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Fabian ideas

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Introduction

It is a remarkable political comeback. In the last few years, full employment has emerged from the wilderness to become the central strand of twenty-first century labour market policy—in the UK, Europe and beyond.

In Britain, the rehabilitation of full employment has been driven by the UK labour market's rude health over the last few years—falling unemployment, record levels of employment and economic activity, and rising numbers of vacancies. Most of all, early this year, the number of people out of work and claiming benefit fell below one million for the first time in twenty-five years. Labour's economic strategy has helped all this come about—through twinning macroeconomic stability with micro-economic reforms, particularly through the New Deal programmes.

The UK has not yet achieved jobs for all, however. Pockets of long term unemployment remain; joblessness is concentrated in particularly hard to help groups. Worse, the economy looks likely to slow soon.

This paper argues that Welfare to Work policies remain crucial to arriving at full employment: they are also critical in helping people, firms and the economy weather choppier waters. To succeed at either, however, they must begin to operate in a radically different way.

Getting Attached New Routes to Full Employment

Current employment strategies do not properly address deep changes in the occupational structure, the organisation of firms and the employer-employee relationship. We need to reshape policy not just to deal with changing patterns of joblessness, but to take account of much deeper shifts in how we work and what we do.

This requires a fresh approach. Welfare to Work policies have so far concentrated on alleviating long term unemployment. Now we need to recast 'welfare' and 'work' around the idea of attachment: helping people to stick to work, not just move into a job. Attachment will provide employers with the workers they need, and give vulnerable groups labour market security, helping both to negotiate the changing landscape of working life.

This paper outlines a new 'welfare through work' strategy for the UK based on this 'attachment' approach, and building on present and planned government policies. The main strand of the strategy is a national Attachment Agency, which would further develop and refine today's 'JobCentre Plus' model. This approach has three key features:

- It is highly devolved. The Attachment Agency would design skeleton programmes and monitor their delivery, leaving detailed design and implementation to local players. Attachment would be different in different places.
- It is a dual-client strategy. It would provide a tailored, needs-weighted service to individuals, and would take the 'heavy lifting' away from business. Attachment Partnerships would be grass-roots agencies linking and serving employers and jobseekers.
- It takes the long term view. It would aim to provide tools for long term labour market navigation. It would do this by fusing Welfare to Work, workforce development and business support. As such, it would fit into a wider set of state-enabling architecture aimed at promoting equality of opportunity and social mobility.



1 | What is going on?

This chapter discusses the main trends and issues for employment policy. Despite a buoyant labour market at national level, there are still persistent pockets of very high joblessness around the country, and conditions may get worse. The long term dynamic is one of increasing insecurity. For the unemployed or those in entry-level work, it is now very much harder to keep a job and develop a career than before. Nevertheless, many employers face significant skills gaps and many offering low paid work have serious retention problems.

What would full employment look like?

The last time Britain had anything like jobs for all was in the early 1970s. Now, full employment would be different. The labour market has changed significantly: far more women are at work (up from 37 per cent to 44 per cent of the workforce), with increasing numbers of men leaving the labour market early. Working hours are far more varied—25 per cent of the workforce are now part time employees, against 17 per cent in 1973/74; only 10 per cent of UK workers regularly put in a forty hour week. At the same time, the composition of take-home pay has changed. The state now provides an increasing share of the total income of those in work, as benefit structures have shifted from compensating unemployment to rewarding employment—the

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Working Families Tax Credit is the prime example of this. Joblessness itself is increasingly concentrated in particular regions and communities, and among particular groups.

If 'full employment' or 'employment opportunity for all' are to mean anything, they have to be consistent with this new reality. As Mulgan has pointed out, this requires:

- Targeting employment and unemployment rates and improving the functioning of the labour market, so that everyone who wants to can quickly find a job.
- Targeting the elimination of poverty in work.
- Ensuring there are real prospects for career progression once in employment.
- Ensuring that no groups or places are excluded from the labour market.¹

The structure of the labour market will continue to alter over the next ten years. Most projections concur that new jobs will be created in the service sector, mainly in distribution, hotels and catering, financial and business services, education and health, and 'other services'. Likewise, the type of jobs done has and will continue to change. Skilled manual work, mostly in manufacturing, will continue to decline. The largest growth areas look set to be 'high skill' office-based work and 'lower skill' frontline service work.²

These projections, if correct, would cement some major changes in the UK occupational structure. They provide strong evidence that the labour market is following US trends and hollowing out, with most growth at the top and bottom ends (in terms of pay, conditions, autonomy and so on) while intermediate jobs disappear.³ As Keep has shown, this process is already well under way. Between 1992 and 1999, the fastest growing UK occupations included software engineers and management consultants—but also shelf stackers, nursery nurses, prison officers and housekeepers.

What is going on?

How are we doing now? The overall labour market picture seems a happy one, with unemployment at a historic low, employment rates high and most inactive people wanting a job. (See Table 1 below).

At the time of writing, perhaps surprisingly, both claimant count and 'proper' (ILO) measures are still going down. Employment is still rising, but economic inactivity has grown (and there are fewer inactive people wanting a job). That said, the number of registered vacancies has gone up, having fallen the previous month.

