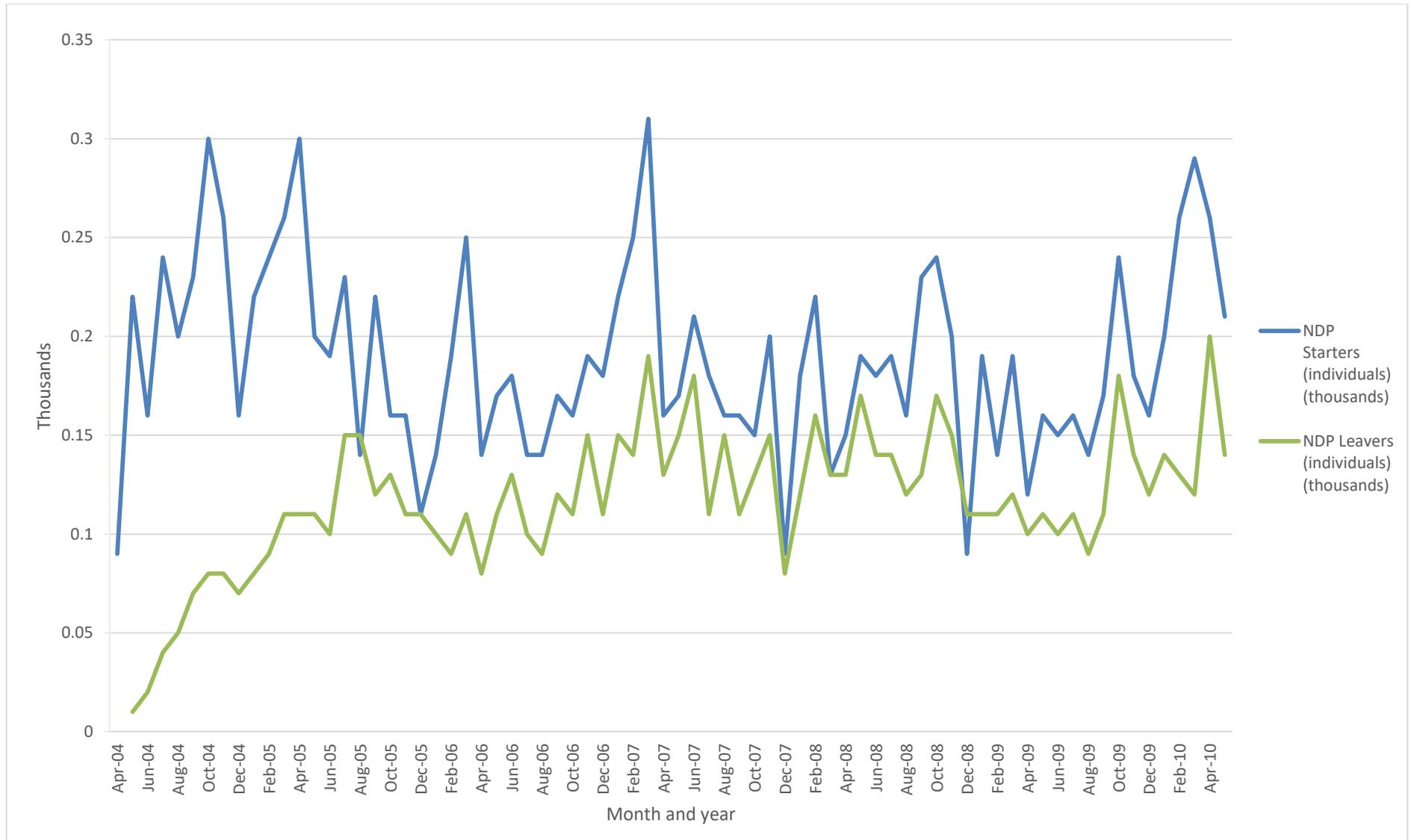
Of all the New Deal programmes, the New Deal for Partners arguably had the least possible effect with the lowest numbers of Starters and Leavers compared to other New Deal programmes. Unlike other small New Deal programmes like the ND50+, the NDP had a number of evaluations commissioned by the DWP (Coleman *et al*, 2006; Dorsett *et al*, 2006; Thomas *et al*, 2006; Coleman *et al*, 2007) with an evaluation commissioned on the dynamics between partners and mothers entering employment (Paull, 2007).

The evaluations which were carried out focused on the Work Focused Interviews for Partners (WFIPs) which had become mandatory in April 2004. These evaluations used both qualitative and quantitative approaches allowing for a synthesis of the whole programme to be made (Coleman *et al*, 2007). The results of this synthesis were scathing. The WFIP and NDP had not succeeded in meeting their main objectives (*ibid*, 2007). A cost-benefit analysis of the programme showed that the NDP programme was not cost effective with additional net benefits of -£16,700 per additional job entry and -£15,300 for the economy (*ibid*, 2007).

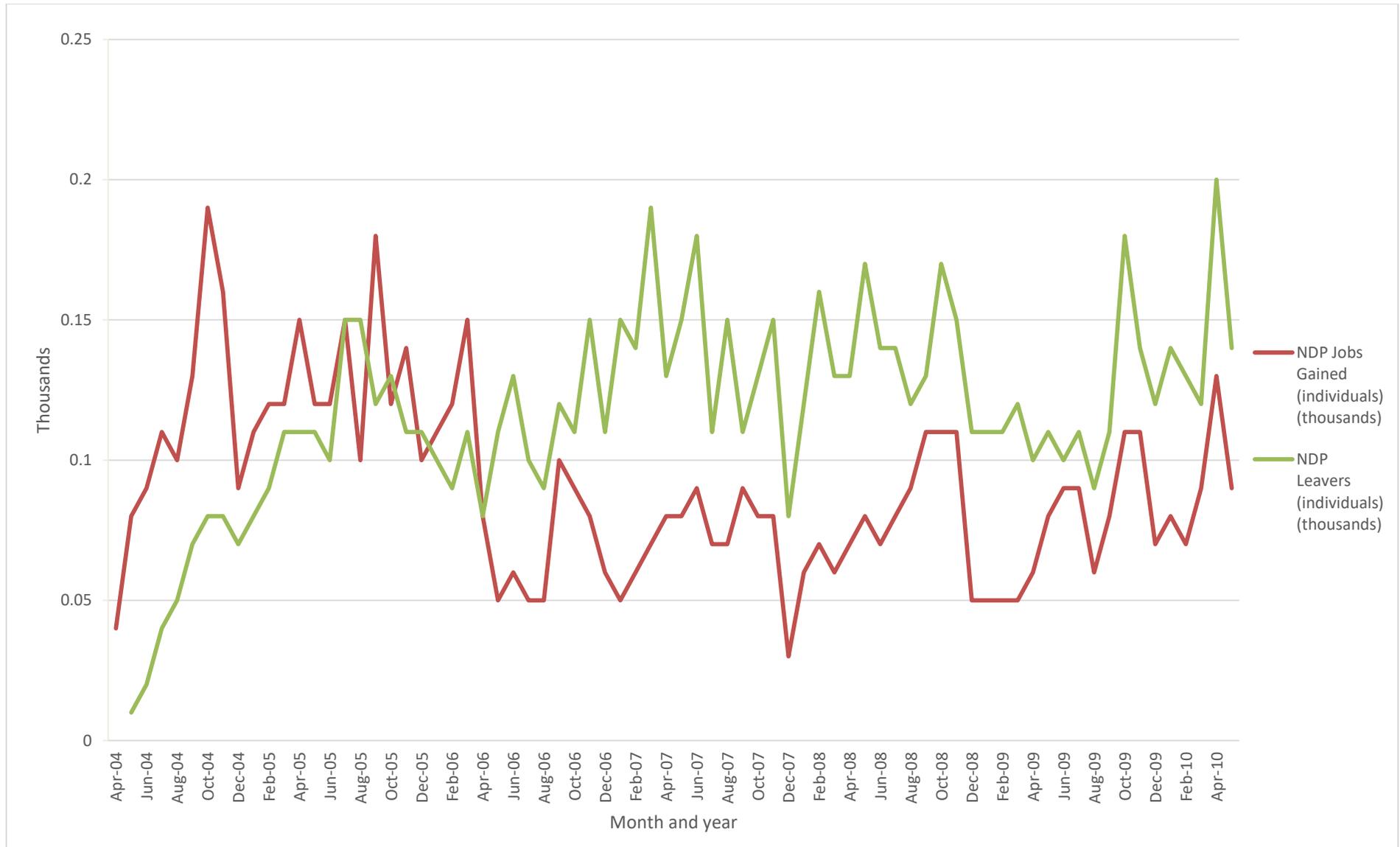
It could be argued that available data from the DWP would tend to support these conclusions. Graph 8.7. below shows a poor uptake of the NDP programme with very low numbers of Starters. However, Graph 8.8. shows that during the first two years of operations there was a high success rate in partners gaining employment. Unfortunately, this success rate is not sustained. This could arguably be explained in terms of those with the fewest barriers to employment quickly finding employment, leaving participants with much harder to tackle barriers. The available evaluations, although placing much of the blame on poor implementation by Jobcentre Plus staff, do also suggest that partners are perhaps one of the most difficult client groups to support due to multiple barriers to employment including the complexity of their financial situation (Coleman *et al*, 2007).

The New Deal for Partners, like the other New Deals, placed work (or at least a movement towards work) at its centre. Participation was voluntary. However, like the NDLP/ND+fLP, eligibility was defined not only in terms of the characteristics of the individual participant, but also their relation to another individual. In this case, their partner, another out-of-work benefit claimant. This is important because it also

reflected a move away from 'the household' towards 'the individual' as a basis for judgement of the justice of social outcomes. Declining numbers of nuclear families and increasing numbers of single-parent and other types of non-traditional family structure as observed in section 8.1. and Graph 8.1. makes such changes in perspective towards 'the individual' seem inevitable.



**Graph 8.7: New Deal for Partners Starters and Leavers (individuals) (thousands)**



**Graph 8.8: New Deal for Partners Jobs Gained and Leavers (individuals) (thousands)**

## 8.7. Chapter Conclusion

This chapter has explored the effect of New Labour's labour market policy on client groups defined by family structure, namely, lone parents and their partners. To support these groups into work, New Labour devised The New Deal for Lone Parents and New Deal Plus for Lone Parents (NDLP/ND+fLP) and The New Deal for Partners (NDP).

It was argued that these programmes were set against a backdrop of changing family structures in the UK with increasing numbers of non-traditional and lone-parent families and decreasing numbers of traditional nuclear families. New Labour's approach to labour market policy in this area, therefore, appeared to reflect less of a focus on 'the household' and an increasing focus on 'the individual'. The individual, in this case defined by their family structure, became the subject of policy action.

Interestingly, two of the explicit aims of the NDP was to reduce the number of households where nobody worked and to contribute to a reduction in child poverty (Somerville & Brace, 2004). Therefore, attempts to get either mothers and/or their partners into work seemed appropriate in pursuit of this goal. The focus on individuals rather than households also seems fitting, especially where relationships may be less stable and shifting than within traditional family paradigms.

As in previous chapters, the administrative data gathered to evaluate these programmes appears to embody shifting administrative definitions and conditionality over actual labour market conditions. For instance, the introduction of Lone Parent Obligations (LPOs) in November 2008 and October 2009 seems to have dramatically increased the numbers of NDLP starters. This is supported by the DWP's own research which suggests:

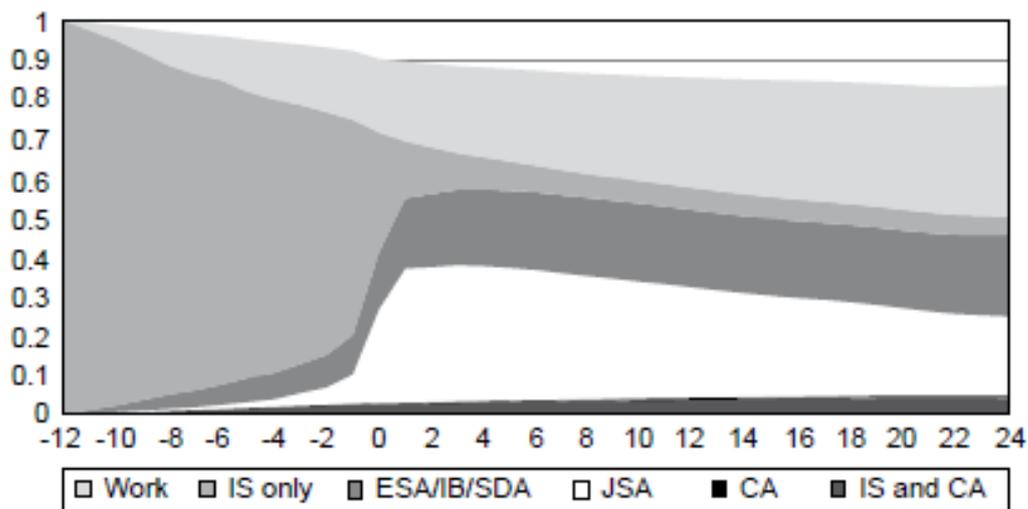
"There is clear evidence of significant moves between the out-of-work benefits (IS, JSA and ESA/IB/SDA) around the time the lone parents lose IS entitlement, with the fraction of JSA and ESA rising as the fraction on IS falls" (DWP, 2013. p. 32).

Therefore, the introduction of LPOs and the tightening of benefit conditionality moved significant numbers of claimants around from IS to other out-of-work benefits. It was also found that there was no sudden increase in lone parents entering paid employment:

“The fraction recorded as being in work increases steadily over time, from up to 12 months before loss of IS entitlement, with no discernible jump at the time that lone parents are estimated to lose IS entitlement (DWP, 2013. p. 32).

This is shown clearly in Graphs 8.9. and 8.10. below showing phase 1 of LPO (November 2008) and phase 2 (October 2009).

**Graph 8.9. Outcomes for lone parents potentially affected by LPO, Phase 1.**  
Phase 1

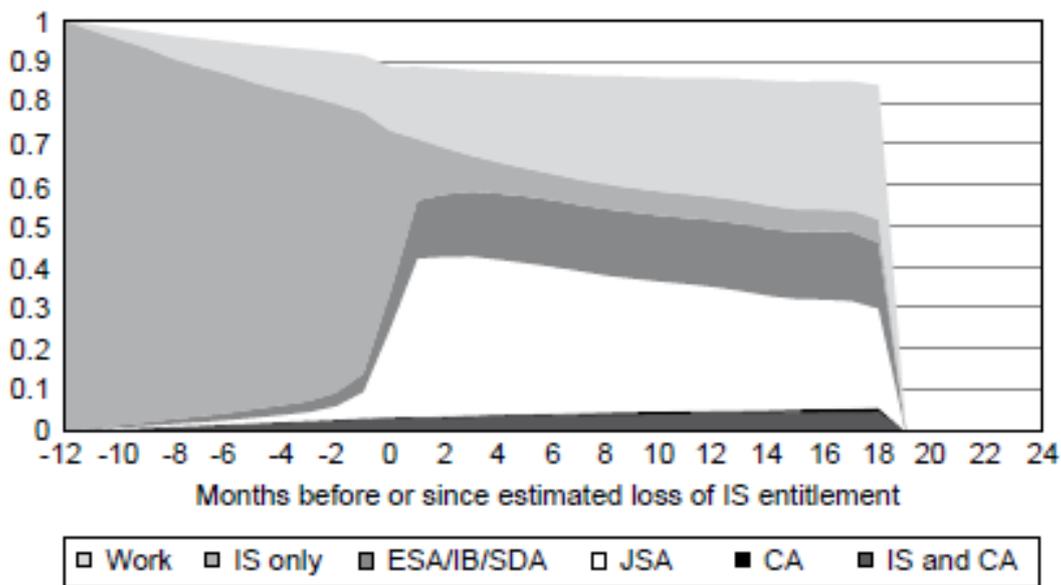


Source: DWP, 2013.

Note: Could not be re-drawn due to a lack of the original data

**Graph 8.10. Outcomes for lone parents potentially affected by LPO, Phase 2.**

## Phase 2



Source: DWP, 2013.

Note: Could not be re-drawn due to a lack of the original data

Changes to childcare may also have had an effect on lone parent outcomes. In 1998, New Labour introduced the National Childcare Strategy that included provision of free part-time childcare. Although initially limited, the offer of a free place was extended to all three year olds from 2004 (Gheera *et al*, 2014). However, there is insufficient relevant qualitative or quantitative data to be able to draw any firm conclusions.

