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thinkpieces

## Welfare to Work...

By Kate Bell

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# compass

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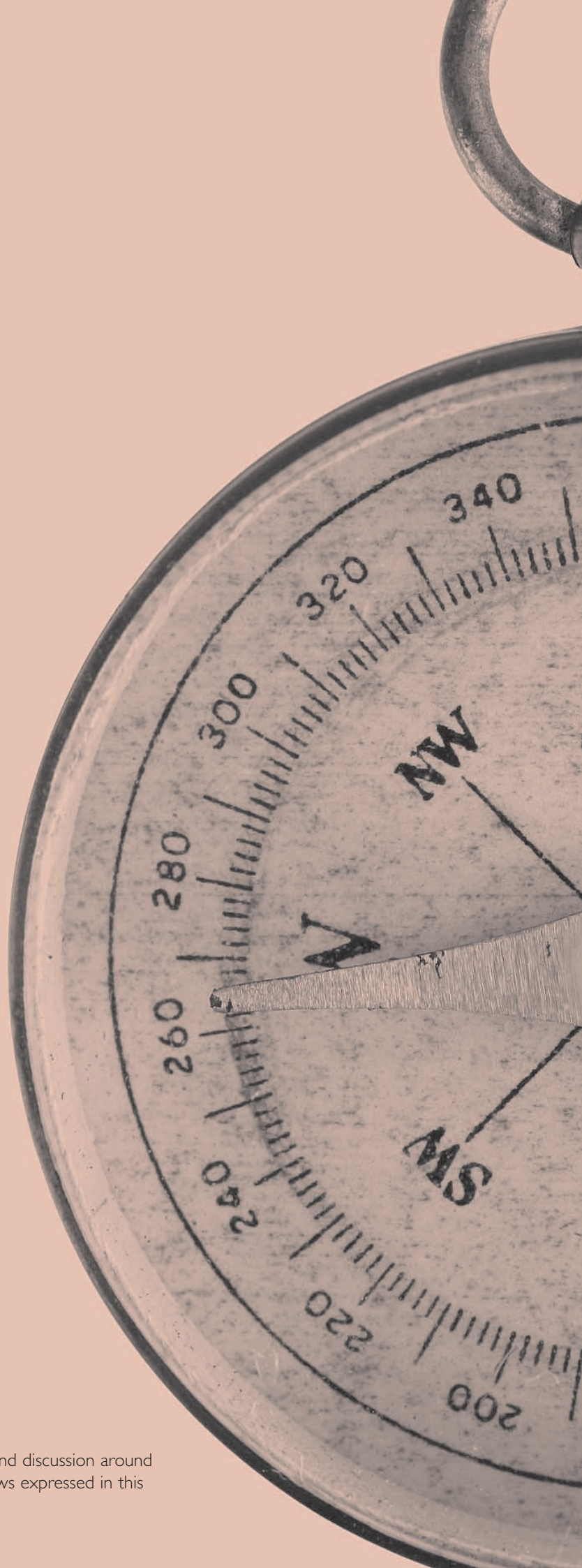
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*Tackling low pay, and taking further action to reduce wage inequality is necessary to ensure that work is not only sustainable, but that it fulfils Labour's central assertion that it is 'the best route out of poverty'.*

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# Welfare to Work...

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## Introduction

It's obligatory to start any piece about welfare to work with a reference to Beveridge, the original architect of the concept, as formulated by New Labour, 'work for those who can, security for those who cannot'. The Beveridge report 'assumes... maintenance of employment, that is to say avoidance of mass unemployment, as necessary conditions of success in social insurance' alongside the provision of a national health service, and allowances for children. But for Beveridge, responsibility for securing full employment, while intricately connected to his system, lay outside the 'welfare state' as such, which was intended to abolish 'want' through the provision of social security. Under New Labour, welfare itself has increasingly been about encouraging, or compelling a move into the labour market, with an ever-expanding concept of those who are seen as falling into the 'can work' group. The absence of work is increasingly seen as a failure of individual effort – rather than a result of conditions within the labour market itself.