Table 1 | The UK labour market, Spring/Summer 2001

| Variable | Level | Change on period (level) | Rate (%) | Change on period (%) |
|--------------------------------|--------------|---------------------------------|-----------------|-----------------------------|
| Economic activity | 29,659,000 | 61,000 | 78.8 | 0.0 |
| Economic inactivity | 7,749,000 | 15,000 | 21.2 | 0.0 |
| Wanting a job | 2,186,000 | - 54,000 | | |
| Not wanting a job | 5,563,000 | 69,000 | | |
| Employment | 28,175,000 | 75,000 | 74.8 | 0.0 |
| ILO unemployment | 1,484,000 | - 14,000 | 5.0 | - 0.1 |
| Claimant count | 950,300 | - 12,800 | 3.2 | 0.0 |
| Jobcentre registered vacancies | 250,900 | 10,200 | | |

Source: ONS

Notes

- 1 Claimant count and vacancy data is for July 2001.
- 2 National LFS data is given for April-June 2001. ILO unemployment level and rates are for those aged sixteen or over. Rate is given as a percentage of all those of working age; employment and economic activity levels are for those aged sixteen or over. Rates are for those of working age; economic inactivity levels are given for those of working age.

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Nevertheless, this does not represent jobs for all, and this could be as good as it gets. All of these trends are within the data's margin of error—so it is hard to tell which way they are actually going. More seriously, economic warning signs at home and abroad indicate that a larger slowdown may soon be on the cards.

Empty spaces

Look a little harder at today's numbers, moreover, and the apparently rosy picture starts to fade. The problem is twofold. First, concentrated unemployment and economic inactivity remains a serious problem in many parts of the UK, north and south. These communities include inner urban areas, former industrial districts, coastal towns and more isolated areas of Wales and the North East. While many places are inside or next to areas of greater labour market strength, others are more or less self-contained, and not in easy reach of work elsewhere. A selection of these are shown in Table 2 (below).

The government has pledged to improve labour market conditions in the thirty local authority areas with the worst records.⁴ With very few exceptions, these places have claimant unemployment rates more than twice the national average, significantly higher economic inactivity and significantly lower employment than in the UK as a whole. What is more, while conditions in many of these deprived communities has improved over time, their relative position compared to the national average has not. There is persistent disadvantage here that needs to be tackled.

To do so, it is vital to look beyond the officially unemployed to include the many inactive people who want to work (as reflected in the 'want work' rate). A more detailed analysis of the figures reveals a jobs gap in many deprived areas: there are between six and twelve jobless people wanting work for every vacancy.⁵ Places like these tend to have the weakest labour markets and

Table 2 | Lowest employment districts, January 2001

| Area/Rate (%) | Claimant count | ILO unemployment | Employment | Economic activity | Economic inactivity | Want work |
|----------------------|----------------|------------------|------------|-------------------|---------------------|-----------|
| Knowsley | 11.2 | 13.4 | 55.8 | 64.5 | 35.5 | 25.7 |
| South Tyneside | 11 | 16 | 64.3 | 76.5 | 23.5 | 15.9 |
| East Ayrshire | 10.8 | 13.6 | 64 | 74.1 | 25.9 | 21.3 |
| Newham | 10.3 | 14.3 | 55.5 | 64.8 | 35.2 | 26.5 |
| Redcar and Cleveland | 9.8 | 12 | 59.1 | 67.2 | 32.8 | 23.5 |
| West Dunbartonshire | 9.4 | # | 63.2 | 70.4 | 29.6 | # |
| Blaenau Gwent | 9 | # | 60.4 | 67.5 | 32.5 | # |
| Middlesbrough | 8.9 | 17.8 | 56.1 | 68.2 | 31.8 | 28.3 |
| Easington | 8.5 | # | 57 | 66.8 | 33.2 | # |
| Merthyr Tydfil | 8.5 | # | 59 | 64.7 | 35.3 | # |
| Hackney | 8.2 | 13.7 | 59.5 | 69 | 31 | 24.3 |
| Hartlepool | 8.2 | 15.8 | 61.8 | 73.4 | 26.6 | 23.1 |
| Liverpool | 8.1 | 11 | 59.4 | 66.8 | 33.2 | 22.6 |
| Kingston upon Hull | 7.8 | 12.7 | 64.2 | 73.4 | 26.6 | 21.6 |
| Clackmannanshire | 7.7 | # | 63.7 | 67.9 | 32.1 | # |
| UK | 3.5 | 5.3 | 74.6 | 78.8 | 21.2 | 12.2 |

Source: NOMIS, ONS, Industrial Society

Notes

- 1 Claimant count data is for January 2001; LFS data is for year March 1999-February 2000 and is given for all of working age.
- 2 # indicates figures suppressed for statistical unreliability (data below 6,000).
- 3 National LFS data is given for October-December 2000. ILO unemployment rate is for those aged sixteen or over, and is given as a percentage of all those of working age; employment, economic activity and inactivity rates are for those of working age.
- 4 Want work data is combined from ILO unemployment figure, plus 30 per cent of the corresponding economic inactivity figure. Rate is given as a percentage of all those of working age in employment.