The following chapter explores the effect of an increasingly flexible labour market on UK workers. It focuses on The Flexible New Deal, The National Minimum Wage and the range of Tax Credits introduced by New Labour during their time in office. It argues that these policies acted as a catalyst towards increasing labour market flexibility leading to the emergence of 'the precariat'.

## **CHAPTER 9 – Making work pay**

### **9.1. Introduction**

Chapters 5 to 8 explored New Labour's New Deal programmes. Amongst a range of other observations, these chapters were highly critical of the social statistics used by New Labour and others to evaluate the government's labour market policy. This was due to them depending heavily on the categories adopted during the statistics' construction and the conventions underpinning those categories.

This chapter explores the effects of the New Labour policies designed "To encourage work and reward effort" (Labour, 1997. p. 11) which later emerged as the policy mantra "*make work pay*" (Grover, 2005). This was underpinned by New Labour's belief that "the best form of welfare for people of working age is work" (DSS, 1997). In pursuit of this aim, New Labour introduced the National Minimum Wage (NMW) and a range of Tax Credit programmes. This chapter argues that the NMW and Tax Credits had a complex effect on the British labour market; that these policies attempted to modernise the labour market and were a catalyst for increasing flexibility. This effect included a rise in precarious part-time and self-employment with Tax Credits bridging employment breaks and subsidising low paid work. Therefore, as was found in previous chapters, the distinction between categories 'unemployment' and 'employment' are being blurred and the meanings increasingly challenged. This further supports the claim of this thesis: that the statistical evaluation of labour market policy is increasingly difficult as the categories underpinning the measurement of social phenomena are disrupted.

### **9.2.1. The National Minimum Wage (NMW)**

#### **9.2.1.1. Introduction of the NMW**

Prior to the introduction of the NMW, Wage Councils had existed to set minimum rates of pay across the majority of low pay sectors. However, these bodies had been ineffective and were abolished by the *Trade Union Reform and Employment Rights*

*Act 1993*<sup>134</sup>. Although the TUC had argued for industrial pay bodies, they had been critical of the Wage Councils for being unsuccessful in boosting pay or policing compliance (Silkin, 2014). There was also concern within the trade union movement that a minimum wage would undermine trade unions and collective bargaining (Institute for Government, 2011). Despite including a minimum wage in their 1992 manifesto of half male median earnings, eventually rising to two thirds, Labour lost the electoral argument to Conservative claims that such a minimum wage would cost between 750,000 and 2,000,000 jobs (*ibid*, 2011). The 1992 electoral defeat marked a shift in both academic and policy circles, with researchers challenging the consensus view that a minimum wage would destroy jobs. For example, Hutton (1997), a key New Labour intellectual influence, stressed that an economy with no minimum wage protection leads to a downward spiral of low wages and low productivity as firms fail to train their staff, with threats to profitability putting further downward pressure on wages. Consequently, New Labour's 1997 election manifesto sought to end this downward spiral of pay and ensure that work was fairly rewarded (Labour, 1997), but policy aims were not supported by a growing weight of academic evidence.

Following their election win, New Labour quickly established the Low Pay Commission (LPC) in July 1997 to make policy recommendations. This was followed by the passage of the *National Minimum Wage Act 1998*. In addition to establishing the National Minimum Wage, the Act codified the previously non-statutory LPC. The LPC existed to make recommendations on the rates of NMW. Based on the recommendations in the first report of the LPC, New Labour introduced the NMW formally on 1<sup>st</sup> April 1999 (Low Pay Commission, 2000). The historic rates of the NMW are in Table 9.1 below.

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<sup>134</sup> And their role is outside the scope of this thesis.

**Table 9.1: The historic rates for the NMW for when New Labour were in power**

From	Adult Rate (for workers aged 22+)	Development Rate (for workers aged 18-21)	16-17 Year-Olds Rate	Median real hourly wage*
1 Oct 2009	£5.80	£4.83	£3.57	£14.12
1 Oct 2008	£5.73	£4.77	£3.53	£13.98
1 Oct 2007	£5.52	£4.60	£3.40	£13.73
1 Oct 2006	£5.35	£4.45	£3.30	£13.51
1 Oct 2005	£5.05	£4.25	£3.00	£13.14
1 Oct 2004	£4.85	£4.10	£3.00	£12.84
1 Oct 2003	£4.50	£3.80	-	£12.23
1 Oct 2002	£4.20	£3.50	-	£11.89
1 Oct 2001	£4.10	£3.50	-	£11.01
1 Oct 2000	£3.70	£3.20	-	£10.15
1 Apr 1999	£3.60	£3.00	-	£9.50

Sources: Low Pay Commission, 2012. Hours and Earnings Panel Dataset, 2013

Notes: The Apprentice Rate was not introduced until 1<sup>st</sup> October 2010 and so has not been included. The 16-17 Year Olds Rate was not introduced until 2004.

\*Median wage calculated by the author from a combined average of the 1975, 1985 and 1995 Cohorts.

When deliberating over their recommendations for the NMW, the *National Minimum Wage Act* said the LPC:

“(a) shall have regard to the effect of this Act on the economy of the United Kingdom as a whole and on competitiveness; and  
(b) shall take into account any additional factors which the Secretary of State specifies in referring the matters to them.” (1998. s.7.(5)).

The actual methodologies adopted by the LPC varied over time as their experience and knowledge developed. For example, in their own words the LPC says “We started our work in July 1997 by reading published research and analysis” (Low Pay Commission, 1998. p. 21). They then went on to invite written and oral evidence from a range of stakeholders, commission a wide array of research from academic and commercial researchers and conduct site visits (*ibid*, 1998). The LPC’s conclusions were, therefore, reached through analysis of existing literature and their own research. The actual policing of NMW compliance was conducted by HMRC. Although some issues were identified, non-compliance was limited (LPC, 2012).

### 9.2.1.2. The effect of the NMW on firms

A significant amount of research has focused on the effect of the NMW on firms. This is important because neo-classical economic theory would suggest that increasing the cost of labour above the market equilibrium would reduce the demand for, and increase the supply of, labour, thus leading to a surplus (i.e. disequilibrium unemployment). However, a substantial body of research shows that the NMW had minimal negative impact on firms and their ability to employ the labour they needed.

It is important to say that the effect of the NMW varied considerably across the different sectors of the economy. The four sectors of the economy with the largest number of jobs affected by the introduction were: wholesale and retail (350,000 jobs); hotels and restaurants (300,000 jobs); business services (170,000 jobs); and health and social work (160,000 jobs) (Forth & O'Mahony, 2003).

Early on it was reported that firms had not changed their employment practices (Low Pay Commission, 2000). However, over time problems emerged with the existing reward structures of large and small companies alike due to the upward pressure at the bottom end of pay scales and the earnings distribution more generally<sup>135</sup> (Grimshaw & Carroll, 2002; Income Data Services, 2004; 2006; 2007; Denvir & Loukas, 2006; Low Pay Commission, 2005; 2009; Stewart, 2009)<sup>136</sup>. Employers responded to increases in the NMW by adjusting non-wage costs, changing pay structures, reducing over-time and unsociable hours *premia*, making pension and annual leave entitlement less generous, merging geographical and hierarchical pay zones, reducing hours of work available (Stewart & Swaffield, 2004; Low Pay Commission, 2011) or by reducing the speed at which they hired new workers (Galindo-Rueda & Pereria, 2004). This research undermines some of the claimed benefits of the NMW by suggesting the terms and conditions of low-paid workers were damaged to compensate for the increased cost.

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<sup>135</sup> Labelled as 'spill-over effects' (Stewart, 2009).

<sup>136</sup> Although some have argued that the NMW did not affect pay practices directly. Instead the NMW acted as a broad benchmark rather than a direct influence on pay (Ram, Edwards & Jones, 2004).

Other research has suggested a negative effect on firms' profitability. In a limited study of only 265 small businesses it was reported by just over half of respondents that NMW increases were seriously damaging their profitability (Low Pay Commission, 2004). This was due to what they felt were 'arbitrary and substantial' up-ratings in previous years. Stronger evidence exists in the form of 21 studies commissioned by the LPC examining the effect of the NMW on firms which corroborated this effect (Low Pay Commission, 2001).

The NMW was also found to have had a significant impact on wage costs in a number of low-paying sectors and some firms struggled to adapt to this (Low Pay Commission, 2001). After the initial 'shock' of the introduction of the NMW, some firms began to pass on cost increases in the form of higher prices, especially in the first 4 years after its introduction (Wadsworth, 2008)<sup>137</sup>. However, other research refutes these claims, instead suggesting there was no significant effect on wages or profits (Draca *et al*, 2005; Dolton *et al*, 2012), or indeed any effect on employment when the UK was examined in isolation (Stewart, 2003)<sup>138</sup> or when compared with other OECD countries (Dolton & Bondibene, 2011).

Despite these challenges, businesses reported being able to adapt through improved productivity, raising prices, accepting reductions in profits and tightening control of labour costs (Low Pay Commission, 2001; Forth & O'Mahony, 2003; Denvir & Loukas, 2006). Research by others corroborates the negative hours effect<sup>139</sup>, especially during periods of recession (Dickens *et al*, 2009; Dickens & Dolton, 2011; Bryan *et al*, 2012).

As mentioned earlier, the effect of the NMW was not consistent across different sectors of the economy. Neither was it consistent geographically (Dolton *et al*, 2009) nor by size of firm (Arrowsmith *et al*, 2003). Due to the informality of employment

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<sup>137</sup> Other research suggests this effect was far from universal and that the majority of employers were comfortably able to adjust pay rates to NMW level without harming employment or pay differentials (Income Data Services, 2011).

<sup>138</sup> Dolton, Makepeace & Tremayne (2011) argue that there was a countercyclical relationship between economic growth and wage settlements which is to be expected. However, the years of the NMW being in force were characterised by slightly higher wage settlements than would otherwise have been the case.

<sup>139</sup> The downward pressure on hours.

relations in small firms, the effect of the NMW was often mediated through flexible working (*ibid*, 2003).

Despite this there were positive, if perhaps not intentional, effects on firms. Due to the increasing cost of labour, firms in low-pay sectors increasingly invested in the productivity of their staff (Arulampalam, Booth & Bryan, 2002. cited in Metcalf, 2002; Metcalf, 2004; Rizov & Croucher, 2011). Additionally, the NMW may also have reduced staff turnover (Low Pay Commission, 1998) which would have benefited firms in the form of lower recruitment and training costs.

### **9.2.1.3. The effect of the NMW on individuals**

The effect of the NMW on individuals was more complex than those on firms.

Research conducted using the Labour Force Survey found a 2-4 percentage point increase in the employment rate of low-skilled individuals (Dickens *et al*, 2011). This manifested itself as falling unemployment amongst men and reduced inactivity among women (*ibid*. 2011). However, Dicken's research contradicts previous research which argued the opposite was true. Previous research argues the probability of those unemployed before the introduction of NMW moving into employment is lower and often accompanied by a higher probability of economic inactivity (Stewart, 2002). The Low Pay Commission's own research instead suggests a complex interplay between the NMW and job-seeker search behaviour:

“The results are best described as mixed. There is some evidence that the introduction of the NMW and early upratings may have been associated with reduced search activity (and pay-related search activity) among minimum wage workers (the treatment group). There is, however, no evidence of effects from subsequent upratings (Low Pay Commission, 2009. p. 34)

However, Robinson & Wadsworth's (2005) research suggested that for those with more than one job, the NMW had no effect on the incidence of second job holding.

Over a million low-paid workers benefited from the NMW (Low Pay Commission, 2004). Around 10% of working households relied on workers paid the minimum wage; in 7% of working households the NMW workers were the only source of income

(Wadsworth, 2007). More important, however, is the profile of these beneficiaries of the NMW. Two thirds were working women and of those, two thirds were part-time workers (Low Pay Commission, 2000). Concurring research found that most parents prioritised finding working hours that suited them and then found childcare to match, and therefore, part-time work was preferred by parents of young children as they sought to combine working with spending time at home (Nicholls & Simm, 2003). This is important because, as discussed in chapter 7, engaging lone parents and other women with work and raising female labour market activity rates were an important policy goals for New Labour. The majority of lone parents would have been part-time due to the need to balance work with their caring responsibilities.

One of the key measures used by the Low Pay Commission to evaluate the effect of NMW was 'Bite' which they defined as: "The value of the minimum wage relative to the median" (Low Pay Commission, 2009. p. xii). Table 9.2 below shows the gradually increasing bite of the NMW versus median income from 1999 to 2010. However, the increase in the NMW as a percentage of mean wages was less pronounced. This reflects, as the Low Pay Commission acknowledges, that the 'results' depend entirely on the definitions adopted and the methodologies used in analysis. This particular dataset used three methodologies, and even in the notes it warns that comparisons over time "should be made with care" (Low Pay Commission, 2011. p. 26). Using some of this contrived data, Wadsworth argued:

"Around 30 per cent of minimum wage workers live in households with an aggregate income less than sixty per cent (*sic*) of the median household income for all households with at least one employee, (compared with a 10 per cent share among all other working households). Two thirds of minimum wage workers live in households with a total income below the median for all working (employee) households." (2007. p. ii).

While Wadsworth may make these claims, such evidence and arguments are limited as they fail to take the cost of living into account (real wages and disposable income) which may give a better indication of the actual standard of living faced by NMW workers.

**Table 9.2: Bite of the Adult Minimum Wage at Various Points on the Earnings Distribution for Those Aged 22 and Over, UK, 1999-2010**

	Data year (April)	Adult NMW (£)	Adult minimum wages as % of					
			Lowest decile	Lowest quartile	Median	Mean	Upper quartile	Upper decile
ASHE without supplementary information	<b>1999</b>	<b>3.60</b>	83.9	65.1	<b>45.7</b>	36.6	30.4	21.1
	<b>2000</b>	<b>3.60</b>	81.2	64.2	<b>45.4</b>	35.7	29.8	20.6
	<b>2001</b>	<b>3.70</b>	80.3	63.0	<b>44.2</b>	34.7	29.0	19.9
	<b>2002</b>	<b>4.10</b>	85.2	67.5	<b>47.2</b>	36.5	30.8	21.0
	<b>2003</b>	<b>4.20</b>	82.4	65.8	<b>46.5</b>	35.9	30.5	20.8
	<b>2004</b>	<b>4.50</b>	84.9	67.6	<b>47.5</b>	37.2	31.3	21.4
ASHE with supplementary information	<b>2004</b>	<b>4.50</b>	85.6	68.3	<b>48.1</b>	37.7	31.6	21.7
	<b>2005</b>	<b>4.85</b>	88.0	69.9	<b>49.4</b>	38.5	32.3	22.1
	<b>2006</b>	<b>5.05</b>	87.5	69.9	<b>49.4</b>	38.4	32.3	22.1
ASHE 2007 methodology	<b>2006</b>	<b>5.05</b>	87.5	70.0	<b>49.7</b>	38.5	32.5	22.3
	<b>2007</b>	<b>5.35</b>	89.2	71.7	<b>51.0</b>	39.6	33.6	22.9
	<b>2008</b>	<b>5.52</b>	89.7	71.6	<b>50.6</b>	39.2	33.2	22.8
	<b>2009</b>	<b>5.73</b>	89.6	71.7	<b>50.7</b>	39.7	33.3	22.9
	<b>2010</b>	<b>5.80</b>	89.7	72.0	<b>50.8</b>	39.6	33.2	23.0

Source: Low Pay Commission, 2011

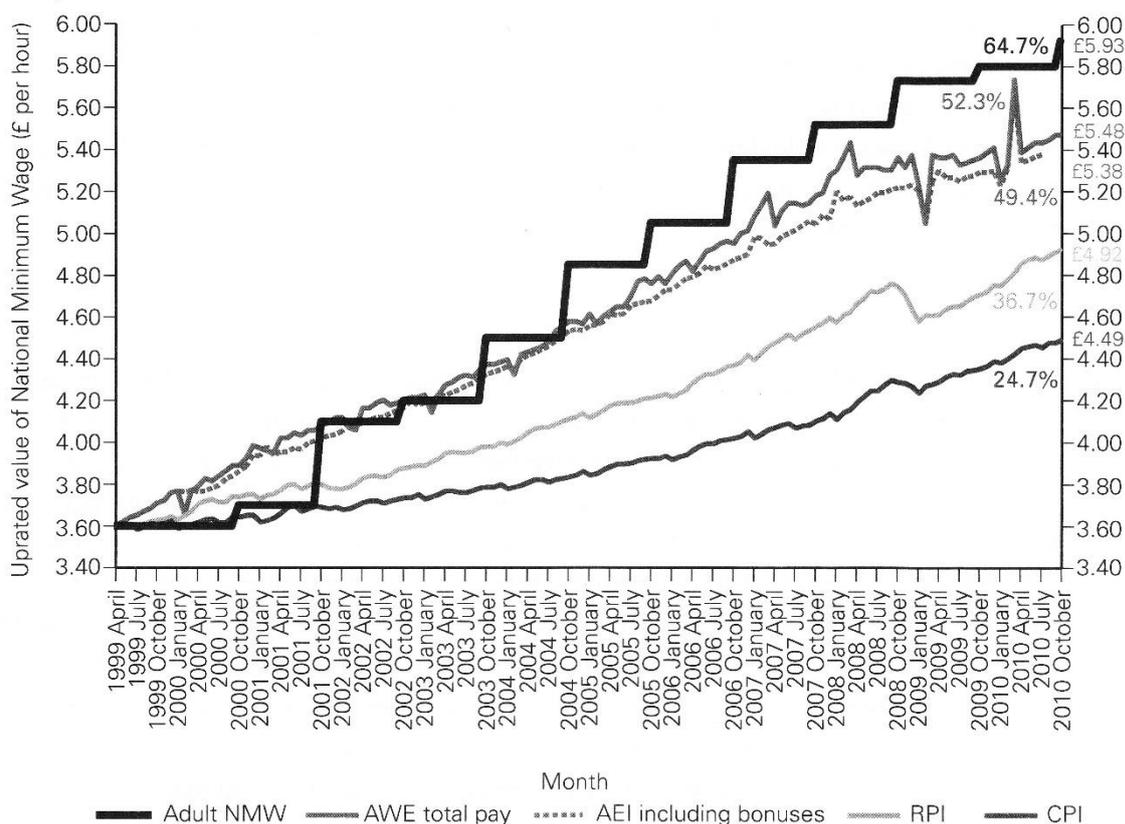
Notes: LPC estimates based on ASHE<sup>140</sup> without supplementary information, April 1999-2004; ASHE with supplementary information, April 2004-2006; and ASHE 2007 methodology, April 2006-2010, standard weights, including those not on adult rates of pay, UK. Direct comparisons before and after 2004, and those before and after 2006, should be made with care due to changes in the data series. (Low Pay Commission, 2011. p. 26).