The latest group deemed to be not yet fully engaged within the 'active welfare state' are lone parents. The independent review of welfare commissioned from David Freud,<sup>[1]</sup> recommended that lone parents be asked to fulfil the same job search conditions as claimants of Jobseekers Allowance, initially from the time when their youngest child reaches 12, with this rapidly extended to all parents of school aged children. This means that as a condition of benefit receipt lone parents would be expected to actively seek work – as opposed to the current system whereby they are asked to engage in Work Focused Interviews at more frequent intervals as their children get older. Ministers appear to have reacted enthusiastically to this suggestion with John Hutton arguing that 'we ask very little of lone parents on benefits',<sup>[2]</sup> and the recently published child poverty strategy suggesting that, as part of a package of 'rights and responsibilities', the Government are keen to adopt the Freud recommendations.

Lone parents have always exemplified the clear reliance of the Beveridgean welfare state on a male breadwinner model of society, and the tensions arising when one person is expected to be both a worker and carer.<sup>[3]</sup> Full employment for Beveridge meant full male employment – women would gain access to entitlement on the basis of their husband's contributions, and it was naturally assumed that care work would be done by women. The entitlement to Income Support on the basis of lone parenthood – that is on the basis of caring for children - could be seen as having provided some recognition of the validity of caring as a contribution, but the assertion that lone parents on Income Support are 'asked very little' suggests that this, if it ever was, is no longer the case. The fulfilment of 'responsibilities' in return for which rights to social protection are granted, now appears to be possible only through engagement in the labour market – the 'citizen worker' model as it is often known.

New Labour's view of where caring fits in, in fact appears to be a little more confused than this. When parents, rather than lone parents are referred to, choice is seen as a key principle, with the Government's ten-year childcare strategy stating that "Parents are the best judges of their family's needs. The framework of support for families and children must therefore offer parents choices about how to balance work and family life."<sup>[4]</sup> The child poverty strategy which refers to 'increased rights and responsibilities for lone parents' to look for work as a means of tackling child poverty, also makes reference to the poverty of single earner couples. In this case however, it is made clear that 'this group is not in receipt of out of work benefits and is not and will not be compelled to engage in any work focused activity' and that 'it is a legitimate expectation of all families that they should be in control of the choices they make in balancing work and family life.' Yet the clear implication for lone parents is that full time caring is not a legitimate choice.

The increase in 'responsibilities' to look for work also implies an analysis of why people are not working that focuses on a lack of individual motivation or effort as the key reason for non-participation in the labour market. The child poverty strategy talks about 'changing hearts and minds... towards independence and work rather than benefits and dependence', and Ministers make persistent references to 'welfare as a way of life'.<sup>[5]</sup> Yet there are a number of factors that may be inhibiting the participation of lone parents in the labour market which cannot be easily overcome by a change in motivation; over 70 per cent in a recent survey said that a lack of childcare or flexible working was preventing them from taking up employment,<sup>[6]</sup> 25 per cent are caring for a disabled child and around 25 per cent of those with older children themselves have a disability. These are not insurmountable problems, but they do suggest that the idea that a preference for 'dependency' is what prevents lone parents from taking up employment is highly simplistic.



A further indicator that a lack of effort may not be the main issue is the high numbers of lone parents who fail to sustain jobs once they've taken the step to move into them. Lone parents lose their jobs at twice the rate of comparable groups, with a low pay, and an absence of savings – suggesting an inability to manage on low wages, key predictive factors for job exiting.<sup>[7]</sup> And sustaining work is not a problem exclusive to lone parents; over half of Jobseekers Allowance (JSA) claims are now from repeat claimants.<sup>[8]</sup> In a research report looking at the issue, three quarters of those who'd had three claims or more for JSA said that this was due to a lack of suitable work – with many of them only having been able to find temporary jobs. The research found that “There is little evidence in the survey to suggest that recycling is due to personal choice. The findings consistently indicate an inability to find sustained employment rather than a choice to avoid it. The vast majority said that they would have preferred to spend more of their life in work.”<sup>[9]</sup> As the summary of the report on the Department's website concludes: “This issue is at the heart of government policy, which stresses the importance of work as the best route out of poverty and social exclusion, and promotes the view that any job is better than no job at all. Repeat claimants appear to challenge this view, as despite movement into work they return to claiming benefits.”<sup>[10]</sup>

While one initial reaction to this report was to suggest that repeat claimants should be denied access to benefits,<sup>[11]</sup> the issue of sustainable employment has now begun to receive more policy attention. One of the less controversial aspects of the Freud review was the suggestion that welfare to work policies should be aiming at long term outcomes – rather than simply focusing on getting benefit claimants into the first available job. The Leitch report on skills also suggested that the increasing paucity of jobs requiring low or few skills meant that a new integrated employment and skills policy service should be created, focusing on a single objective of sustained employment and progression in work.<sup>[12]</sup>