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have usually suffered a loss of both social and economic infrastructure. Not surprisingly, this is where New Deal itself is performing most weakly.⁶

Second, worklessness is increasingly concentrated in particular social groups. People from black, Indian, and especially Pakistani and Bangladeshi backgrounds; people with disabilities; older people, especially men; lone parents; the low skilled and those with 'chaotic' lifestyles all tend to have employment rates significantly lower than the national average. For all these people, barriers to work are complex and vary greatly across the different groups concerned.⁷ These 'hard to help' groups are increasingly likely to be the main clients for government programmes, the strong labour market having swept the most employable directly into work. Tackling these problems of people and place is the first key task for employment policy. However, those in search of work also face some much larger obstacles.

New economy, new risk

Underlying these changes in the distribution of work are deep changes in the distribution of risk. Shifts in occupational structure and the organisation of the firm have made the labour market a riskier place to be—for all of us. Of course, finding and keeping work has always been hardest for those at the edges of the labour market. The least skilled are likely to be fired first;⁸ the existence of a 'low pay, no pay' cycle, with significant degrees of detachment from the labour market, is well documented.⁹ For many working people, in other words, the insecurities of the 'new' economy have long been reality. Nevertheless, insecurity is now spreading across social classes in new ways, making work even riskier for those already most vulnerable.

The traditional social contract that defined the employment relationship in the West is on the point of collapse. In the imme-

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diate post-war period, the usual work trajectory was well defined. Employees entered a firm at the bottom, in a job requiring few specific skills, moved up internal hierarchies, gaining skills and seniority along the way, and emerged into retirement with a comfortable pension package.¹⁰ In particular, both employee and employer minimised the risks of work: employees were loyal to the firm; employers helped smooth out the bad times with the good.¹¹

This sense of mutual responsibility is now in tatters. Employers have become increasingly willing to use flexible labour market regulation to hire and fire workers as and when required. As outsourcing has increased, so traditional routes of advancement have disappeared. Contingent work arrangements are becoming more common, as are external sources of recruitment: private agencies, newspapers and so on.

Service employment is now the dominant sector, covering around 80 per cent of the workforce in firms which tend to be smaller, with less unionisation and shorter career ladders. There is also a well documented increase in the demand for skilled employees, and in the sorts of skills required.¹²

Many people now find themselves at the sharp end of the employment bargain. Firms are feeling increasingly unhappy about making risky appointments. Unemployed people and inactive people, who may have either non-existent or very patchy work histories, find themselves unattractive to potential employers.¹³ Women returning to work after taking time out to raise families, and older men with few relevant skills, are perhaps the most at risk.

The consequences for income and career mobility are stark. Increasingly, the labour market does not correct other sources of inequality; rather, it promotes and cements stratification. For those at the margins, it is becoming harder to develop labour market security. A major survey by McKnight has found that

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between 1977-99, not only did long term earnings inequality rise for both men and women, but that earnings differences 'are now more indicative of permanent difference between employees than in the past'.¹⁴ 40 to 50 per cent of those in the lowest quarter of the earnings distribution are still there six years later.

The number of people in low paid jobs has doubled since 1977 to over 6 million people, a fifth of the workforce.¹⁵ The unemployed are most likely to get work in the lowest paid jobs; conversely, those with the lowest paid jobs are the most likely to lose them.¹⁶ In all, only 20 per cent of Britons in the lowest income groups move permanently out of low paid work. Men, in particular, are holding their jobs for less time than before, and losing them more frequently.¹⁷

This reflects the wider hollowing out of the labour market and a rigidifying of career structures. Gershuny has found widening divisions between a stable, highly paid service elite, a declining male industrial proletariat, and a pool of low skilled, low stability jobs in services, filled mainly by women. It is becoming harder and harder to move from the second and third of these to the first: 'the patterns of upward mobility within careers have been quite strikingly diminished'.¹⁸

Only connect

Thousands of people face exclusion from the labour market and the chance of a career, while at the same time, many employers face skills gaps and difficulties in holding on to the workers they have got. People should matter to employers: many firms are increasingly specialised and skill-intensive, making it harder to find the right employees.¹⁹ And in a service-dominated economy, people are becoming the most important factors of production for firms across the piece. To compete and succeed, professional and front-line service employers alike need a 'complete product'—which includes quality staff with strong basic and key skills,

particularly interpersonal, communication and 'aesthetic' abilities the latter being the ability to embody and put across the image of the employer.²⁰

So why the mismatch? Partly this is a problem of risk and lack of information—as most companies take people on to help their profitability, many are wary of taking on people with little work history, or those they fear might be disruptive.²¹ It is also a problem of skill—many of the UK workforce, especially the unemployed and inactive, lack precisely those skills that employers need. In the UK, 20 per cent of adults have poor literacy and numeracy skills; 3.5 million working adults are functionally illiterate.

But it is also an attitude problem. Too many UK employers, even in growth industries, have not adopted the high performance, people-driven workplace model sketched out above. They are wary of training and up-skilling their workforces, and seem content to operate on a low skill, low wage, high turnover model. In these firms, turnover is such that even raising wages by 10 per cent does not lower recruitment costs enough to be economic.²²

Some of this mismatch will evaporate naturally if labour demand begins to fall. Conversely, some large firms are eliminating it by starting to recast entry-level work as the first step to a high skill, high wage career within the company.²³ But these are the exceptions. 90 per cent of UK firms and 50 per cent of UK employment is in small and medium-sized enterprises (SMEs), which tend to lack the capacity to radically rethink the way they hire, fire and hang on to their workers. Employer behaviour, therefore, often forms a further barrier to those moving from welfare into working life.