It is not clear from Table 2 how the deciles and quintiles are calculated and whether variation in hours of work are taken into account. Despite this, the data portrayed suggested an increasing bite of NMW compared to average wages.

<sup>140</sup> ASHE is the Annual Survey of Hours and Earnings conducted by the ONS.

Graph 9.1 below shows the increases in the real and relative value of the Adult Minimum Wage from 1999 to 2010 against RPI and CPI. However, this data may again show that the results reflect the construction of the measure more than they reflect any reality. These results can, therefore, only be taken as suggestive of the NMW increasing in relative and real value over the time that New Labour was in power.

**Graph 9.1: Increases in the Real and Relative Value of the Adult Minimum Wage, UK, 1999-2010**



Source: Low Pay Commission, 2011.

Notes: LPC estimates based on ONS data, AEI including bonuses (LNMQ), AWE total pay (KAB9), CPI<sup>141</sup> (D7BT) and RPI<sup>142</sup> (CHAW), monthly, seasonally adjusted (AWE<sup>143</sup> and AEI<sup>144</sup> only), UK (GB for AWE and AEI), 1999-2010. AEI was replaced as a National Statistic by AWE in January 2010. The AEI series ended in July 2010. (Low Pay Commission, 2011. p. 24.)

Could not be re-drawn due to a lack of the original data.

Important questions are also raised when the NMW is considered against the prevailing tax-free allowance. A model was constructed (table 3 below) using OECD

<sup>141</sup> CPI: Consumer Price Index, is a statistical estimate of changing price levels based on a 'typical' basket of consumer goods and services purchased by households

<sup>142</sup> RPI: Retail Price Index. Not used since 2013. Similar to CPI but includes an element of housing costs, e.g. council tax, mortgage interest payments, etc. It is therefore usually higher than CPI, as can be seen in Graph 9.1

<sup>143</sup> AWE: Average Weekly Earnings

<sup>144</sup> AEI: Average Earnings Index

estimates of the average annual working hours to calculate the annual income of a full-time worker at the different rates of NMW. When considered against the prevailing tax-free allowance it raises the question of actually how much better off NMW workers were. Why was the tax-free allowance not raised to take the working poor out of tax all together? With such low tax-free allowances, were NMW workers really better off in work? With the help of Tax Credits, perhaps, but how would such outcomes be viewed by more traditional socialists who spoke the language of 'working class emancipation'<sup>145</sup>? Under the system created by New Labour, working people appear instead to merely move from one form of welfare dependency to another.

**Table 9.3: Estimated full-time annual income for different rates of NMW against the prevailing tax-free allowance**

From	Annual average working hours	Estimated full-time annual income for those on the Adult Rate (for workers aged 22+)	Estimated full-time annual income for those on the Development Rate (for workers aged 18-21)	Estimated full-time annual income for those on the 16-17 Year-Olds Rate	Prevailing tax-free allowance
01-Apr-99	1716	£6,177.60	£5,148.00	-	£4,335.00
01-Oct-00	1700	£6,290.00	£5,440.00	-	£4,385.00
01-Oct-01	1705	£6,990.50	£5,967.50	-	£4,535.00
01-Oct-02	1684	£7,072.80	£5,894.00	-	£4,615.00
01-Oct-03	1674	£7,533.00	£6,361.20	-	£4,615.00
01-Oct-04	1674	£8,118.90	£6,863.40	£5,022.00	£4,745.00
01-Oct-05	1673	£8,448.65	£7,110.25	£5,019.00	£4,895.00
01-Oct-06	1669	£8,929.15	£7,427.05	£5,507.70	£5,035.00
01-Oct-07	1677	£9,257.04	£7,714.20	£5,701.80	£5,225.00
01-Oct-08	1659	£9,506.07	£7,913.43	£5,856.27	£6,035.00
01-Oct-09	1651	£9,575.80	£7,974.33	£5,894.07	£6,475.00

<sup>145</sup> The International Workingmen's Association (1867), for example, argued that emancipation of the working classes must come from the working classes themselves.

Data Sources: Average working hours (OECD StatExtracts, n.d.). TA.1. *Income Tax Personal Allowances and Reliefs 1990-91 – 2015-16* (Gov.uk, 2015b).

Note: Authors own calculations. The 16-17 year old rate was introduced in 2004.

Looking at more focused research there were suggestions of a strong link between the pressure being put on firms who paid the NMW being passed on to employees in the form of work intensification (Denvir & Louskas, 2006). This included reductions in staffing levels, usually through non-replacement, staff being forced to work harder and longer hours 'with flexibility' rather than formal increases in the difficulty or number of tasks assigned. Rather than investing in their workers or capital that will make their labour more productive, "some employers appear to be especially and worryingly dependent on the use of low wages as a major part of their business strategy, notably in hairdressing" (Denvir *et al.* 2009. p. 41). However, it was not made clear by Denvir *et al* how capital investment could increase the productivity in labour intensive industries such as hairdressing.

Despite the encouragement of female labour market participation by New Labour through the NDLP, lone parent obligations and the NMW, the LPC's own research suggests that jobs which paid the NMW were of poor quality:

"We again find that minimum wage jobs are more likely to be: part-time; temporary; held for less than a year; in the private sector; in small and medium sized firms, and in certain low-paying industries (such as retail and hospitality) and occupations (such as hairdressers, cleaners, bar staff and retail assistants). These jobs are most likely to be carried out by women, young people, older workers, disabled people, ethnic minorities or those with no qualifications" (Low Pay Commission, 2011. p. 65).

The short duration of minimum wage jobs is corroborated by others with as many as half of jobs paid at or below the NMW being less than 12 months in duration (Jones *et al.* 2004; Bryan & Taylor, 2006). This research strongly undermines the stated aims of the NMW to 'make work pay' and reduce social exclusion amongst key client groups. It instead suggests that these groups who were supposedly of key importance to New Labour faced dead-end roles of limited duration with limited scope for personal/career development or progression.

Women were found to have been negatively impacted by the NMW in terms of recruitment (Stewart, 2004.). However, this research carries the caveat that it was sensitive to the choice of wage variable and estimation method. It is also interesting that the overwhelming majority <sup>146</sup>of persistent NMW workers were women (Bryan & Taylor, 2004; 2006; Brewer *et al*, 2009; Jones *et al*. n.d). Perhaps of greater importance was that a third of the same persistent NMW workers had no qualifications at all and that half were in semi-skilled or un-skilled manual occupations (Bryan & Taylor, 2006). In the existing NMW research there is little discussion of the need to develop the qualifications and skills of individuals, i.e. to support NMW beneficiaries beyond NMW jobs. A limited amount of training was provided as part of the New Deal Programmes, but a lack of qualifications/skills was not perceived as a policy problem requiring action once an individual was in work. It was only a 'problem' when the individual was categorised as 'unemployed'. Once they were in employment, it was no longer a problem. This was perhaps the glaring sin of omission by New Labour labour market policy makers. Work, any work, was preferable to no work. Once the headline statistics were measured and showed decreasing unemployment and increasing labour market activity, then the key goal was achieved.

On a more positive note, the introduction of the NMW reduced the gender pay gap by 0.3-0.4 percentage points (Manning & Dickens, 2002), and wage inequality more generally (Metcalf, 2009), mostly probably because the majority of roles at the lower end of the pay scale were filled by women and the NMW pushed their wages upwards. However, the existing research makes no mention of how the remaining gender pay gap would be bridged. A linked but unintended negative effect of the NMW is that the relative costs of employing more expensive male labour are reduced, and therefore demand for low-skilled female employees may have fallen, therefore widening rather than narrowing earnings differentials in the longer run (Edwards & Gilman, 2009).

The effect of the NMW on young people was also positive. For example, the 16-17 year-old rate of the NMW introduced in October 2004 offered for the first time a minimum wage to an otherwise ignored group at the margins of the labour market while at the same time not leading to any significant decrease in numbers of young

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<sup>146</sup> 80% according to Bryan & Taylor (2006)

people staying on in education (Low Pay Commission, 2004; Couler *et al*, 2010). An apprentice rate of the NMW was not introduced until after New Labour left office in 2010 and is therefore outside the scope of this thesis. Upon reaching the mean rate of NMW at age 22, young people found work more attractive compared to when they were 21, inducing labour market participation and increasing job search activity (Dickens *et al*, 2010; 2011<sup>147</sup>). This allayed the fears of Croucher & White (2011) that too high a minimum wage for young people would instead act as a disincentive to investing in education by encouraging early labour market entry and displacing older workers in the process. This is not to say that the NMW did not affect the completion of Apprenticeships. Lanot & Sousounis (2011) argued that although the NMW had no effect on school enrolment<sup>148</sup>, the NMW may have had a small negative effect on FE and HE enrolment but a stronger negative effect on the completion of Apprenticeships and other forms of youth training.

Agency workers were another group significantly affected by the NMW. The leisure sector (with 50 per cent of employers) and the hotel sector (with 42 per cent of employers) reported the highest proportions of agency staff employed (Income Data Services, 2009). However, the TUC found that due to illegal deductions, many agency workers failed to earn the minimum wage (2005). These deductions, made by employment agencies, included charging for inflated transport, accommodation, clothing and meal costs (TUC, 2005).

### **9.3. Tax Credits**

#### **9.3.1. Tax Credits in the UK**

In-work benefits have a long history. However, this history is not within the scope of this thesis. It will only be noted here that Working Families Tax Credit replaced the very similarly structured Family Credit in 1999.

The system of Tax Credits developed by New Labour and administered by HMRC included:

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<sup>147</sup> While Fidrmuc & Horrilo (2011) found a negative but insignificant effect.

<sup>148</sup> Supporting earlier research by Dickerson & Jones (2004) and Frayne & Goodman (2004).

- Working Families Tax Credit (WFTC);
- Disabled Persons Tax Credit (DPTC);
- Working Tax Credit (WTC); and,
- Child Tax Credit (CTC).

### **9.3.2. Overview of Tax Credit Programmes under New Labour**

- Working Families Tax Credit (WFTC)

WFTC was introduced in April 1999 and operated until March 2003 when it was replaced by Working Tax Credit and Child Tax Credit. WFTC was the successor to Family Credit (FC) which had been in operation since 1988, and like FC, provided means tested 'awards' renewable every 6 months. It was also only available to households with children.

- Disabled Persons Tax Credit (DPTC)

DPTC replaced what was Disability Working Allowance (DWA) from 5<sup>th</sup> October 1999. It was a tax credit available to people who were working at least sixteen hours a week and who had an illness or disability which disadvantaged them in getting a job. It was also replaced in April 2003 by Working Tax Credit.

- New Tax Credits (NTC)

New Tax Credits (NTC) comprised of Working Tax Credit (WTC) and Child Tax Credit (CTC) and was introduced in April 2003 (Franses & Thomas, 2004). Like WFTC, payments were made to supplement the income of households or individuals who were employed or self-employed. Key differences between WFTC and WTC were that WTC was based on gross income rather than net income, and also there were no longer any capital limits barring eligibility (Lee, 2003; Adler, 2004). The level of 'award' of WTC is made up of 'elements' and is subject to withdrawal once a certain level of

income is reached<sup>149</sup>. CTC was one such ‘element’ and payments were made to supplement the income of individuals who had one child or young person who normally lived with them (HMRC, 2012). The level of payments depended on the individual’s annual income.

The changes to out-of-work and in-work support is shown in Table 9.4 below.

**Table 9.4. Support for non-pensioner households before and after April 2003**

	Support for out-of-work households	Support for working households
Before April 2003	Income Support/Job Seeker’s Allowance (adult element)	Working Families Tax Credit/Disabled Person’s Tax Credit (adult credit)
	Income Support/Job Seeker’s Allowance (child element)	Working Families Tax Credit/Disabled Person’s Tax Credit (child credit)
	Child Benefit	Children’s Tax Credit
		Child Benefit
After April 2003	Income Support/Job Seeker’s Allowance (adult element)	Working Tax Credit
	Child Tax Credit	Child Tax Credit
	Child Benefit	Child Benefit

Source: Lee, 2003. p. 19.

These changes suggest a consolidation of support for working households, but Hodgson & Boden (2008) argue that WTC had three key characteristics:

- it was an overt labour activation policy;
- there was a high degree of means-testing and eligibility checking that appears to be designed to influence behaviour;
- it had a delivery mechanism that created the impression of a tax reduction rather than a welfare payment due to administration of the scheme by HMRC.

<sup>149</sup> Working Tax Credit will be integrated into the new Universal Credit in 2016.

It could be said that these were very much the same characteristics as its predecessor, the WFTC. However, unlike WFTC, New Tax Credits encompassed a wider range of recipients than previously, including parents not in work and households without children (Hall & Pattigrew, 2008). In addition, New Tax Credits were introduced with a number of explicit targets:

- “reduce the number of children in low-income households by at least a quarter by 2004, as a contribution towards the broader target of halving child poverty by 2010 and eradicating it by 2020;
- demonstrate progress by 2006 on increasing the employment rate and reducing the unemployment rate over the economic cycle;
- over the three years to 2006, increase the employment rates of disadvantaged areas and groups, taking account of the economic cycle – lone parents, ethnic minorities, people aged 50 and over, those with the lowest qualifications, and the 30 local authority districts with the poorest initial labour market position, and significantly reduce the difference between their employment rates and the overall rate;
- reduce the proportion of children in households with no one in work over the three years from spring 2003 to spring 2006 by six and a half per cent; and
- in the three years to 2006, increase the employment rate of people with disabilities, taking account of the economic cycle, and significantly reduce the difference between their employment rate and the overall rate. Work to improve the rights of disabled people and to remove barriers to their participation in society” (Franses & Thomas, 2004. p. 1).

As was discussed in previous chapters, it is difficult if not impossible to un-tangle the complex interactions between economic growth and labour market policy including Tax Credits. It is only possible to estimate the effect of policy based on certain assumptions. However, as has become increasingly apparent throughout this thesis, the results of these estimates appear to reflect the statistical assumptions assumed rather than changes in the UK labour market.