This would mean a radical change from the current philosophy behind welfare to work programmes, which focuses on a 'work first' policy, emphasising that any job is a good job. This rests on the analysis of experimental welfare to work programmes run in the U.S., which consistently found that programmes focusing on 'work search' performed better in terms of job outcomes than those with a 'human capital', or training focussed approach. Yet the training that was accessed in many of these programmes was often poor quality, did not lead to a qualification and was not linked into work.<sup>[13]</sup> In contrast the one American programme that has been found not only to increase employment but also to raise incomes, the Portland Programme in Oregon, used an approach that 'work first' and 'human capital' strategies, referring participants with good skills to job search provision and those with poor skills to education and training. The programme also advised participants not to take the first job available but to wait for a good job, typically one paying more than 25% of the minimum wage.<sup>[14]</sup> The approach suggested by Leitch could build on this model with very positive results.

Yet perhaps the most interesting evidence from the U.S. comes from their efforts to improve job sustainability. The withdrawal of many safety net benefits under the 1996 Welfare Reform act saw intense pressure on single mothers to take jobs. It's worth noting that not all of them did so – around 20 per cent of lone mothers in the US are now in a 'no work, no welfare' group – a high price for the reduction in the numbers claiming benefits. And those who did move into work were often no better off than on welfare.<sup>[15]</sup> But greater attention has been paid to what happens when people do move into work, with various programmes aimed at increasing job sustainability. What evaluation has found is that those programmes aimed at the individual with a case management approach have had little success. What really seems to be important to ensuring whether people stay in work is the quality of the job, the level of pay, and the opportunities for progression and advancement at work. Workers with non standard shifts and weak promotion prospects were less likely to retain their jobs; those in unionised firms, and those paying higher wages were more likely to stay on.<sup>[16]</sup>

This suggests that if the goal of policy is sustained employment, more attention needs to be paid to the characteristics of jobs and the labour market, and less on trying to change the supposed motivations of individuals. Tony Blair's recent speech on the nature of work suggested that we can't control the labour market, we can only prepare people for it: “the important thing to recognise what is the reality we cannot change; and the reality we can. That modern world of flux and adjustment, a kind of permanent revolution in the way we work, that is here to stay, at least for the foreseeable future. It won't change. It will intensify. The reality we can change is how we prepare people for the reality we can't.”<sup>[17]</sup> But where Labour have made changes to the nature of the labour market they've been an unmitigated success; neither the introduction of the National Minimum Wage, nor that of the right to request flexible working for parents of children aged under six have led to the corporate stagnation, mass lay offs etc that were predicted by some doom sayers.

There is already a developing consensus around the idea that the right to request flexible working should be introduced for all workers.<sup>[18]</sup> A further step in this direction would be for Britain to abandon its opt out of the Working Time Directive – limiting the working week to 48 hours. Squaring the assumption that paid employment is the only route to full participation with the need to provide care for both children and elderly relatives would seem to require a reduction or reordering of working hours if nothing else.

Low pay is the other key and obvious area for action. Calls for a 'living wage' are complicated by the fact that the level necessary to support a single adult woman, would be different from that for say, a single man living with with two children. And the interaction of the tax credit system with pay at present means that increases in wages are often offset by reductions in tax credits. But neither of these factors mitigates the need to ensure that wages are doing more of the work of 'lifting' workers and families out of poverty. Savings in tax credits gained from an increase in market income could be used to increase the level of universal benefits for children – who, as Beveridge recognised, require support additional to that which can be provided solely through paid employment, stating that: "if allowances [for children] are given only when earnings are interrupted and are not given during earning also... a substantial measure of acute want will remain among the lower paid workers as the accompaniment of large families."

Tackling low pay, and taking further action to reduce wage inequality is necessary to ensure that work is not only sustainable, but that it fulfils Labour's central assertion that it is 'the best route out of poverty'. As wage inequality has widened, full employment is no longer enough to prevent poverty, and tax credits are having to work harder and harder to lift families above a rising poverty line. The latest Households Below Average Income figures show that although increases in tax credits and benefits have meant income inequality is rising more slowly than it otherwise would, increases in income at the top of the distribution have seen inequality rise this year, alongside the increase in child poverty.<sup>[19]</sup> On current figures the claims for work as a secure route out of poverty do not stand up; 57 per cent of all poor children live in households with at least one adult in work.<sup>[20]</sup>