2| What has been done?

What is Welfare to Work for?

Taken together, these developments indicate a massive market failure. Employers face skills gaps; many operate on low skill, high turnover models. But there are thousands of people willing to work, who lack the skills, abilities and support to break into the labour market, and to stay there. Most of all, the world of work itself has become riskier and harder to negotiate—for everyone. More than ever, therefore, there is a market for those who can help by providing quality jobmatch, employability and Human Resource (HR) services to individuals and companies.

The large growth in private sector provision of these services over the last few years bears this out. More and more, highly employable talent workers can tap into excellent private jobsearch and employability services. Private agencies providing jobfinding and attachment services will naturally gravitate towards easy-to-place groups. In the UK, as the labour market has got riskier, so the industry has flourished: between 1994/95 and 1996/97, for instance, temporary and permanent placements rose by around a third and a half respectively.²⁴ Around 51 per cent of all employers now use private agencies for recruitment.²⁵

Welfare to Work programmes play a similar role for groups in need of more intensive help. While some private operators have

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become involved in New Deal, in general these groups are the least likely to be taken on by the private employment sector. The state takes on the job, providing active labour market programmes such as New Deal. There is considerable potential for policy to make its mark, if the state response is effective.

The basic rationale for Welfare to Work is to overcome these market failures by combining social and economic goals.²⁶ Current policies are born of mass long-term unemployment and the socio-economic problems it creates. Persistent joblessness, untreated, leads to benefit dependency and unemployability. This in turn leads to social breakdown, poor labour market operation and wage inflation pressures. Welfare to Work policies, therefore, aim to break dependency by introducing new conditions for benefit receipt; but also to improve the quality of the labour supply (through training), and increase labour demand (through employer subsidies). This increases firms' output and productivity and decreases overall inflationary pressures. Society and the economy both benefit. Welfare to Work policies can also have a whole-economy proofing effect. By helping change the terms of the unemployment-inflation trade-off, active labour market approaches can help reduce pressures to recession.

These needs—and the dangers that create them—remain as clear as ever. But there is a very important difference now. The increasing riskiness of the labour market means that policy-makers have to deal with both joblessness and instability and stratification in work; with unemployment, immobility and insecurity. Without strong policies here, the central elements of the progressive social agenda will fail. Untreated labour market stratification is bad for equality of opportunity and bad for meritocracy. A government that believes work is the best route out of poverty must then ensure that moving into work also means moving through work into self-sufficiency.²⁷

Without this, UK plc. will suffer as well. The failure of policy to

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start correcting these trends will rigidify labour markets, hinder individual mobility and thus hamper employers' ability to make rapid adjustments in a fast-evolving economy. As people become less flexible and companies become less competitive, output and productivity gaps are likely to persist.

So the overall aims of Welfare to Work can remain the same. But the problems it needs to overcome have changed and grown. This means the way we conceive of policy has to change.

In essence, recasting Welfare to Work means laying down a dynamic enabling and proofing system. Done right, such a system can lock down risk on both sides of the labour market. In good times, it can help people move not just into a job, but into work and working life, providing ongoing support and training through their careers. In bad times, it can maintain individuals' employability and keep them in touch with the world of work. While the urgency of the business case may seem to decline as the economy slows, the underlying need for change is as strong as ever. These policies can also work closely with employers to meet their specific skills needs—and so help improve their hiring and workforce development strategies in different economic climates.

This suggests the policy tools need to change. Most of all, Welfare to Work has to become far better aligned with business support and workforce development. In this way, it can start to become both the centrepiece of strategies for macroeconomic management, business development and social justice. Genuine equality of opportunity requires strong state-enabling architecture. Without dynamic systems of this kind, the people who need most help in the post-industrial economy will get the least help.

Has it worked?

How has Welfare to Work policy done so far? Most commentators conclude that New Deal has been a success—and certainly

What has been done?

far more effective than previous programmes—but a modest one.²⁸ At the latest available count (March 2001), the main New Deal for Young People (NDYP) programme had helped move over 293,000 eighteen to twenty-four-year-olds into jobs from benefit, apparently eliminating long term youth unemployment.²⁹ A strong economy and tight labour markets in many places have played a big part in this. Stripping out these effects, independent commentators estimate that the programme alone has increased youth employment by 15,000-18,000 a year, with unemployment falling by 20,000-30,000 a year.³⁰

Perhaps more importantly, research also indicates that the NDYP has improved UK growth by 0.1 per cent per annum, increasing the economy's capacity to grow without wage inflation intervening.³¹ This, as much as the more obvious headline figures, should be a vindication of the Welfare to Work approach.

However, while New Deal has been good at getting people into jobs, it has been less good at keeping them there. 23 per cent of those gaining New Deal jobs have left them within three months;³² around 50 per cent have left within six months.³³ Measured another way, over 40 per cent of New Deal jobs have lasted thirteen weeks or less. Many leavers will return to unemployment. At any rate, the kind of long term support required is clearly not there.