### **9.3.3. The effect of Tax Credits (TC)**

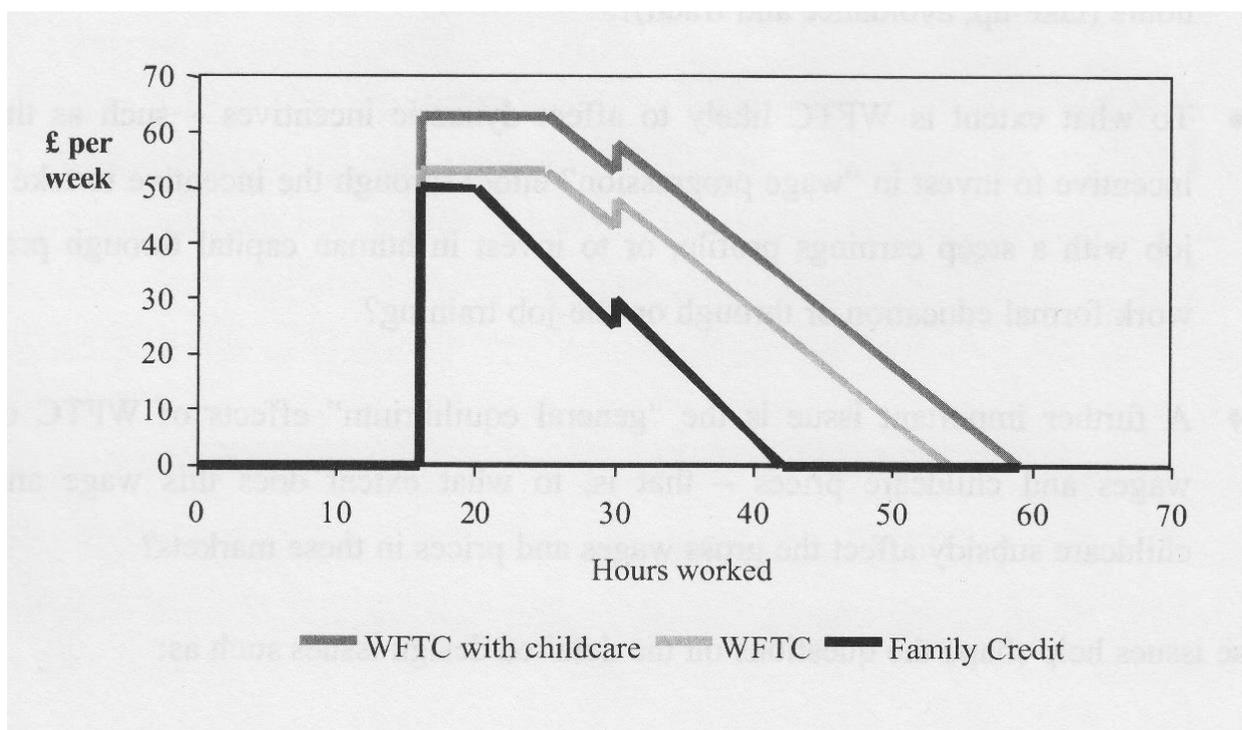
In a similar fashion to the New Deal programmes and the NMW, the effect of TC on claimants appears complex. This appears especially true for those on the boundary of the labour market (such as those with children) due to the complex interaction of tax-free allowances, Tax Credits and available childcare. While they may have

escaped from an out-of-work benefits trap they are instead faced with conflicted incentives and demands.

The following sections address each of the TC programmes chronologically.

### 9.3.3.1. Working Families Tax Credits (WFTC)

Working Families Tax Credit was in many ways very similar to its predecessor Family Credit in that it required individuals to work 16 hours per week before they were eligible, as can be seen in Graph 2 below. However, unlike Family Credit, WFTC and WFTC with childcare had a later and more gradual taper of withdrawal of payments (55p in the pound rather than 70p in the pound (McLaughlin, Trewsdale & McCay, 2001)) up to a much higher limit of working hours, ensuring a much higher wage subsidy.



**Graph 9.2: Structure of Family Credit versus WFTC**

Source: Blundell & Walker, 2001. p. 5.

Note: Could not be re-drawn due to a lack of the original data.

WFTC with the additional childcare payments was significantly more generous, clearly in an effort to support those with children, especially women, into work. WFTC linked with the New Deal for Lone Parents represented a clear and structured activation path;

from economic inactivity, to actively seeking work, to working with the support of in-work benefits<sup>150</sup>. Families returning to work tended to earn about the NMW and, therefore, the need for further in-work support such as WFTC remained (McKay, 2003).

Before the introduction of WFTC, the Treasury estimated that: “almost 500,000 families pay income tax to the Inland Revenue while receiving Family Credit from the Department of Social Security” (as it then was) and that “the net effect of WFTC will be to take 97 per cent of them out of tax” (Lee, 2000. cited in Adler, 2004.). Nevertheless, the introduction of WFTC only partly resolved this problem because other in-work benefits, specifically Housing Benefit and Council (local) Tax Benefit, were not included in the reform (Adler, 2004). It was also estimated that the participation rate of single mothers increased by 2.2% (around 34,000 individuals), that the participation rate of married women with employed partners declined by 0.57% (20,000 individuals) suggesting an overall increase in participation of 30,000 (Duncan, Giles & MacCrae, 1999; Blundell *et al*, 2000.).

Despite the positive statistics cited by Adler and others, the WFTC was based on some potentially flawed assumptions. Firstly, because WFTC reached higher up the income distribution scale, those higher up will have faced higher marginal tax rates than they had under FC (McLaughlin, Trewsdale & McCay, 2001.). This did not occur until around £300 per week which the Treasury believed “was a sufficiently high-income point for this feature of WFTC not to be a problem.” (McLaughlin, Trewsdale & McCay 2001. p. 167). Despite the more gradual taper of WFTC compared to FC, this assumption appears to ignore the negative incentive for individuals to try and advance their career beyond low-paid work.

A second implicit assumption is that families pool all earnings because such programmes were based around family income (Blundell & Walker, 2001). However, the assumption of ordered un-chaotic lives with pooled financial resources and robust financial planning appears to be at odds with what could be expected of the average

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<sup>150</sup> Lone parents were a key target for these reforms as they comprised 22% of all families by 1998 but 55% of families with children in poverty (Gregg, Harkness & Smith, 2009).

WFTC claimant. In addition, Blundell & Walker suggest that the means-testing nature of WFTC may distort other behavioural incentives; encouraging individuals to have children but dis-incentivising them to partner. These incentives are further strengthened if pooling of financial resources does not occur (*ibid*, 2001).

Means-testing therefore appears to undermine the intended policy goals of the NDLP and Tax Credits by encouraging a greater incidence of the 'problem' they sought to reduce: single parents with children living in poverty. As will be discussed in more detail later in this chapter, in addition to single-parenthood, WFTC did little to tackle other underlying drivers of low-paid work, such as poorly qualified individuals with limited skills, limited employability and geographical immobility. Even if individuals wanted to 'get on', there appeared to be limited scope to do this.

It could also be said that WFTC was of little use for those at the margins of the labour market who were unable to meet the 16 hours of work requirement, perhaps due to extra caring responsibilities. They would still have been able to claim other in-work benefits such as Income Support, Housing Benefit and Council Tax Benefit, but were excluded from the benefits of WFTC. From the available literature it appears that the 16 hours requirement was chosen as cut off for WFTC due to the definitions of the Labour Force Survey (LFS) (Walling, 2007): those working less than 16 hours per week were defined as part-time. Therefore, like definitions of 'youth' as being aged between 18 and 24 years old, this arbitrary definition was linked to an important measure used by government. By encouraging individuals to work over 16 hours, more individuals would be 'counted' as full-time rather than part-time, which would appear better for political purposes.

A significant administrative failure of WFTC was under- and over-payments. Both caused claimants causing significant financial hardship. Over-payment was often worse because these were later clawed back (Adler, 2004; Hodgson & Boden, 2008; Breese, Maplethorpe & Toomse, 2011; Toomse, 2011). A clear link has been drawn between the structure of WFTC and other Tax Credits and these problems, i.e. like Family Credit, the award was based on a snapshot of recent income, and once set it was fixed and unalterable until the end of the six month award period (Adler, 2004) with an annual reconciliation of income against entitlement at the end of each tax year (Hodgson & Boden, 2008). This six-month award structure meant there were winners

(those whose income went up during that six months gained) and losers (those whose incomes went down lost out). This was in sharp contrast with other means-tested benefits such as Income Support or JSA which could be adjusted on a week-by-week basis to take account of changing circumstances (*ibid*, 2004). It could be argued that the design of WFTC was, therefore, flawed from the start. Given the short-term, temporary and unpredictable nature of low-paid work undertaken by those on the periphery of the labour market, a six month award period does not appear at all appropriate. However, it could be argued that Tax Credits were an attempt to try and more closely align the tax and benefits systems under HMRC.

The administration of the Tax Credits was also described as “a fiasco” (Adler, 2004. p. 99) due to long delays and over-payments. The long delays required the introduction of emergency payments for those in greatest needs. Assessment errors of these also led to overpayments which the Inland Revenue then sought to recover<sup>151</sup> (Adler, 2004; Hills *et al*, 2006 cited in Hodgson & Boden, 2008; Griffen, 2007; Freeth & Fond, 2011). This problem would have been compounded by the fact that many claimants would be living ‘hand-to-mouth’ anyway, and were reported to have poor financial management skills (Hills *et al*, 2006 cited in Hodgson & Boden, 2008). It can be expected that any over-payment would have been spent not saved.

The issue of over-/under-payments highlights the general point that the Inland Revenue (which went on to become HMRC in 2005 after it merged with Her Majesty’s Customs and Excise<sup>152</sup>) had no experience of administering benefits, but was highly experienced at assessing an individual’s tax liabilities on an annual basis. This begs the questions of why the Inland Revenue/HMRC were entrusted with this responsibility. It has been argued that by paying in-work benefits through the tax system via the IR/HMRC there was less of a stigma attached (Hall & Pattigrew, 2008).

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<sup>151</sup> In 2003-4, around 1.9 million people (a third of applicants) were overpaid a total of nearly £2 billion. Around 283,000 families were overpaid by more than £2,000. By 2005, recipients had begun to challenge attempts to recover overpayments. In desperation the government raised the income disregard (a safe harbour that allows for an incorrect estimate of income, from £2,500 to £25,000, thus cutting the link between tax and welfare, and reducing the responsiveness of the benefit system to increases in income (Hodgson & Boden, 2008).

<sup>152</sup> As was mentioned earlier, there appear to have been attempts to reduce administrative costs across the *piste*, in this case by reducing the assessment of income from two government organisations down to one. This was an explicit aim of the New Labour government (DfES & DSS 1998).

However, payment through the tax system (via employers<sup>153</sup>) caused a range of other issues such as personal embarrassment and individuals choosing not to make a claim (Athayde *et al*, 2003). Employer resistance eventually led to this method of payment being abandoned (Hodgson & Boden, 2008).

Other administration problems with WFTC include the need to complete and submit long and complex application forms to the Inland Revenue (Adler, 2004). Associated with this was the problem of eligible non-recipients (ENRs), i.e. individuals who were eligible, but for whatever reason, chose not to claim. Firstly, like DPTC, many ENRs did not know they were eligible<sup>154</sup> (Breese, Maplethorpe & Toomse, 2011). 22 per cent gave other reasons for not claiming, such as concerns about over-payments, the perceived complexity of the Tax Credit system and a previous bad experience with HMRC (Breese, Maplethorpe & Toomse, 2011). This reflected a broad theme in existing research that the government systems were seen as overly complex, frequently changing and therefore alienating (Griffen, 2007; Hall & Pattigrew, 2008; Toomse, 2011). Even the renewals process was seen by many respondents as overly complex (Toomse, 2011; Hall, 2012). A smaller group gave personal reasons such as not wanting to be supported by the state (Breese, Maplethorpe & Toomse, 2011). Individuals who identified as Black and Minority Ethnic (BME) and recent immigrants reported increased difficulties where they had limited England language ability (Hall & Pattigrew, 2008; Breese, Maplethorpe & Toomse, 2011). Despite these administrative difficulties, there was no clear link between these problems and rates of labour market participation amongst any client group.

A *post-hoc* evaluation of WFTC argued that an estimated 81,000 additional individuals moved into the labour force adding over five percentage points to the lone parent employment rate for a much lower administrative cost than its predecessor, Family Credit (Coleman *et al*, 2003). It was argued that there was no evidence to support WFTC having an adverse effect on wage progression but may actually have encouraged it (*ibid*, 2003).

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<sup>153</sup> A process known as Payment Via Employer (PVE) (Athayde *et al*, 2003).

<sup>154</sup> 84 per cent had heard of tax credits but had much less knowledge of how eligibility criteria applied. 80% had heard of tax credits but thought they were not eligible. 78 per cent of those who had heard of tax credits gave this belief they were not eligible as their main reason for not claiming (Breese, Maplethorpe & Toomse, 2011).

### 9.3.3.2. Disabled Persons Tax Credit and the Disability Element of Working Tax Credit

As mentioned earlier, DPTC replaced what was Disability Working Allowance (DWA) from 5<sup>th</sup> October 1999. By 2003, nearly 27,000 individuals and households were in receipt of it (Atkinson, Meager & Dewson. 2003). Existing research suggest the personal characteristics of DPTC recipients were similar to those of economically active disabled people in general, with the exceptions that:

- “they were much more likely to be single, or to have dependent children, or both (two-fifths were single parents)
- they were more likely to have no (or poor) educational or vocational qualifications” (Atkinson, Meager & Dewson. 2003. p. 1).

Atkinson, Meager & Dewson also identified a ‘high impact group’ of 23% who claimed they would not be doing their present job were it not for support of DPTC. DPTC was the decisive factor in their decision to enter and sustain employment (*ibid*, 2003). It is interesting to note, as with other Tax Credits, “women, older people, the self-employed, and most particularly, single parents, were over-represented in this high impact group” (Atkinson, Meager & Dewson. 2003. p. 2). Coleman *et al* (2003) found almost identical results with a third of DPTC saying that Tax Credits had allowed them to work and made it financially viable.

This research therefore suggests that although ‘disability’ is the common feature or requirement for recipients of DPTC it appears to be not the only contributing factor towards needing to claim DPTC to support low-paid employment. Having children and limited employability appear to be key factors, and yet while DPTC offered no childcare support or support in improving employability itself, the New Deal for Disabled People did offer such support. This evidence makes a compelling case for a well-supported route from economic inactivity to supported work for ‘disabled’ people. As discussed in Chapter 8, whether an individual is counted and ‘treated’ by welfare-to-work and associated labour market activation policies depend entirely on the definition of their characteristics and the associated moral expectations. New Labour made it clear that,

although they would not compel those defined as disabled to work, they would facilitate their labour market entry if the 'disabled' felt able<sup>155</sup>.

On a related note, Turley, McAlpine & Thomas (2008) found that claim behaviour of the disability element of WTC was influenced by respondents' perception of their own condition and whether it constituted a 'disability':

“Respondents who were aware of the disability element did not always consider themselves to be eligible as they felt their condition did not qualify as a disability, particularly in the case of those with mental health problems. Where respondents did consider themselves to have a disability, they were unsure whether their specific disability met the eligibility criteria” (Turley, McAlpine & Thomas. 2008. p. 10).

Again, there is no objective measure of 'disability' and a claimant's own perceptions can have an effect. This may have been especially true of 'invisible' illnesses such as mental health or chronic pain conditions where the claimant may have worried about being believed.

Existing research was strongly supportive of how DPTC was received by recipients and administered by the HMRC: DPTC acted as a strong work incentive (a third of recipients said DPTC allowed them to work or made work more worthwhile financially), it was a necessary part of family incomes (80 per cent said they found it essential or very helpful, and for some it had a major positive financial impact), there was little stigma (61 per cent agreed it was less stigmatising to claim a Tax Credit than a benefit, and only 9 per cent disagreed) and compliance costs were regarded as low on both objective and subjective measures of costs (no statistically significant impact on PVE on payroll costs was found) (Coleman *et al*, 2003). This research is corroborated by others who found positive responses from employees who received DPTC and responded with 'positive feelings' related to the income source and conceptualisation (liking the visibility on their wage slip of the boost to their income, the ease of checking whether payments were correct and liking what seemed like a tax relief) (Corden &

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<sup>155</sup> At a supra-national level, the OECD (2003) and the UN (2006) were promoting labour market participation amongst the disabled, and this will have informed the UK Government's policy at the time.

Sainsbury, 2003)<sup>156</sup>. This research raises the question of why simple tax-relief, i.e. increasing the tax-free allowance to take low-paid workers out of tax, was not adopted as a way to 'make work pay'. This question appears especially strong with the hindsight of the Conservative-Liberal-Democrat Coalition who did pursue such a welfare policy. However, unlike a Tax Credit, increasing the tax-free allowance from say £10k to £10.5k per annum would have had no impact on somebody earning only £8k per annum while also benefiting the higher paid.