With a greater focus on the nature of the labour market as key to ensuring participation, rather than a focus on individual attitudes, the idea that benefits must be kept low so as to ensure that they do not form an 'incentive' to unemployment could also be addressed. And as Ruth Lister has argued previously for Compass, far from encouraging work, "the very hardship resulting from benefits that are too low can work against the Government's own anti-poverty strategy by undermining job-seeking and parenting capacities."<sup>[21]</sup> In Denmark, a key pillar of the reforms which have seen them achieve some of the highest employment and lowest child poverty rates within the OECD has been the provision of benefits with a high earnings replacement rate.<sup>[22]</sup> Going one step further would be to go beyond Beveridge to recognise contributions outside the labour market, such as caring for children, as a legitimate fulfilment of 'responsibilities' to society that should be accompanied by rights. But the priority must be to move beyond a regime that seeks to compel individuals into jobs that may not lift them out of poverty, based on a misplaced idea of a 'dependency culture' as the root cause of non-participation in the labour market.

- [1] Freud D (2007) Reducing dependency, increasing opportunity; options for the future of welfare to work; an independent report to the DWP TSO. Available at: <http://www.dwp.gov.uk/publications/dwp/2007/wr-c-c-f.pdf>
- [2] John Hutton, 30th January 2007, Speech to the House Magazine available at: <http://www.dwp.gov.uk/aboutus/2007/30-01-07.asp>
- [3] See, for example, Ford R and Millar J (eds) (1998) Private lives and public costs: lone parents and the state Policy Studies Institute
- [4] DWP (2007) Working for children DWP. Available at <http://www.dwp.gov.uk/publications/dwp/2007/childpoverty/childpoverty.pdf>
- [5] See, for example, John Hutton's speech to the IPPR, 18th December 2006.
- [6] One Parent Families conducted an Internet survey of lone parent members of One Parent Families, Gingerbread, and One Parent Families Scotland. 1060 parents responded to the survey, which was funded by Jobcentre Plus.



- [7] Evans M, Harkness S and Arigoni Ortiz R (2004) Lone parents cycling between work and benefits DWP Research Report No. 217, DWP.
- [8] Carpenter H (2006) Repeat Jobseekers Allowance Spells DWP Research Report No 394 DWP. Available at: <http://www.dwp.gov.uk/asd/asd5/rrs2006.asp#repeatjsa>
- [9] Ibid.
- [10] Ibid.
- [11] In a speech to the IPPR on December the 18th, John Hutton suggested that "these repeat claimants pose a fundamental question about the design of the welfare system; for the degree of conditionality; for the contract between those out of work – and the hard working taxpaying families who are supporting them. Our welfare reforms must confront head-on the 'can work-won't work' culture in our country....we cannot reasonably ask hard working families to pay for the unwillingness of some to take responsibility to engage in the labour market" See <http://www.dwp.gov.uk/aboutus/2006/18-12-06.asp>
- [12] Leitch S (2006) Prosperity for all in the global economy – world class skills HM Treasury.
- [13] Bos J, Hamilton G, Scrivener S, Snipes J, Schwartz C and Walter J (2002) Improving basic skills: the effects of adult education in welfare to work programmes MDRC
- [14] Martinson K and Strawn J (2003) Built to last: why skills matter for long term success in welfare reform CLASP
- [15] Adams-Ciardullo D, Ahluwalia S, Brooks J, Freedman S, Gassman Pines A, Gennetian L, Hamilton G, McGroder S, Michalopoulos C, Walter J, and Zaslow M (2001) How effective are different welfare to work approaches? Five year adult and child impacts for eleven programmes MDRC.
- [16] Holzer H and Martinson K (2005) Can we improve job retention and advancement among low income working parents? The Urban Institute, Washington.
- [17] Tony Blair 2007 'Our nation's future, the role of work' speech in Manchester 30th March 2007. Available at: <http://www.number-10.gov.uk/output/Page11405.asp>
- [18] For example, Beverley Hughes has suggested that this is the logical next step for policy.
- [19] Brewer M, Goodman A, Muriel A and Sibieta L (2007) Poverty and Inequality in Britain 2007 IFS.
- [20] DWP (2007) Households Below Average Income: An analysis of the income distribution 1994/5 –2005/6 DWP, Crown Copyright 2007.
- [21] Lister R (2006?) Poverty: The case for a review of benefit levels Compass.
- [22] See for example, presentation by Jørgen Søndergaard available at <http://www.dwp-welfare-conference.org/>

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