The strength of the economy is partly behind this, sweeping the most employable New Deal participants into work, leaving the programme with the hardest to help. Far more people are on the Full Time Education and Training Option of the programme than predicted; and many participants have severe basic skills problems, as well as other issues associated with a 'chaotic' lifestyle, making it hard to place them into work.³⁴ Figure 1, below, shows a typical client cross-section for the WISE Group, an employment and training provider in Glasgow:

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Figure 1 | In search of work in Glasgow



Source: Sinclair and Westwood (forthcoming)³⁵

Not surprising, then, that only around 22 per cent of those completing the New Deal programme have moved into unsubsidised jobs. If the economy begins to weaken—and there are already signs of falling vacancies—the task of moving people from benefit to work will only get harder.

Persistent structural difficulties with New Deal will not help. The programme is still too bureaucratic and inflexible.³⁶ The subsidised Employment Option seems unwieldy; too time consuming for small employers who need it most, not generous enough for large firms to be interested. In any case, taking on an extra New Deal person often means losing another member of staff, to supervise and mentor them in the workplace. On top of this, Personal Advisers are often underpaid and overloaded—doing a far harder job than the private recruitment sector, they are paid a fraction of the amount.

As a result, while some employers are very happy with their New Deal experience, others are equally unhappy. Of course,

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employers often make unreasonable demands for the jobs they open up, and are unaware of how to recruit and supervise New Deal participants successfully.³⁷ But some damage is done: there is a perception in many firms that the programme is not so much an economic investment, as a demonstration of corporate goodwill.

New Deal is changing all the time. A range of (often very successful) pilot initiatives has run alongside the main New Deal umbrella. But the results from the main programme suggest a wider framing problem. New Deal is still, fundamentally, a one-size-fits-all initiative, operating in a far from homogenous labour market. There is not enough room for local innovation, and not enough space for Personal Advisers to meet a range of client needs.

In contrast, Employment Zones (EZs) seem to have done rather better than New Deal. The Zones use a more devolved approach: clients have individual Personal Job Accounts, to be spent as they and their Personal Adviser wish; criteria for provider payment emphasise outcomes rather than simply client turnover; and, significantly, providers give intensive support to clients once in work. In this way, support can be tailored much more closely to the individual, advisers take more responsibility and they appear more credible. Early performance of EZs appears to be much stronger, with a much harder to help client group.³⁸

However, it is still unclear what happens to clients after this. Do they stay in work? New Deal does not set a promising precedent. EZ providers are only paid to support people in work for thirteen weeks. Personal Advisers keep in touch with people informally, and say they would love to do more. As it stands, this focus on short term support at the expense of longer term enabling is a major weakness of both programmes.

Where next?

In March 2001 the Government published a comprehensive Green Paper, *Towards Full Employment in a Modern Society*,

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laying out the next phases of the employment and Welfare to Work programmes.³⁹ The Green Paper makes several major positive steps forward; most of all, it tightens the focus of Welfare to Work policy precisely on those places and people in greatest need. This translates into further area- and group-based initiatives, with some overall changes in direction. However, this strategy has two drawbacks. First, the basic single structure of New Deal remains essentially unchanged. Second, the proliferation of new pilots could make policy co-ordination on the ground confusing and difficult.

It is time to stop moving the furniture about and time to start rebuilding the house. Employers and jobseekers both need better guidance, the former to meet their hiring needs and to provide support to new employees from welfare, the latter to improve their skills, and to find and keep work. This can only properly happen if the structure of New Deal and the Employment Service change to allow local innovation to flower.

In particular, if New Deal is to attract the attention of companies who do not see Welfare to Work as an economic investment, but as an act of charity, it has to become much better at making the business case. Not least, this entails providing employers with a low risk route to gain entry and intermediate level workers, with little 'heavy lifting' required on their part.

The experience of New Deal should also be applied to wider welfare reform. The planned Working Age Agency, which will point all benefit recipients towards work, will need to be ready to attach a much wider group of jobseekers to employment and career trajectories, providing a wide range of services tailored to different localities. Significantly, many people in these groups will be far more detached than most New Deal participants. Welfare to Work will have to evolve—and devolve—to meet the challenges of a riskier world.



3| What needs to happen?

Policymakers need to think harder about moving jobs to people, as well as people to jobs. There should be a much greater emphasis on matching supply-side with demand-side measures in deprived communities and isolated labour markets. In any case, these issues—making local economies stickier, finding new ways to generate employment opportunity, more coherent public and regional policy infrastructure—should naturally come up the agenda if the economy slows.⁴⁰

However, new jobs are of little use if those in search of work cannot be effectively connected to them. So a successful strategy also requires big changes in Welfare to Work policies. In essence, we need to recast both means and ends, both ‘welfare’ and ‘work’.

Getting attached

We need to change ‘welfare’ to move people into the labour market, then negotiate it successfully. Essentially, this is an attachment strategy. Put simply, attachment means helping people stick to employment, not just move into a job.

This has three main elements:

- Long run intervention providing ongoing support, placing people on desired career paths.

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- Devising programmes that are attractive to employers.
- Recognising the diversity of need and appropriate outcomes for the client groups.

The underlying principle of the attachment approach is smart intervention: making both sides of the labour market work more smoothly by overcoming information asymmetries and capacity failures; reducing risk; setting up transitions back to work; and guiding employers towards streams of high quality, reliable workers.