Despite all the positive research findings, significant problems existed, especially negative feelings towards the Payment Via Employer system by employees and employers. Smaller employers found PVE more difficult to administer than larger employers (Coleman *et al*, 2003). Employees reported problems with payment (employer-related delays in receipt, lack of transparency of DPTC on wage slips, inconvenience of receiving large amounts of cash or large cheques, non-reliability of specially created pay slips during periods away from work, relationships at work, employer learning of impairment or ill-health, employer reluctance to engage or keep employees using Tax Credits, damaged relationships through delays or misunderstanding with employers or pay staff, unpleasant remarks, suspicion or jealousy among pay staff, colleagues or employers) (Corden & Sainsbury, 2003). Respondents also reported negative feelings about themselves (wanting privacy in the workplace while being reminded of illness or impairment with every wage slip) (*ibid*, 2003). Finally, respondents highlighted budgeting issues (poor fit of wage periodicity with budgeting strategies) and the openness of DPTC to collusive fraud with employers (*ibid*, 2003).

Other major problems included a lack of understanding of the main structural features of DPTC leading to individuals not claiming and a dilution of incentive effects (Corden & Sainsbury, 2003). This problem was also not corrected by the time WTC with the disability element was introduced (Turley, McAlpine & Thomas. 2008). This is deeply troubling given the need to engage with arguably harder to reach client groups such as the disabled. It is also worrying that, despite the problem of educating/training

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<sup>156</sup> Others have found that payment via wages has not changed claimant behaviour to any great degree (McKay, 2002).

clients about TC being known in 2003, the problem was still reported in 2008. This suggests a lack of reflective practice/evaluation by those administering the Tax Credit.

### **9.3.3.3. The effect of New Tax Credits (Working Tax Credit and Child Tax Credit)**

Despite the introduction of New Tax Credits (WTC and CTC), the reported statistics for enrolment from 2005-2006 were very similar to those of WFTC: take up rates of 61% of those eligible for WTC (McAlpine & Thomas, 2009). There was, however, a surprising difference between take-up rates of WTC between those who had children (90%) and those who did not (22%) (*ibid*, 2009). This has been attributed to very similar reasons for poor take-up during the WFTC's period of operation: a desire for financial independence and alienation from the perceived complex process (*ibid*, 2009).

Franses & Thomas (2004) argued that an important difference in the delivery of New Tax Credits (NTCs) is the role the Jobcentre Plus played in influencing claimant behaviour. Critical to any decision to take paid work was a genuine desire to work, a clear understanding of NTCs in making work a viable option, the extent of NTC-related discussion with a Jobcentre Plus advisor and whether they demonstrated that employment was financially worthwhile. This seems highly plausible given the reported 'alienating' effect of the perceived complexity of TC. The Jobcentre Plus would have been in the perfect position to advise on New Deal programmes which were operating concurrently, thus further complementing the activating qualities of TC.

The Childcare Element (CCE) of Working Tax Credit was arguably the most important aspect of WTCs. The CCE was valued by recipients enabling them to return to work and use formal childcare (Turley & Dickens, 2008). This was important where informal options were not available or were considered undesirable, and where household income was less than £20k per annum. Other important reported benefits were that CCE enabled part-time work and a better work-life balance, a choice of jobs, the choice between formal over informal care and a feeling of financial independence through work (*ibid*, 2008). CCE had less of an effect on higher-income households, as would

be expected. These responses suggest that CCE was highly effective and highly regarded by those who claimed it.

In addition to CCE, decisions about childcare were being driven by other factors, such as personal beliefs about the best way to bring up children (Hall & Pattigrew, 2008), the availability of childcare locally and perceptions of its quality (Nicholls & Simm, 2003), as well as the unpredictability of a child being ill (*ibid*, 2003).

### **9.3.4. Tax Credits Discussion and Conclusions**

Section 9.3. of this chapter has examined the range of Tax Credits introduced and operated by New Labour between 1997 and 2010.

The apparent effect of Tax Credits does seem to vary depending on the economic cycle. Despite declining rates of unemployment such as those experienced between 1997 and 2008<sup>157</sup>, receiving Tax Credit support appears to be strongly associated with lone parents, the disabled and their partners moving into paid work of 16+ hours (Hall & Pattigrew, 2008; Toomse & Maplethorpe, 2011). During the economic downturn, TC became even more important for 2 in every 5 (42%) recipients (*ibid*, 2011).

It could be argued that, rather than supporting individuals free from welfare dependency, TC extend welfare dependency to those in work. Tax Credits merely subsidised low-skilled, labour-intensive work rather than finding ways to improve the nature of work for these individuals<sup>158</sup>. This is fundamentally at odds with traditional socialist values such as 'Working Class emancipation' (International Workingmen's Association, 1867): the idea that individuals should be supported to become free from charity and capable of financial independence. While New Labour and *The Third Way* may have claimed to have been avowedly anti-ideological (Oppenheim, 1999) driven by 'what works', it has rightfully been claimed that this is disingenuous (McLaughlin, Trewsdale & McCay, 2001). McLaughlin, Trewsdale & McCay argue that caring

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<sup>157</sup>The dot-com crash slowed, but did not halt, the decline in rates of unemployment.

<sup>158</sup> See Lloyd, Mason & Mayhew (eds.) (2008) who argue that a trade-off is made between low-paying jobs and labour market inactivity. For example, France took the view that labour market inactivity was preferred to low-paying jobs. The UK, on the other hand, preferred individuals working no matter what the occupation or level of pay.

labour, i.e. the important role played by women, and the appropriate unit upon which to base assessment for income transfer (couple or individual), also remained unsolved.

Notwithstanding Tax Credits being paid through the tax system, there also remained a stigma attached to them (25% thought there was a stigma attached to Tax Credits compared with 66% who thought the same of more traditional benefits) (Breese, 2011).

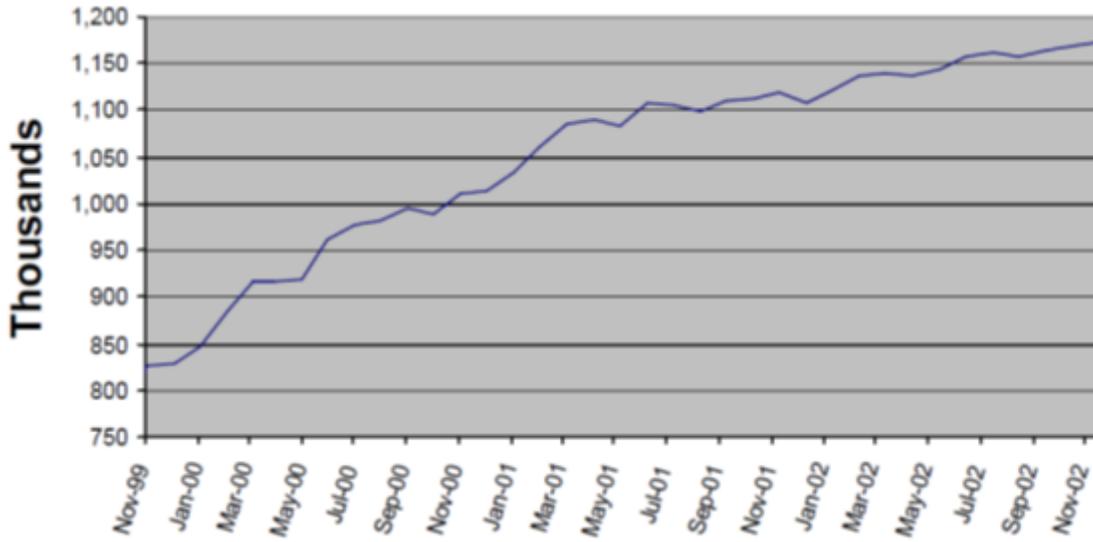
Difference-in-difference estimates by Gregg, Harkness & Smith (2009) suggest that Tax Credits raised employment rates of lone parents by 5 percentage points. They also found lone parents increased the number of hours they work from short hours to 16-hours per week to become eligible for Tax Credits while there was also some evidence of full-time workers reducing their hours (*ibid*, 2009). Tax Credits also meant that women were also cushioned should they become lone parents (Jenkins 2008; Gregg, Harkness & Smith, 2009).

Despite the ambitions of New Labour to support lone parents and other potentially vulnerable women, many women found their experiences of Tax Credits to have been marked by stress and depression linked to financial insecurity and debt (Ridge & Miller, 2011). As Ridge & Miller put it: "Their aspirations, especially for financial security, were not always congruent with the reality of employment in low-paid work. Incomes were usually low, but complex" (2011. p. 95). This creates a rubber band of poverty dynamics where incomes do not reach far above the poverty line, making families vulnerable to small shocks in incomes or circumstances (Lydon & Walker, 2005; Ridge & Miller, 2011). Tax Credits also have further unintended consequences such as creating fiscal drag and benefit erosion which damages welfare beneficiaries (Sutherland *et al*, 2008). They have also been found to damage wage progression (Lydon & Walker, 2005).

As has been discussed in Chapter 4 of this thesis, the British labour market was changing considerably and Tax Credits have added complexity to the lives of individuals with already chaotic lives.

A key criticism of all Tax Credits that the literature appears to omit is the enormous financial cost of Tax Credits, and more importantly, the opportunity cost of taxpayers money which could have been invested in perhaps more effective long-term solutions, such as adult education, skills development and other training. The effect of this is that the number of Tax Credit recipients would continue to rise if the underlying barriers to higher-paying work were not addressed. This appears to be confirmed by the both WFTC/CTC and NTC statistics.

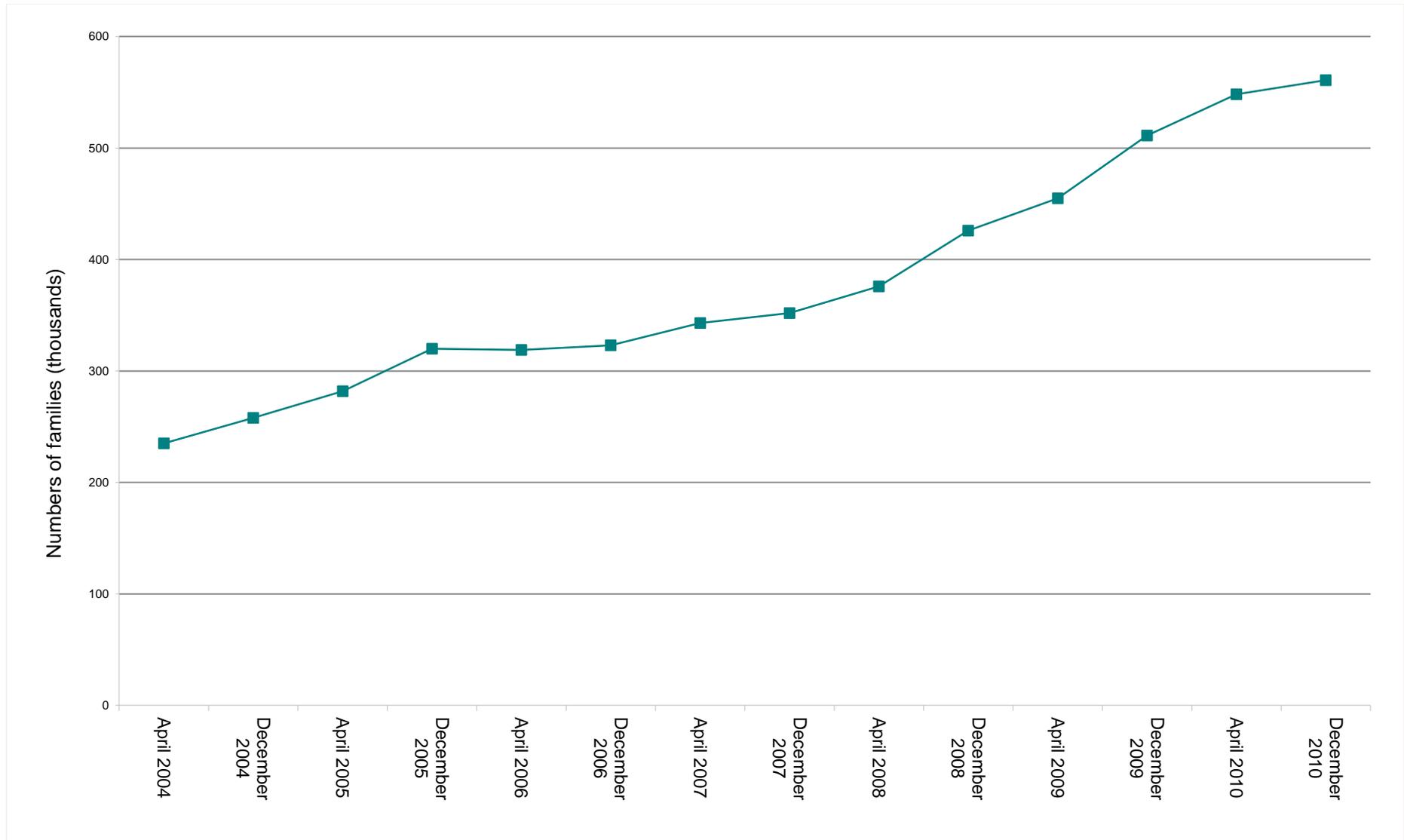
Graphs 9.3, 9.4 and 9.5 below all suggest consistently increasing numbers of claimants. In their own analysis, the HMRC admits that these statistics show “that the numbers of families who benefit from the childcare element has consistently risen over time, from 318 thousand in April 2004 to around 486 thousand in December 2010” (HMRC, 2010a. p. 12). This increasing number of claimants can be linked to a consistently increasing cost of the Tax Credit programmes as shown in Graph 9.6. The cost of Tax Credits increased by an average of £1.99 billion a year from £4.85 billion to £28.51 billion per annum. Over the course of New Labour’s time in office, this amounted to £219.31 billion. This is a considerable sum of public money which could arguably have been put to better use, for example, by supporting adult education and training so that low paid workers could progress beyond low-paid jobs requiring public subsidy to keep those workers out of poverty. It also raises the question of whether such subsidies were compliant with EU legislation governing the subsidisation of domestic industries in order to make them artificially competitive.



**Graph 9.3: Number of Working Families' Tax Credit recipients, November 1999 to November 2002**

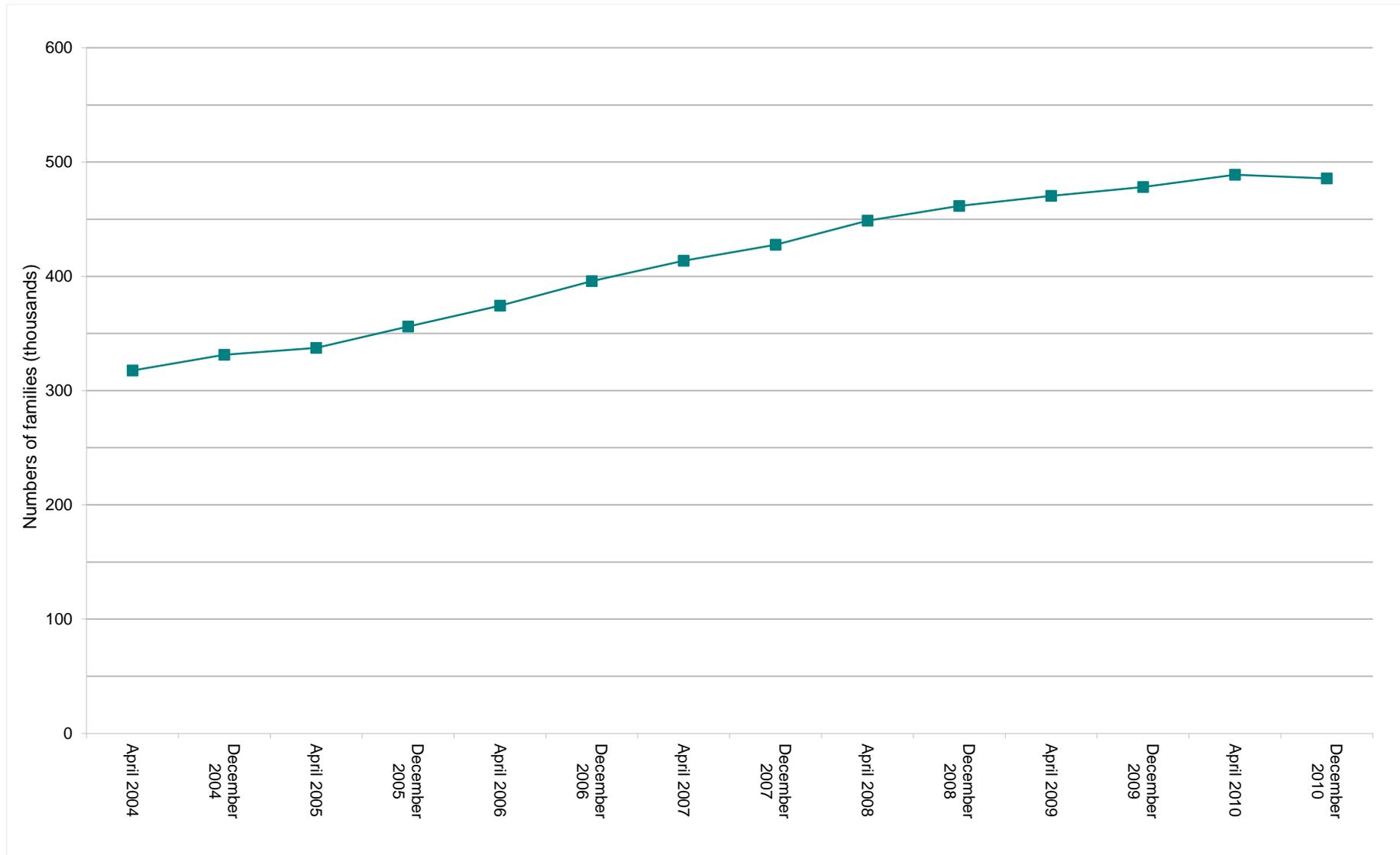
Source: Inland Revenue, 2005

Notes: Could not be re-drawn due to lack of original data.

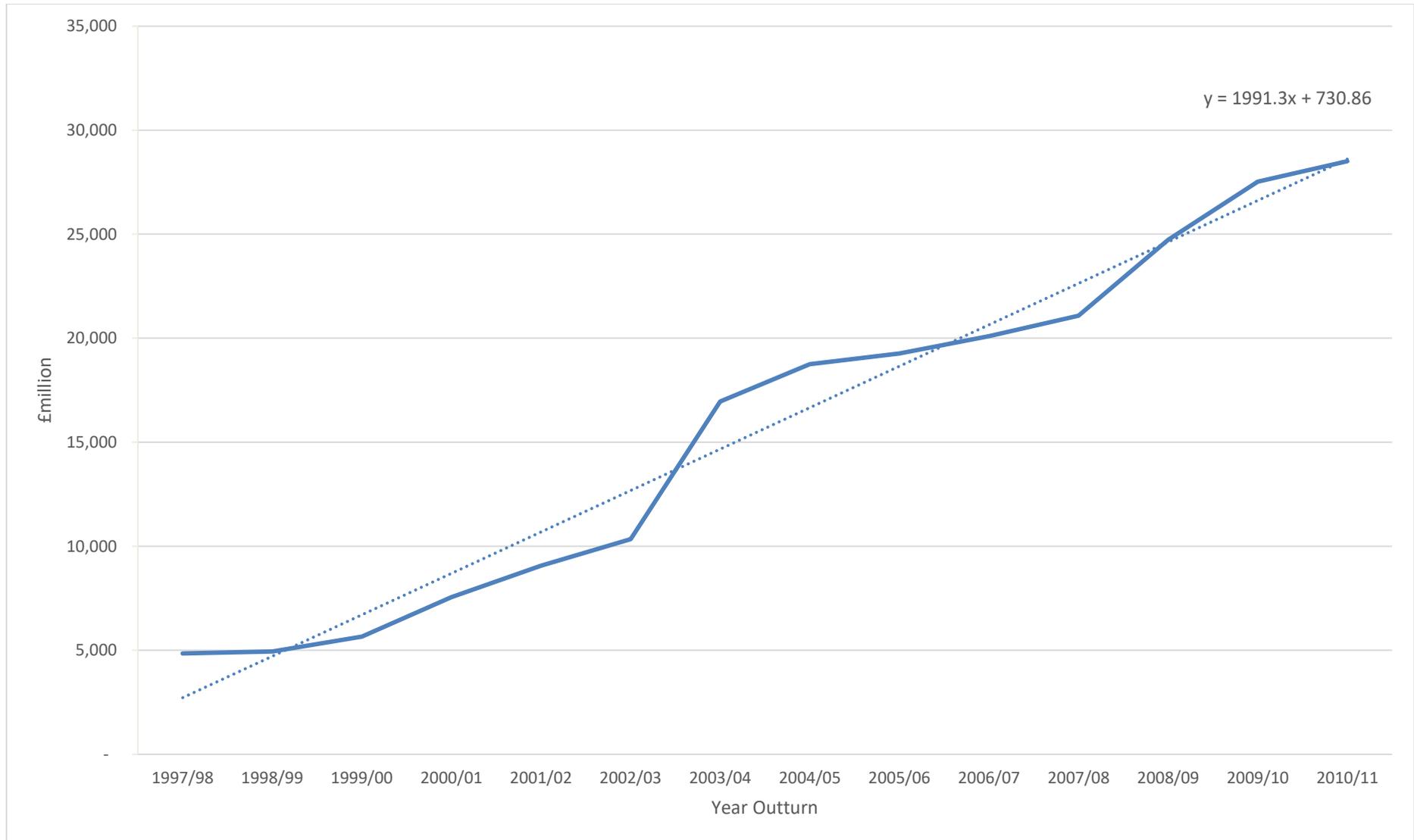


**Graph 9.4: Number of families receiving WTC-only (working families with no children)**

Source: HMRC (2010a)



**Graph 9.5: Number of families benefiting from the Childcare Element**  
 Source: HMRC (2010a)



**Graph 9.6: Nominal Tax credits spending 1997-2010**

Source: HMRC (2014)

Hodgson & Boden (2008) have been highly critical of Tax Credits. Hodgson & Boden argue that Tax Credits were being used overtly as a labour activation tool rather than a just a method of income supplementation by requiring a work test, i.e. individuals must work 16 hours and more to be eligible. This, they claim, is because of Labour's belief that the route out of poverty rests in paid work only, ignoring the predicament of the workless. However, Hodgson & Boden failed to appreciate the overall positive effects that this labour market activation had, especially long-term effects.

Ferrara, Hemerijck & Rhodes (2001) cited in Adler (2004) keenly emphasised the advantages of Tax Credits in that they were indifferent to the nature of the claimant's previous or present employment and thus they covered not only the 'old risks' of short-term unemployment, sickness, retirement and spousal death, but also the 'new risks' associated with self-employment, low-pay and 'atypical' employment. Self-employment and under-employment are therefore key issues which will be discussed in the next section of this thesis.

In a similar fashion to the research on the New Deal and NMW, available data and research appears more likely than not to represent its social construction, especially the definitions and categorisation adopted, and supporting conventions used in defining who is to be counted and 'treated' by social policy. This is in stark opposition to a claimed objective reality which is corroborated from multiple viewpoints. This adds further weight to the argument that social statistics are increasingly less helpful when used for the evaluation of social policies.

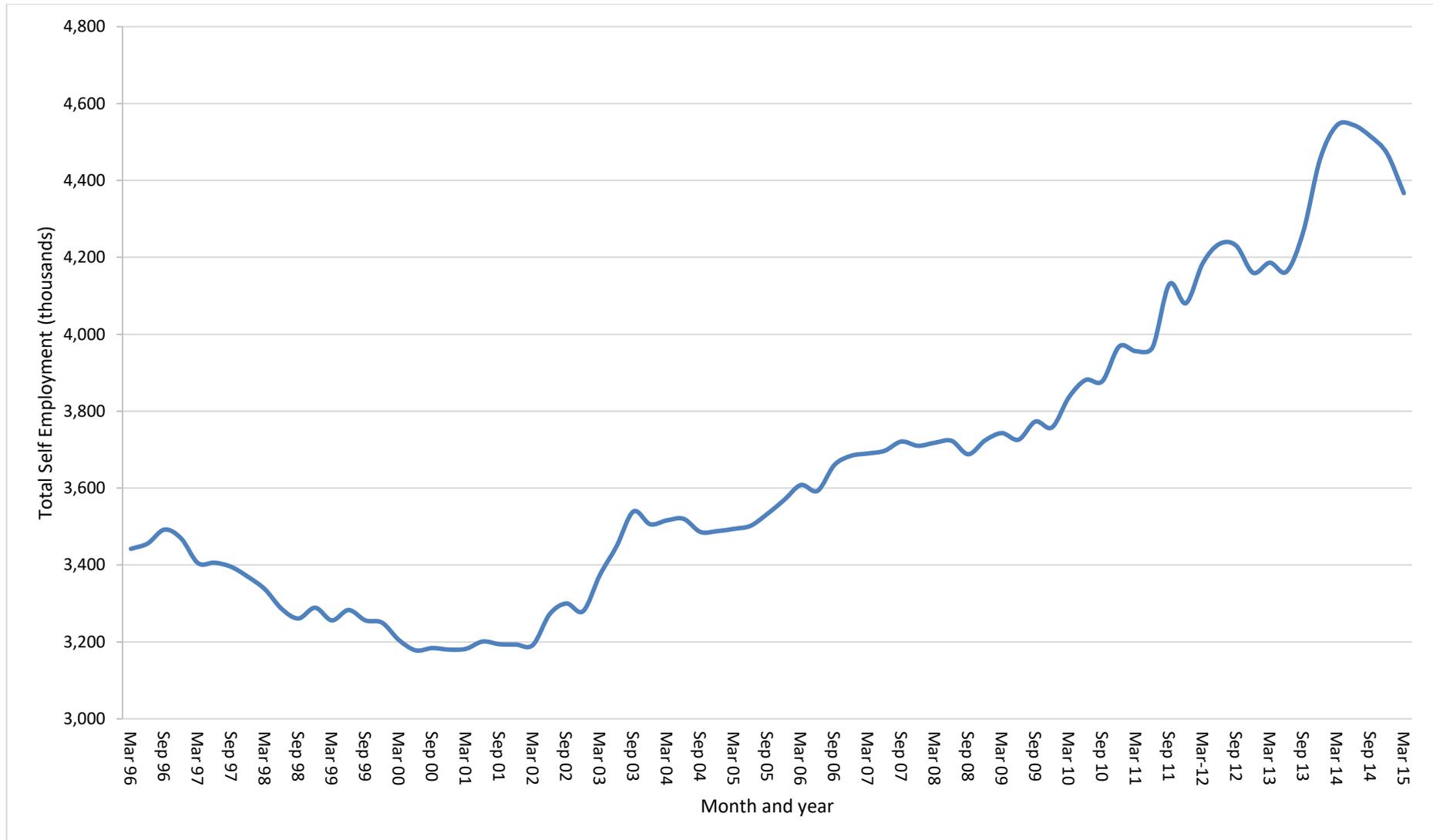
#### **9.4. Self-employment and increasingly precarious work**

While the National Minimum Wage ensured a minimum hourly rate of pay and Tax Credits supplemented that low rate of pay, the very nature of work was becoming much more flexible and arguably more precarious (see Chapters 1 and 4). An important indicator of precarious work is levels of self-employment. Self-employment is inherently unstable as individuals rely upon short-term, daily or zero-hour contracts, which are sensitive to business confidence. As was discussed in Chapters 5-8, all of the New Deal programmes had a pathway to support individuals to becoming self-

employed. Given this, it could be expected that rates of self-employment would have increased under New Labour.

To see whether this was the case, Graph 9.7 below plots numbers of self-employed individuals both immediately before and after New Labour were in power, up to March 2015. Despite a small decline from 3.492 million in September 1996 to 3.178 in September 2000 (shortly after the peak of the global dot-com bubble), rates of self-employment rose strongly and almost continuously for the next 15 years. This strong growth in self-employment even during times of recession suggests that there is unlikely to be a cyclical link and that other factors are likely at work.

It is interesting to note that by 2013, 84% of the increase in self-employed workers were aged 50 and above (ONS, 2013b). Were these individuals highly-trained professionals who chose to go freelance, or, were these older workers ejected from the regular labour market by redundancy and age discrimination to become low-skilled periphery workers? It could be argued that during this period there was significant consolidation in a number of markets through mergers and acquisitions. This will have encouraged asset-stripping, downsizing, outsourcing and re-structurings, resulting in large swathes of middle and lower management workers being made redundant. Being in their later years, many may have re-invented themselves as 'consultants' rather than wishing to be counted as 'unemployed'. Sadly a more comprehensive profile of their career path was not available making more thorough analysis impossible.



**Graph 9.7: Total Self-employment March 1996-March 2015**

Source: ONS, 2015. *JOBS04 Self-Employment jobs by industry (UK totals)*.

Note: Data is not seasonally adjusted

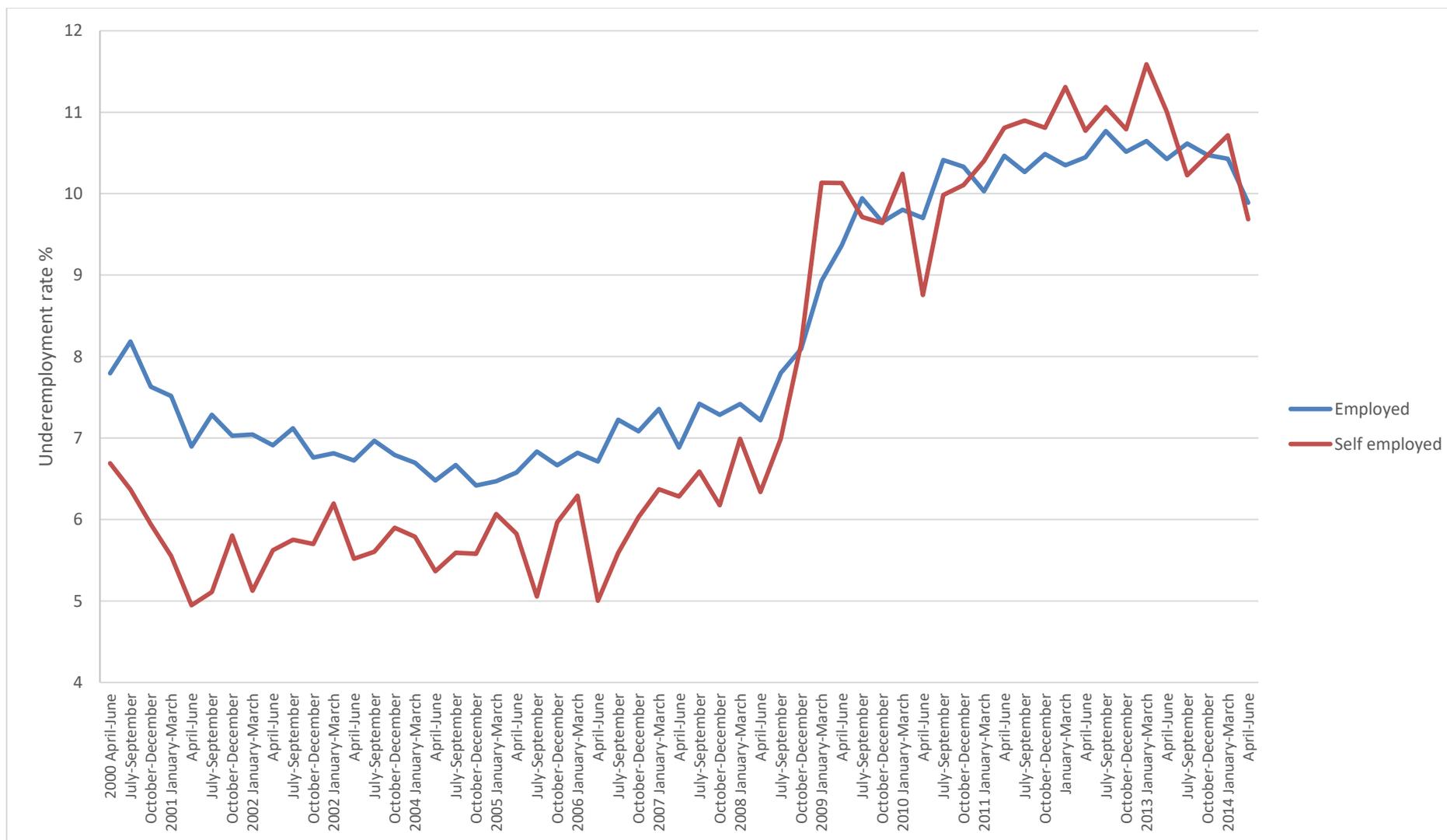
This increase in self-employment raises another important question related to precarious work. Did this increase in self-employment also represent an increase in underemployment? The ONS defines underemployed workers as:

“[...] those who are employed but who either wish to work more hours in their current role or who are looking for an additional job or for a replacement job which offers more hours. They must also be over 16 and be currently working under 40 hours per week if they are between 16 and 18 and under 48 hours if they are over 18. Finally, they must be able to start working extra hours within the next two weeks” (ONS, 2014c).