In practice, this involves extending and building on a lot of initiatives already announced—but with one crucial difference. An attachment strategy involves wholesale restructuring and rebranding of Welfare to Work, not simply changes at the margin. The new Working Age Agency should become an Attachment Agency which:

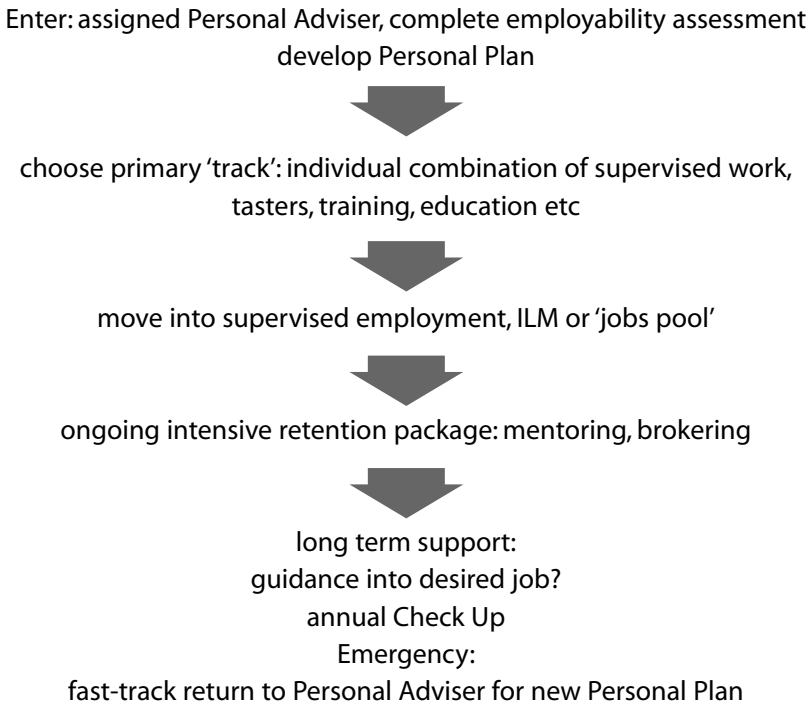
- moves people into work from benefit, and then through their chosen work trajectories to independence.
- provides employers with easily accessible sources of high quality employees.

The attachment approach captures the complexity of people's different work paths in the risky labour market. The most employable jobseekers would be moved as fast as possible into work; others would be moved at different speeds towards sustained employment, using a combination of training, work experience and non-work activities—such as voluntary or environmental work. Those with family or other caring responsibilities, particularly single parents, might wish to patch some work with non-work activity; other people, with severe physical disabilities, might not be able to work at all.

How would attachment move people from benefit into a job? Upon entering the programme, all clients would be assigned a Personal Adviser and would begin with an initial basic skills and employability assessment. Following this, client and adviser

What needs to happen?

Figure 2 | Getting attached



would develop an individual plan to move that person back towards work, which would take into account both their employability and their circumstances—age, caring responsibilities, time away from work, disabilities and so on. The subsequent plan would loosely follow one of several tracks. These could include immediate jobsearch and supervised placement; work tasters; work experience, voluntary work; basic or key skills training, or gaining a specific qualification. Those with larger barriers to work, such as drug or alcohol addiction, parenting or caring responsibilities—or, arguably, those in areas of low labour demand—could be allowed to patch paid work with human and

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social capital-building activities.⁴¹

Each track would combine some form of work experience and training. The overall aim would be to prepare clients for the labour market, and move the client as rapidly as feasible towards some form of employment.

Jobs should be carefully developed with employers as part of an intermediary approach—characterised by Pinto-Duschinsky as ‘working backwards from the job’ from employer to clients. Intermediary, or ‘demand-led’ programmes would work closely with firms to meet their exact recruitment needs, train programme participants and then support them whilst in the job, to help them stay there. In essence, these initiatives would take the ‘heavy lifting’ away from employers, which is particularly helpful for small firms with little capacity to take on and effectively monitor new staff.

As Pinto-Duschinsky makes clear in his review of demand-led Welfare to Work, intermediaries tend to operate either with single firms, or on a wider, sectoral/group approach. In the latter case, initiatives offer a wider range of services for employers aimed at improving competitiveness, as well as filling staffing needs. These ‘comprehensive service programmes’ (CSPs) do not just aim to move the jobless into work, they also aim to change employers’ whole business model, from low price, low wage activity to high skill, high quality competition. As such, they tend to achieve better results.

Which type of model is suitable depends on the structure of competition in that sector of the economy. Customised approaches tend to suit large firms with high skill requirements and some market power; CSP approaches suit sectors with many smaller firms, intensive competition and lower skill levels. Given the predominance of SMEs in the UK, the sectoral approach is likely to be the main one adopted.

Placements in Intermediate Labour Markets (ILMs), should

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also be encouraged, as well as 'regular' jobs. ILMs, which provide temporary jobs and training ring-fenced for unemployed people, are a proven mechanism for keeping unemployed people in touch with the labour market and moving them back into formal work. ILM placements currently count as full jobs under Employment Zone rules, and this should be extended to the Attachment Agency as a whole. In some instances, Welfare to Work services could be combined with running ILMs, allowing the development of sophisticated supply and demand-side labour market interventions.⁴²

A good example of this is the Seacroft estate project in East Leeds, a partnership between Leeds City Council, Tesco and other local employers, and the East Leeds Family Learning Centre.⁴³ Seacroft is a relatively isolated area, four or five miles away from the city centre with poor transport links. At the centre of the project is a new Tesco Extra store: an ILM model was used to train local people without jobs, to work in the superstore while it was being constructed. Around 200 local unemployed people found work in November 2000, when the store opened; to date, 230 of the 320 new jobs have gone to long term unemployed residents of the estate.