Using this definition, the ONS has collected data since 2000 which is plotted below in Graph 9.8 by employment type (employed and self-employed). The data collected suggests that rates of underemployment for the self-employed were below those of the employed until Q4 2008, and have more closely matched those of the employed since then although rising slightly above. This is also supported by other ONS data measuring hours worked: the self-employed work an average of 38 hours per week compared to 36 for employees (ONS, 2013b)<sup>159</sup>. This therefore suggests no clear relationship between self-employment and underemployment. The graph does demonstrate, however, that unemployment rates alone do not measure the extent of job loss during the 2008 downturn, i.e. that the reality is more complex than headline statistics would have us believe.

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<sup>159</sup> However, this was only an average. There may have been significant divergence in hours worked amongst the self-employed with some working significantly more hours and some significantly less than the average. Unfortunately, no information on the dispersion of the hours worked is available.



**Graph 9.8: Underemployment levels and rates of employees and self-employed workers, 2000 to 2014**

Source: ONS (2014c) *Underemployment and Overemployment in the UK – 2014*. November 2014.

Note: Data is not seasonally adjusted

## 9.5. Chapter Conclusion

This first part of this chapter discussed the National Minimum Wage and the effect of the NMW on both individuals and firms. The second part of this chapter examined the various Tax Credit programmes operated by New Labour from 1999 onwards, and the effect these programmes may have had on claimants. Both of these policies were essential components of New Labour's policy mantra of 'making working pay' (Grover, 2005) as part of wider labour market activation policies which included the New Deal programmes. Available research and data suggests that both the NMW and TC achieved their desired goals.

However, the existing research takes available data at face value and fails to ask more of both how the data was constructed, and what else may have been occurring in the British labour market. For example, rates of self-employment, arguably a form of precarious employment, rose steeply even in the face of the 2008 recession. This increase appears to mask complex changes in the labour market. It may show, for example, the externalising of workers to reduce costs such as Employers' National Insurance and older workers being forced out of the labour market only to re-invent themselves as 'consultants'. Underemployment increased for the self-employed during the financial crisis, but again, the measurement of such statistics make it difficult to draw any strong conclusions. It could be said that statistics available from the ONS, HMRC and DWP presume the employment practices of a previous age, i.e. the post-war period, when attempts were made to regularise work. As work becomes more precarious and less regularised, such statistics struggle to explain trends in the British labour market.

The conventions underpinning New Labour's choice of policies is also worthy of discussion. As part of their labour market activation policies, great emphasis was put on encouraging lone parents into work. Lone parents were identified as an important client group requiring support to enter the labour market through the New Deal for Lone Parents, childcare provision, and Child Tax Credits. This raises the question of what about the role of women as care givers? Was this role undervalued by New Labour, or did it represent a perhaps more feminist

policy ambition that women should be financially independent and that financial independence was judged as more important than being a stay-at-home carer? At what point did they come to consider stay-at-home mothers as 'unemployed' and in need of treatment? Sadly, from available evidence, it is only possible to speculate.

It is also important to discuss New Labour's belief that "the best form of welfare for people of working age is work" (DSS, 1997). However, it can easily be argued that this is not the case. All work is not equal, nor is it equally beneficial to an individual's welfare. What of those who work in poorly paid jobs that barely pay the bills? What of those working dangerous jobs which may inflict industrial diseases and injuries? Traditional socialist writers railed against such treatment of workers arguing "the economical subjugation of the man of labour to the monopoliser of the means of labour – that is, the source of life – lies at the bottom of servitude in all its forms, of all social misery, mental degradation and political dependence," (The International Workingmen's Association, 1864). They instead called for working class emancipation. This can be interpreted as lifting individuals out of poverty and forms of exploitative work. New Labour's labour market activation was driven by this belief in work as the best form of welfare. This was at the expense of alternative policies which could have increased the employability of workers above the lowest paid and precarious sectors of the labour market. Instead, taxpayer's money was used to subsidise low-paying companies and sectors. Tax Credits were in effect a subsidy for exploitative companies who also had no incentive to invest in their staff's human capital (Grover, 2003)<sup>160</sup>. Such an investment would have cost companies in the short-term through training costs, and in the long-term, in higher wages. This subsidy effect may have benefited firms financially, and encouraged them to locate to or remain in the UK, but whether it was positive for individual workers remains up for debate.

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<sup>160</sup> Grover's neo-Marxist interpretation of this was that New Labour sought to reconstitute the 'reserve army of labour' to ensure that labour was as cheap as possible for exploitation by capital.

Across New Labour's wider labour market policy, skills development was limited. Although the New Deal programmes offered some skills development, this was focused on basic levels of 'numeracy' and 'literacy', i.e. just enough to help people into work, and nothing more. This is in stark contrast to their commitment to early years education (especially the 'Schools for the future' programme) and FE. New Labour also introduced University tuition fees through the *Teaching and Higher Education Act 1998* which were means-tested and paid for through a system of student loans. These policy decisions, in addition to those already discussed in previous chapters, suggest a sustained attempt by New Labour at 'individualising' interactions with the welfare state. Expectations of individual responsibility appear to have increased substantially during their time in office as the cost of adult education and training were passed on to individuals away from the state and private companies.

The next and final chapter draws together the evidence and arguments made throughout this thesis.

## CHAPTER 10 – CONCLUSIONS

This thesis has sought to answer the research question:

**What were the effects of New Labour’s active labour market policy on rates of social dependency in the working age population during their time in office?**

This final chapter will reflect upon the evidence presented in this thesis, and advance a range of conclusions as they relate to this research question. It will begin with a summary of the key findings of this thesis as they relate to the UK labour market as a whole, the New Deal programmes, Tax Credits and the National Minimum Wage. It will go on to detail the implications of these key findings, especially where lessons can be learned.

### 10.1. The UK labour market

#### Conclusion 1: Economic growth matters

Chapter 4 of this thesis focused on the UK labour market under New Labour. It explored a range of labour market measures including rates of unemployment as measured by the Claimant Count and ILO Unemployment (the most frequently used measures of social dependency amongst the working age population by New Labour during their time in office). The most important finding here is that Statistical analysis suggest that Okun’s Law held true in the UK during New Labour’s time in office. Okun’s Law is the claimed statistical relationship between economic growth and unemployment. Statistical analysis suggested that 50 per cent of decline in the unemployment during New Labour’s time in office could be explained by growth in GDP.

However, this means that 50 per cent of the decline in unemployment is not explained by this theory and model. Although it may appear to be common-sense that a growing economy creates jobs and therefore reduces the number of individuals counted as unemployed, Okun’s Law fails to offer a more thorough

explanation of the causal mechanisms. This suggests that although economic growth is important, other factors such as active labour market policy may also have had an effect on rates of unemployment.

**Conclusion 2: Unemployment is not an objective measure of labour market activity, but a social construct underpinned by conventions. Related labour market statistics are increasingly difficult to evaluate and perhaps less helpful to study statistically**

The social category of ‘unemployment’ has been used as a tool by social policy makers and economists in the UK through the 20<sup>th</sup> century to create a statistical structure to the labour market for the purpose of social ordering; to create a distinction between those in regular and formal waged work (the employed), those not in regular and formal waged work (the unemployed) and the economically inactive<sup>161</sup>. However, as discussed throughout this thesis, the socially constructed structure of these measures and the distinctions they create are increasingly being blurred. This challenges the usefulness of this tool for evaluators of social policy.

This thesis has shown how New Labour co-opted and re-defined numerous statistical and social conventions surrounding labour market categories of ‘unemployment’ and ‘employment’, ‘youth’, ‘disability’, ‘single-parenthood<sup>162</sup>’, and ‘older workers’. These were not fixed social objects but subject to changing social and statistical definitions which then led to movements in the headline social statistics themselves. New Labour created new sub-categories and imposed obligations on each – delineating a more detailed form of social ordering by determining which groups should be treated favourably or otherwise. As Bovens *et al* argued, evaluation is not an objective science but inherently normative<sup>163</sup>. The consequence of this is that the notion of unemployment (its

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<sup>161</sup> The economically inactive was defined as those not in employment or looking for it. For example, stay-at-home mothers. As discussed in Chapter 8, the definition is misleading as it ignores the significant contribution to the economy of those in care-giving roles.

<sup>162</sup> This category was important because, unlike the others, it focused on family structure rather than just an individual’s features.

<sup>163</sup> It would be difficult to argue otherwise.

meaning, measurement and treatment) is increasingly difficult and perhaps less helpful to study statistically.

ILO Unemployment, the Claimant Count and ILO Employment were all conceived in the post-war era of Keynesian economic management when full employment<sup>164</sup> was a key objective. However, neo-liberal labour market flexibility has transformed the UK labour market. Controlling inflation has replaced full employment as the key macro-economic objective, and as a consequence of these developments “the growth of the precarious sector of the labour market and the increase in temporary and casual forms of employment perhaps challenges the traditional focus on unemployment as the measure *par excellence* of labour-market disadvantage” (Bovens *et al.* 2006. p. 567). This thesis discussed the way in which the measure of ILO Unemployment and the Claimant Count measures were constructed very narrowly so as to minimise the number of individuals counted. ILO Employment, on the other hand, was constructed very broadly so as to maximise the number of individuals counted. The notion that employment removes the risks of social dependency has been completely undermined. This adds further weight to the argument that these ‘measures’ are of increasingly limited utility as an evaluative tool.

As a result of flexibility there has been a de-standardisation of job contracts in the UK. Previous statistical and social conventions of employment have broken down. Recent reforms by Iain Duncan Smith (2010-2016) have continued this direction of travel, with those ‘in work’ (but subsidised by Tax Credits) now expected to attend job centres to have their search for work with longer hours inspected and evaluated. Due to the moral judgements of policy makers, these individuals have been re-classified; from being seen as ‘respectable’ workers who were activated by New Labour’s reforms, to instead being perceived as ‘scroungers’ dependent on state support.

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<sup>164</sup> The employment contract itself was subject to legal and conventional requirements such as a five day working week, paid sick leave, etc. that enabled the worker to live independently of direct state support. Increasing flexibility has changed this.

### **Conclusion 3: Labour's ALMP were a continuation of previous neo-liberal labour market policies**

Although Tony Blair's election as Party Leader in 1994 was part of New Labour's political rehabilitation and involved an ideological shift towards the political centre<sup>165</sup>, as O'Brian argues *The Third Way* was still conceived in response to "specific dilemmas conceived largely in terms associated with the New Right," (2000. p. 403). New Labour adopted that same language of Moral Underclass Discourse which had come to furnish the debate surrounding the British welfare state from the 1980s. As far back as the Poor Laws, a distinction has been made between the 'deserving' and 'undeserving' poor<sup>166</sup> and New Labour's work first agenda continued that moral dividing line. Paid work was virtuous while welfare dependency was reprehensible<sup>167</sup>. Although these distinctions have changed over time, they have not disappeared. New Labour wholeheartedly embraced these conventions and they came to inform their welfare and labour market policy before and during their time in office<sup>168</sup>. It would be fair to describe much of New Labour's active labour market policy as a continuation of Conservative policy pre-1997. A number of programmes were continued and effectively just re-branded. For example, Job Seeker's Allowance, introduced in 1996, was continued and maintained throughout New Labour's time in office. The New Deal for Young People bore many similarities to the 'Youth Credits', 'Youth Training' and 'Youth Training Scheme' which preceded it. In many ways, the NDYP was just the next in a long line of labour market policies aimed at 'young people'. Similarly, Working Families Tax Credit replaced the very similarly structured 'Family Credit' in 1999, and was itself succeeded by the similar New Tax Credits comprising Working Tax Credit and Child Tax Credit. These similarities demonstrate the

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<sup>165</sup> As discussed in Chapter 2.

<sup>166</sup> And arguably, well before that with the distinction rooted in religious theological argument.

<sup>167</sup> It could be argued that social insurance schemes perform the task of distinguishing the deserving from the undeserving: those with NI contributions can claim benefit 'as of right' as the contributory record bears witness to previous regular employment. However, the self-employed and school leavers would lack such a record. Retrenchment under the Conservatives reduced the rights of benefit claimants with contributory records.

<sup>168</sup> As discussed throughout this thesis, conventions carry with them not only the technical definitions but they are also inherently socio-political and rooted in deeply embedded moral judgements.

longevity of moral distinctions underpinning those conventions which sought to distinguish and categorise claimants according to their attitudes towards work.

New Labour concentrated on a pragmatic ‘what works’ approach (Lister, 2001), and therefore continued along well established policy pathways. As one critic put it, New Labour failed to challenge the values of a Thatcherite legacy in British politics and “tended to subordinate other principles of judgement to the managerial calculus of economy and efficiency” (Clarke *et al.* 2000, p. 10). Indeed, New Labour’s acceptance and zealous implementation of New Public Management strategies with their need to set targets and use them to evaluate programme performance<sup>169</sup> was a major driving force behind their ALMP – the most prominent example being New Labour’s target of getting 100,000 young people in work (Labour, 1997). Unsurprisingly perhaps, a stream of criticisms emerged surrounding the target-driven culture of New Labour (Ball, 1999; Fielding, 1999; 2006; Flynn, 2007; 2006; Hambleton *et al.*, 1997 cited in Alcock, 2007; Hood, 2005; Reay & Wiliam, 1999). The recurring theme of this thesis is that the statistical conventions – how the ‘problem’ was defined, counted, and targeted – were what ultimately drove policy. These statistical conventions were not fixed, but changed during New Labour’s time in office. Key client groups such as young people, single parents, older workers and the disabled were identified and defined by features subject to moral judgement such as age, family structure, physical ability and willingness to work. However, the boundaries of these definitions were altered, thus changing how individuals were treated by the welfare state.

## 10.2. The New Deal Programmes

**Conclusion 4: New Labour met their target of 100,000 young people into work, but would probably have met it without the NDYP**

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<sup>169</sup> Indeed, in 2001 Blair created the Prime Minister’s Delivery Unit (PMDU) headed by Michael Barber to “deliver measurable improvements in performance” (Barber, 2008. p. 71) which had not been forthcoming in the first term. This unit was the source of many targets and reforms during this second term.

Statistically, the NDYP was a 'success' with the Youth Claimant Count reducing by 181,000 between May 1997 and July 2004. However, the structure of the NDYP was found to have a radically distorting effect on the Claimant Count as NDYP participants would not be counted in it<sup>170</sup>. This thesis also argued that the Employment option of the NDYP would also have distorted both the Claimant Count downwards and ILO Employment upwards challenging commonly accepted social conventions of what it means to be 'employed'. As a consequence of this effect on the Claimant Count, significant numbers of young people were also not counted as long term unemployed (White & Riley, 2002). During the Follow-through period of the NDYP, participants were eligible to make a new JSA claim, effectively re-setting the clock covering the period for which they were 'counted' as being Claimant Count 'unemployed'.

No further research has been conducted since Wood (1998) or White & Riley (2002) to test whether these distorting effects continued over the course of the NDYP. This thesis filled that gap. It demonstrated that the distorting effect of the NDYP on the Claimant Count and Youth LTU continued throughout New Labour's time in office. This compares strongly with the ILO Youth Unemployment rate which is constructed by asking a sample of young people if they self-identify as unemployed. There was an overall increasing trend from 19.6 per cent in May 1997 to 32.2 per cent in May 2010 (ONS, 2011a). This is mirrored by the number of NEETs in England from 2000 to 2010 where the number increased from 655,000 to 927,000 in 2010, with a peak of 1,074,000 in Q2 2009 (ONS, 2010). Therefore, the Claimant Count and LTU rates for young people were substantially reduced by the structure of the NDYP. When young people self-reported their relationship to work, a far higher and increasing rate of 'unemployment' emerges. This adds further weight to the argument that social statistics are not 'measures' of labour market activity and tell us little about the nature of the UK labour market.

As part of the NDYP success story, the evidence suggests that the NDYP picked the easy-to-place with nearly 100 per cent of NDYP leavers gaining employment in April 1998 falling consistently to a low of only 31 per cent in January 2009.

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<sup>170</sup> Supporting the initial findings of Wood, 1998 and White & Riley, 2002.