Another is the 'Jobmatch' service in Sheffield, which offers 'workforce tailoring' services to new entrants or those wanting to expand within the area. Initially developed by the local Employment Service for a new Dixons, the project has now developed to incorporate other major employers in the city, offering guaranteed jobs for local people.

Staying in touch

What should the long term aspects of attachment look like? The intermediary role of the Attachment Agency and the local Partnerships, which deliver services on the ground, is designed to place participants at the start of their desired working life

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trajectories. At the next stage, ongoing support systems should offer a long term career support service. This should consist of:

- An ongoing Attachment Plan developed by client and Personal Adviser at the end of the intensive support period.
- Annual client-adviser Check Ups to monitor progress and make refinements—say, if circumstances have changed.
- Emergency fast referral back to intensive provision should people move back into unemployment.

Attachment Plans would use several approaches. Within large firms, Partnerships would seek to encourage the kind of internal career ladders many major employers are now developing. They would also use elements of the career ladder approach to develop wider sectoral career ‘climbing frames’. Retail, catering, customer relations and IT are obviously suitable sectors for this. Intermediaries in the States have worked successfully with many employers to develop combinations of employment and training that move former benefit claimants into secure and well paid jobs.⁴⁴ In essence, Attachment Partnerships would provide new workers and help them make their next moves, both through the firm and the wider sector. A slightly different approach which could also be tried is to develop so-called ‘skill ladders’, concentrating on the clusters of abilities that will help people move through particular sectors or careers.

Long term attachment also implies intensive support for some formerly detached workers as they move into first jobs. This could mean Advisers supervising people through two or three initial, often unattractive positions until they reach more secure or desirable employment.⁴⁵ A smart way of doing this is through Jobs Pools. Jobs Pools operate on a sectoral basis, and work with employers to turn low wage, high turnover employment into ring-fenced temporary placements, plus training, for those in search of work. Companies get a regular stream of supervised, trained, quality employees; jobseekers get valuable, supported

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work experience.

As research by the Cabinet Office's Performance and Innovation Unit⁴⁶ demonstrates, many employers in the UK are very wary about training and upskilling their workforce. For reasons of efficiency and equity, it is crucial to change employers' attitudes. This means using carrot and stick—demonstrating (or constructing) a business case, and where necessary, forcing employers' hands.

Sectoral Welfare to Work and long term attachment policies encourage firms to think as a group and foster collaborative behaviour—as well as having demonstrable business benefits. Using a large employer, industry association or trade union to lever change can also be effective. Certainly, unions in the US have negotiated hundreds of locally-based workforce progression and development strategies.

Evolving and devolving

Clearly the approach set out above requires that the Attachment Agency be highly devolved. The Employment Service classifies New Deal delivery units into one of eight clusters. If there are at least eight types of labour market in the UK, then we need at least eight different types of attachment programmes. Accordingly, as much power as possible should be devolved to the local and individual level. Central government would, first, establish a national agency, set out the loose outlines of action and monitor local performance. Second, a number of regions, and within them, local branches—Attachment Partnerships, probably following existing New Deal unit boundaries—would supervise and carry out policies itself, and have the autonomy to modify programmes for particular areas.

Local Partnerships would be required to operate as intermediaries, that is, grass-roots agencies linking and serving employers and jobseekers.⁴⁷ They would directly provide, or subcontract,

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the key elements of the programme. Groups from the public, private and voluntary sectors—or combinations of these—would be allowed to bid to run services on a franchise basis.

In effect, the Agency would be a national brand (and organising body) with power and resources concentrated locally. Extending the Employment Zones/Action Teams principle, these Partnerships would be able to improvise around skeleton programmes to meet diverse local needs.

Personal Advisers would evolve into Attachment Fundholders, many with specific skill sets—working with employers, older workers, clients with substance issues, lone parents, specialising in outreach and so on. Fundholders would have almost complete flexibility about how money was spent on clients. Being an Attachment Fundholder would be a new and demanding profession, offering an attractive salary and performance-related pay packages (more of which below). Those helping jobseekers would have control of individuals' budgets and be able to buy directly additional services, such as specialist mental health and drug treatment programmes for their clients. Those working with employers would, similarly, be able to bring in additional money to tailor employment and training programmes to companies' needs.

Participants would have benefits, training and other monies combined into an Attachment Account, building on that already developed for Employment Zones. On attachment programmes, they would, in effect, 'own' that money, deciding with the Personal Adviser how it was spent, according to their particular requirements.

People and money

Attachment entails new types of client funding and provider incentive mechanisms. Given the range of participant positions—some are far more detached from the labour market than

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others—it is essential to use an initial screening to rank their attachment/detachment position.⁴⁸ Given this ranking—the existing basic skills/employability assessment would be a good starting point—participants would then attract additional amounts of Attachment Account funding. This would help meet individual needs better, and would act as an additional safeguard against ‘cherry-picking’ of the easiest clients.

Those providing attachment services would be rewarded by results, building on the limited outcome-based funding systems currently operating. The incentive structure should place great weight on retaining people in work and increasing their salaries. One suggestion for the initial pre-employment, placement and retention products would be to pay a staged per person fee on top of management costs. This could give for 40 per cent for placement, 10 per cent if the job pays over a set wage floor, a further 30 per cent if the person stays in the job for six months, 10 per cent more if they stay for twelve months, and a further 10 per cent if their salary rises by a set amount over this period.⁴⁹ Loans could be provided to ease cashflow. Desirable outcomes for longer-term career development could be quantified along similar lines.

To make all this work, it is essential to recast the Personal Adviser as a highly skilled, highly rewarded career. Private sector providers are already developing ‘super-advisers’ with specialist employer or participant skills, and some are drawing up accredited qualifications. The projected Account Manager for each New Deal Partnership should become a team of employer-facing experts with complementary sectoral knowledge.

Central government’s role

The putative tax credit for training is a welcome development, but it is worth exploring other tools as well. For example, pilots could be set up under which employers get free or heavily

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subsidised training delivered locally, on a group basis, through the Attachment Partnership and Learning and Skills Council. When employees sign up, they would also undertake not to move outside the group of participating employers or given sector. This undertaking would be time-limited—say, for two or three years. Firms would have reciprocal obligations to cooperate with providers. These new model apprenticeships would, in the clearest possible way, ensure employers benefit from staff training. As such, they could have a big impact on changing some employer attitudes.

Attachment Partnerships would get core funding, through Attachment Accounts from government to provide Check Up and Emergency services. An Attachment Account is essentially the same as an Individual Learning Account and, once individuals are in employment, it could be topped up by government, employers and possibly individuals, in some combination.

To make long term attachment a reality, the Attachment Agency and its local Partnerships need to forge close and ongoing relationships with Learning and Skills Councils, Information, Advice and Guidance services, Connexions, Further Education providers and so on. For individuals, the Attachment system would become a single point of entry to a range of employability, training, careers advice and specialist services they could access throughout working life. Details of Attachment/Learning Accounts and their owners should be kept on a unified national data system to be accessed by these agencies.

Skills agencies and training providers are clearly key partners for attachment agencies: raising skill levels is essential to long term labour market mobility, as well as employer engagement. This suggests that alongside basic and key skills provision, training in 'aesthetic' skills, and in developing and maintaining professional networks⁵⁰ should be prominent parts of local

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attachment strategies.

Research on 'aesthetic labour' shows how many frontline service jobs require the ability to embody and put across the company brand, alongside more conventional interpersonal and communications skills. Since this is where most entry-level and intermediate employment is, it makes sense for Attachment Partnerships to offer motivational and 'aesthetic' skills programmes.⁵¹ Many providers in Employment Zones also make a point of encouraging and developing client networks to bolster future employment security, and this should become a feature of mainstream Welfare to Work provision.

Other groups might also evolve to offer many of the long term support and attachment services set out here. New, private sector 'workers' guilds' are forming for many groups of talent-rich 'free workers', helping them to move through their numerous employment relationships.⁵² Trade unions, then, could remodel themselves as independent, mutual providers of similar services to larger groups of workers elsewhere in the labour market. As the original workplace intermediaries, unions are particularly well placed to offer not just working life guidance to members, but also to develop job placement and career ladders for the unemployed and those in insecure employment. Some unions in the States are already working this way.⁵³

Attachment can also make winning links with others in the regeneration field. On the ground, effective partnerships would position themselves at the centre of community regeneration activity, working with economic development agencies, community groups, social landlords, health, education and transport providers and other players. Thus attachment programmes can begin to form a seamless set of interventions to promote social inclusion and employability.



Conclusion

Attachment strategies are ambitious and will take time to introduce. However, the strong labour market that has helped New Deal succeed will not be around forever. Policymakers need to begin strengthening the Welfare to Work programme now.

‘Welfare’ has to become better at bringing people towards work, helping them to find and gain it. At the same time, it has to become far smarter at meeting and shaping employers’ needs. It cannot be a simple once-only shift from benefit to a job, with minimal in-work support. We need an ongoing market enabling policy: a single point of call for employability, workforce and career development services; and for quality Human Resource and workforce provision. Attachment can begin to do this.

It is not enough to end welfare as we know it. Work, too, must be transformed. We need to rethink ‘work’ to include a much broader range of constructive activities. We should recognise that full time paid work is not always suitable for everyone, all of the time—whether the jobs are there or not.⁵⁴ There is a strong efficiency and equity case for such changes. Broadening work will enable communities to build social and economic capital. Given the extent of many people’s detachment from the labour market, it will open up useful new routes for moving these people back towards paid work. Broadening work will also

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visibly extend choice in the labour market, and better match people's needs with possible activities. In doing so, it will recast the balance of rights and responsibilities for the better.

Through attachment, Welfare to Work can start to become what it was always intended to be: a tool for social and economic renewal, a proofing and enabling policy, to help people navigate the labour market, to help firms and the economy become more productive, to promote opportunity, social mobility and full employment. Smart Welfare to Work—welfare through work—is central to achieving this. It is time to get attached.

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