There was an average 'success rate' of 63 per cent. High and increasing levels of re-tread suggested that the NDYP was also failing to tackle the barriers to sustained employment faced by young people. These can include a lack of qualifications due to prior educational failure, financial insecurity, alcohol and substance abuse, physical and mental health problems, discrimination based on features other than age, poor job-search behaviour/skills, and a lack of financial incentives<sup>171</sup> (Carpenter, 2006; Hill, 2012). The structure of the NDYP, especially the Gateway period, focused heavily on improving search behaviour, but it was only when participants reached the Options stage that they could engage with full-time education and training. Although only a limited time period of data was available to evaluate the Options Period, it appears that less than 10 per cent of NDYP participants engaged with the option of Full Time Education and Training. It is not clear from the available literature whether this churn at the boundary of the labour market was deliberate as a form of labour market activation.

In terms of ALMP aimed at young people, the NDYP can be strongly juxtaposed with the New Deal for Musicians. The NDfM offered participants support in the form of:

- A full-time education and training open learning pack from a Music Open Learning Provider (MOLP);
- Access to specialist Music Industry Advisers (MIA); and,
- Self-Employment Flexibilities.

The NDfM emphasised education and training, but also networking and self-employment, so that musicians were first prepared for the labour market, and then given access and opportunities. Although only a limited number of small scale evaluations were carried out (Cloonan, 2002; 2003, Kazimirski, 2001; Thomas *et al*, 2000; 2001), overall the NDfM had a higher percentage of leavers entering employment. The NDYP would have been more far effective if it had adopted a similar strategy and structure as the NDfM.

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<sup>171</sup> However, this would attribute the problem solely to individuals rather than a lack of suitable jobs or the increased precarity caused by flexibilisation. The UK suffers serious geographical pockets of deprivation and limited job opportunities due to deindustrialisation. Also, all of these features could be listed as consequences of unemployment, not just causes.

**Conclusion 5: The ND25+, like the NDYP placed too much emphasis on search behaviour with insufficient support for increasing employability**

To cater for unemployed individuals too old for the NDYP and too young for ND50+, New Labour also introduced the New Deal 25 plus (ND25+, sometimes called the New Deal for the Long Term Unemployed or NDLTU). Unlike the NDYP, very little research had been conducted into this programme. This thesis fills that gap in the current state of knowledge.

This thesis found that, like the NDYP, the ND25+ suffered the same key problems: high rates of re-tread alongside very limited uptake of Employment, Self-Employment, and education/training opportunities during the programme. Like the NDYP, the ND25+ placed a strong emphasis on search behaviour and finding work as soon as possible. Indeed, the Intensive Activity Periods which formed part of the programme was there to act as an incentive for participants to move into work (Somerville & Brace, 2004). This again reflects the liberal mentality that support from the state provided to the 'undeserving poor' should be uncomfortable so as to minimise the likelihood of permanent social dependency. This is a fundamental misdiagnosis of welfare dependency as being a personal choice rather than individuals facing multiple barriers to employment.

**Conclusion 6: New Labour's ALMP struggled to cope with an ageing population suffering increasing rates of illness and disability. Age and disability defined this group while insufficient emphasis and resources were focused on their other, more significant, barriers to employment**

This thesis considered ALMP aimed at older workers and the disabled. It was argued that the New Deal for those aged over 50 years of age (ND50+) and the New Deal for Disabled People (NDDP) served overlapping client groups. As Humphrey *et al* (2003) noted, older workers tend to suffer an increasing number of health problems and disability (2003). Increasing life expectancy and

expectations of a gradual increase in the State Pension Age<sup>172</sup> have also encouraged older workers to remain in the labour market.

Just as the NDYP was built around the evolving category of ‘young people’, the NDDP was built upon a constantly changing category of ‘disability’. New Labour continued to challenge the idea of disability and overcome the “disabling environment” (Bernell, 2003. p. 38) through legislation. The most important piece of legislation, just prior to New Labour’s election was the *Disability Discrimination Act 1995*. This was followed up by New Labour passing *Disability Discrimination Act 2005*, *The Equality Act 2006*, and *The Equality Act 2010*.

During New Labour’s time in power there was a gradual reduction in the number of individuals claiming Incapacity Benefit. This could be linked with the large proportion of these individuals being over 55 (880,000 of the of the 1.3 million IB claimants in 2006 (Hartley-Brewer, 2006)). The most dramatic reduction in IB claimants occurred in October 2008 with the introduction of Employment & Support Allowance<sup>173</sup>. ‘Fitness for work’ assessments re-categorised large numbers of former IB Claimants as ‘fit for work’. Early retirement due to ill health may also have played a part in the decline in IB Claimants demonstrated by increasing numbers of men being counted as economically inactive (ONS, 2009b). Therefore, IB statistics from 1997-2010 reflect a number of shifts in the way individuals with physical or mental health barriers to employment were categorised and consequently counted.

This thesis found that clients of the NDDP and ND50+ suffered similar barriers to employment<sup>174</sup> as some clients of other New Deal Programmes, i.e. they tended to lack recent work experience, qualifications, and skills, suffer from health issues

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<sup>172</sup> Although SPA did not increase during New Labour’s time in office they did legislate for increases in the SPA in the future.

<sup>173</sup> Employment & Support Allowance saw IB claimants having to undergo a Work Capability Assessment for continued support. 39% of those examined were deemed fit enough to work, 17% were classified as capable of some form of work with the right support, 36% dropped out during the application process and just under 7% or 1 in 14 were classified as completely unfit to work (Walker, 2011).

<sup>174</sup> It could be argued that these barriers were constructed by employers, not the claimants themselves. This is in contrast to some EU countries where employers are obliged to retain workers deemed incapacitated. The liberal-minded UK on the other hand imposes no such obligations.

and have caring responsibilities. In spite of this broad range of barriers to employment, age and health were considered the defining features of this group. Therefore, although considerable focus was placed on overcoming perceived disability and age-related barriers to employment, insufficient attention was paid to upgrading programme participant's skills and qualifications to make them more employable.

**Conclusion 7: Family structures are changing, and while women are increasingly expected to find paid work, they are also expected to retain their role as primary care givers**

This thesis explored ALMP where client groups were defined by family<sup>175</sup> structure, specifically The New Deal and New Deal Plus for Lone Parents and New Deal for Partners (NDLP, ND+fLP, NDP).

The structure of UK families is changing (if slowly) with fewer married couple families and increasing numbers of lone parent families (ONS, 2014). New Labour's policy shows a moral acceptance of this trend as welfare became increasingly individualised. NDLP, ND+fLP and NDP sought to reduce the number of households where nobody worked and also to contribute to a reduction in child poverty (Somerville & Brace, 2004).

A common theme in previous evaluations was a lack of affordable childcare and the financial uncertainty of low-paid and usually part-time employment. This presented the strongest barrier to members of this client group entering or sustaining paid employment. However, as was found in other New Deal evaluations, health issues, a lack of qualifications/skills and limited work experience hindered employability and appeared to present consistent barriers to sustained employment.

The NDLP and ND+fLP was underpinned by New Labour's belief that work was the best form of welfare (Blair, 2007. cited in Smith *et al*, 2010). This was further

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<sup>175</sup> What constitutes 'a family' is itself the consequence of changing conventions.

re-enforced with the introduction of Lone Parent Obligations (LPOs) in 2008 whereby lone parents progressively lost payments under Income Support as their youngest child reached a certain age. The introduction of Lone Parent Obligations suggests that un-paid work, such as raising children, was increasingly seen as less worthy of social support. Individuals were expected to find childcare solutions for themselves with minimal support. Some work, any paid work, appears preferable to 'economic inactivity'. As Lister so clearly argued "paid work [was] fetishised as *the* citizenship responsibility over other forms of work such as care work and community or voluntary work" (2001. p. 432).

However, throughout New Labour's time in office, there remained strong gender differences in the expectations of policy-makers. Partners, usually men, were subject to the NDP on an increasingly compulsory basis<sup>176</sup>. While the NDLP/ND+fLP was predicated on there being dependent children, the NDP had no such expectation: the partner was not the primary care giver and should instead undertake paid work (supported by Tax Credits where necessary). Therefore, despite increasing expectations that females should work, they were also expected to continuing fulfilling the bulk of caring responsibilities. Conventional behaviours and expectations such as the male breadwinner and female carer remained in place.

**Conclusion 8: New Labour's ALMP, especially their New Deal programmes, misdiagnosed the causes of unemployment.**

The 'work-first' strategy of New Labour's ALMP, although a mixture of 'carrot and stick', focused almost entirely on pushing individuals into employment as it was claimed that this presented the best route out of poverty for many of Britain's poorest individuals and families. It is questionable as to whether this represented the best available long-term strategy compared to giving individuals the skills and qualifications that are likely to reduce their chances of being out of work in the first place. New Labour's strategy did not foster the positive contribution to economic growth that could have been made by a re-skilled and up-skilled

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<sup>176</sup> However, evaluations of the NDP were scathing, i.e. Coleman *et al*, (2007).

workforce. However, this may have been a deliberate policy of inaction driven by the liberal attitude that claimants (the undeserving poor) must not be offered the opportunities denied to the lowest paid unskilled labourer's son/daughter (the deserving poor).

### **10.3. Tax Credits and The National Minimum Wage**

#### **Conclusion 9: The National Minimum Wage did help the lowest paid**

A key part of New Labour's ALMP was "To encourage work and reward effort" (Labour, 1997. p. 11) which later emerged as the policy mantra "make work pay" (Grover, 2005). Tax Credits and the National Minimum Wage were key to this strategy.

Over a million low-paid workers benefited from the NMW (Low Pay Commission, 2004). Around 10% of working households relied on workers paid the minimum wage; in 7% of working households the NMW workers were the only source of income (Wadsworth, 2007). The NMW provided a minimum, although still not generous, hourly wage. Importantly, the negative impacts of the National Minimum Wage predicted by neo-liberal economists failed to materialise.

#### **Conclusion 10: Tax Credits and the National Minimum Wage acted as a catalyst towards flexible and increasingly precarious employment**

This is indicated by rates of self-employment and under-employment<sup>177</sup> which increased under New Labour, with rates of self-employment accelerating upwards in 2003 when Working Tax Credits were introduced. This is because Tax Credits enabled individuals to take up precarious low-paid work which they would formerly have been unable to do, or chosen not to do.

Although New Labour argued for flexibility of labour markets which served both employers and employees (Labour, 1997), they failed to clarify exactly where

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<sup>177</sup> Indicators of precarious employment. Self-employment increased from 3,178,000 in June 2000 to 3,888,000 in June 2010. This increase continued long after New Labour left office.

they thought that balance lay. In practice, their policy, suggested a strong preference in favour of employers. Growing flexibility is of key importance as it blurs the line distinguishing 'the employed' and 'the unemployed'<sup>178</sup>, thus allowing statistical targets to 'respond' to state policy while encouraging dependency in the form of Tax Credits for those unable to earn a living wage.

## 10.4. Policy Implications

### **Policy recommendation 1: ALMP should focus on upgrading skills and qualifications for the 21st century.**

The UK economy had changed due to de-industrialisation and continued to change developing into a knowledge-driven service economy<sup>179</sup>. Evidence, including the Leitch Review of Skills (2006), identified major skills shortages as the demand for unskilled labour collapsed, while the demand for more skilled and qualified workers has increased. Although Welfare-to-work programmes emphasised the improvement of basic soft skills, large numbers of the working population continued to lack basic literacy, numeracy and communication skills (Work and Pensions Committee, 2002a; Leitch, 2006. cited in Wiggan, 2007; Hill, 2012). The New Deal Programmes appeared to have had an overall positive effect in supporting client groups who faced multiple barriers when trying to engage with the labour market. However, the New Deal Programmes (excluding the NDfM) failed to focus effort and resources into upskilling the workforce and, therefore, supporting employability and occupational mobility<sup>180</sup>. This supports those who have similarly argued that The New Deal Programmes failed to raise skill levels and were instead focused on pushing participants into insecure contingent employment (Peck & Theodore, 2000. Cited in Wiggan, 2007). Some clients groups, such as older workers, may have been hit especially hard by this failure as their previous education/training and work experience would have been

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<sup>178</sup> One could go so far as to say it destroys the distinction completely. This is especially true of welfare changes which occurred during the Coalition such as the introduction of Universal Credit where even those in paid employment were the subject of assessments if they also received welfare support.

<sup>179</sup> Non-structural factors were also important – the rise of neo-liberal assumptions about the primacy of market forces in shaping employment and its obligations.

<sup>180</sup> The ability of individuals to change job or career.

outdated. Therefore, although New Labour spoke frequently of tackling barriers and providing support towards work<sup>181</sup>, a consistent strategy to improve the employability of all unemployed individuals was not forthcoming. This is supported by evidence in this thesis of significant amounts of 're-tread' in the various ND programmes which indicates their clients were failing to integrate into the labour market in any permanent fashion.

Prematurely pushing workers into the first available job has not proved successful. Therefore, future ALMP should focus on preparing the unemployed by upgrading their skills and qualifications for the increasing demands of the economy. Indeed, investment should not only be made in the marginalised workforce but should seek to address skills shortages across the board. As to whether such a policy would be affordable, it could be argued that education and training policies pay for themselves many times over through reduced social spending and increased tax revenues.

### **Policy recommendation 2: Requiring employers to advertise all jobs**

The New Deal programmes placed considerable effort on improving and encouraging search behaviour as part of the 'work first approach'. However, estimates suggest that up to 60% of job vacancies are not advertised (I'Anson, 2012) forming the 'hidden jobs market'. None of the New Deal Programmes dealt with this opposite side of the gaining employment equation: ensuring that all jobs were advertised publically and that vacancy information was more freely available. This again indicates that New Labour followed the implicit assumption of all liberal economies – that no obligations should be placed on employers. Therefore, employers could be compelled to publically advertise all vacancies, perhaps through the Job Centre network. In addition to improving the efficiency of the labour market at matching employers with employees, it would add additional transparency helping to tackle related issues of discrimination.

### **Policy recommendation 3: Devolve economic development policy**

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<sup>181</sup> With an underlying goal of reducing poverty, especially child poverty.

There was and continues to be well documented regional disparities in the UK economy. None of the New Deal Programmes offered re-location support to aid geographical mobility<sup>182</sup> as part of the Programmes<sup>183</sup>. Supporting re-location could have helped more individuals into employment, but would most probably have placed further pressures on housing and other infrastructure in the south East of England. Immigration into the UK from Eastern and Southern Europe after the 2004 enlargement of the EU played an important part in filling skills shortages and job vacancies in the South East. Although not central to this thesis, it is important to note that New Labour continued the well-established policy of filling skills shortages through the judicious importation of foreign-trained labour rather than going to the trouble and expense of training the UK's jobless. Although New Labour flirted with regional development and planning policy which could have worked to solve these regional disparities, their lack of commitment again reflected the liberal foundation of New Labour's economic policy.

As the first conclusion of this thesis stated, economic growth matters. A stronger commitment could be made to devolve economic development to local authorities so that they are better able to respond to local economic and labour market dynamics.

#### **Policy recommendation 4: Additional free pre-school and wrap-around childcare**

A recurring theme throughout this thesis has been the availability of affordable childcare. Indeed, for the lone-parent client group this was the most important barrier to finding sustained employment. Although the Conservative government has plans to increase the number of free pre-school hours to 30 hours per week, it still falls short of the childcare required for a full-time position. Additional childcare provision for pre-school children would support new-mothers back into

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<sup>182</sup> The ability of individuals to re-locate for work.

<sup>183</sup> However, New Labour did invest heavily in regional economic policy through the Regional Development Agencies. Moreover, their work is not within the scope of this thesis.

work, while wrap-around care before and after school would support the parents of older children.

### **Policy recommendation 5: Provision of a basic income**

Perhaps the most controversial policy recommendation is the provision of a basic income to all UK citizens. A basic income is a universal unconditional sum of money. This thesis has focused on the contested 'moral order' surrounding the provision of welfare and the New Labour's continuation and promotion of neo-liberal precepts of labour market management, i.e. they focused on individual behaviour and personal responsibility. A basic universal income paid to all UK citizens would negate the need for (and cost) a bureaucratic administration enforcing the moralistic views of the government of the day through means-testing and conditionality. Instead those unable to work would be taken care of, while those capable of work could choose to take paid employment to further increase their welfare.

### **Policy recommendation 6: Downgrade statistical measurement in favour of other methods of policy evaluation**

A key finding and recurring theme of this thesis is that it is increasingly difficult to study and evaluate labour market policy statistically. This final policy recommendation proposes that the emerging limitations of statistical evaluation be recognised, and alternative evaluation methods and models be deployed in future.

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