例えば、特定の公共職業安定所が実施している無料職業紹介業務を、その場所とハローワーク求人情報を民間事業者に利用させ、実施させることとした場合（当該業務のために現在国が支出している予算相当額を当該民間事業者に対し交付することを想定）、どのような問題が生ずるのか。また、どのような法令上の手当てが必要となるのか。

ご質問の点については、平成１６年１０月４日及び同月２０日の官業民営化等ＷＧのほか、本年１１月１２日に開催された官製市場民間開放委員会においても説明したとおり。

①企業からの求人受付の仕組みとそのための費用について。
②求人申し込みは公共職業安定所に来なくともメールやファックス等で可能か。
③また求人先企業を職安の職員が事前にかならず訪問し、その実態を確認しているか（法令上の規定と実態の双方について）。
④求人開拓にあたる人員は正規職員・非常勤でどちらが主か。非常勤職員一人当たりどの程度の求人開拓率か。

① 事業主が公共職業安定所に来所し、求人申込書に求人内容を記入して提出することにより求人申込みを行う。安定所職員はその内容を法令に違反していないかどうか等について確認し、必要に応じ指導を行った上で、求人の受理を行う。

公共職業安定所の求人受付について、他の業務と分割して費用を算出することはできない。

② 事業所が求人申込みを行う際は、職業安定法及び同法施行規則により、労働条件等の明示を書面のほか電子メールにより行うことも可能となっており、公共職業安定所に来所せずに行うこともできる。

③ 求人先企業を安定所職員が事前に必ず訪問した上で、その実態を確認するという法令上の規定はない。実務上は、原則として、求人申込みの際には来所いただき、事業所の状況を確認している。

④ 求人開拓を含む職業紹介は、職員の指示、指導のもと、職員と非常勤職員が連携しつつ行っているところである。

安定所に配置されている非常勤職員である求人開拓推進員（１，５００人）による開拓求人数は、求人件数で496,244件、求人数で1,135,568人であり、非常勤職員一人当たりの開拓求人数は、求人件数で330.8件、求人数で757.0人である。（職員数、開拓求人数は平成１５年度）

◆公共職業安定所による無料職業紹介の結果、求職者が県域を越えて就職した件数及び割合（直近三年間）

就職件数（新規学卒者及びパートタイムを除く）

（人）

		就職件数	うち他県への就職件数	割合（%）
全国計	13年度	1,380,617	114,196	8.3
	14年度	1,444,564	130,447	9.0
	15年度	1,505,694	147,347	9.8
北海道	13年度	196,873	4,696	2.4
	14年度	193,420	4,623	2.4
	15年度	187,349	4,493	2.4
千葉	13年度	30,084	8,222	27.3
	14年度	32,656	9,196	28.2
	15年度	35,852	11,260	31.4
東京	13年度	81,712	5,611	6.9
	14年度	91,928	6,819	7.4
	15年度	99,271	10,349	10.4
神奈川	13年度	47,096	8,605	18.3
	14年度	50,407	10,283	20.4
	15年度	52,808	12,101	22.9
福岡	13年度	53,345	4,372	8.2
	14年度	57,366	4,975	8.7
	15年度	62,537	5,883	9.4

（資料出所）職業安定業務統計

憲法２７条が国自らによる無料職業紹介業務の実施を求めているとの説明の論拠となる学説、判例があるのであれば、お示し願いたい。

「注釈日本国憲法上巻（樋口陽一、佐藤幸治、中村睦男、浦部法穂共著・青林書院）」
６２５頁　憲法第２７条の解説より抜粋

2　勤労の権利の内容

(イ)　本条がすべての国民に勤労の権利があるとしたのは、「すべての国民が自主的に私企業等において労働の機会をうることを理想とし、これがえられない場合には国に対して労働の機会の提供を要求しうべく、それが不可能なときには、相当の生活費を要求しうる権利がある」という、いわゆる限定的な労働権の概念を宣言したものという見解（註解・五一八―九頁、同じく、佐藤・註釈一八五―六頁）は、従来から一般に承認されているところである。今日の学説においては、労働権の具体的内容が明らかにされてきている。労働権は、労働の自由、すなわち、苦役からの自由（一八条）および職業選択の自由（二二条）を前提にし、生存権（二五条）、教育権（二六条）と密接な関係を有する権利である。

労働者の適職選択権が実現されるためには、労働者が国の職業紹介制度を通して就労の機会の保障をうけなければならない。職業安定法（昭和二二年法律一四一号）によると、国は、「各人に、その有する能力に適当な職業に就く機会」を与える（一条）ために、無料で公共に奉仕する公共職業安定所を設置して（八条）、職業紹介を行ない、公共職業安定所は、職業紹介にあたって、職業選択の自由（二条）および均等待遇の原則（三条）、適材適所（適格紹介）の原則（一九条一項）、求職者の住所・居所不変更の原則（一九条二項）を基礎としなければならない。適職選択権を具体的に担保する雇用保険は、労働の意思と能力がありながら離職した労働者に保険制度を利用して一定期間生活の保障を行なう制度で、現在、雇用保険法（昭和四九年法律一一六号）がこれを定めている。労働者に職業訓練の機会を与える国の義務は、職業訓練法（昭和四四年法律六四号）によって具体化されている。労働者の就労権の保障を具体化する立法である緊急失業対策法（昭和二四年法律八九号）は、中高年齢者等の雇用の促進に関する特別措置法（昭和四六年法律六八号）によって、この法律施行の際に現に失業対策事業に使用されている失業者にのみその効力を認め（附則二条）、廃止の方向が確立されている。中高年齢者等雇用促進特別措置法は、高年齢者雇用率の設定、中高年齢失業者求職手帳の発給など、中高年齢者の雇用促進のための方策を定めている。国の完全雇用政策の樹立をめざす雇用対策法（昭和四一年法律一三二号）は、雇用情報、職業に関する調査研究の成果等の提供を通じての求職者および求人者に対する指導（六条―一〇条）、労働力の流動化促進のための職業転換給付金の支給（一三条―一八条）、中高年齢者等の職業の安定（一九条―二〇条の四）などを定めている。

Office of Hope
A History of the Employment Service

Author: David Price

Publisher	PSI
Price	£16.00
Date	2000
Pages	360
ISBN	0-85374-771-7
Distributor	Central Books

Summary

'The author tells a fascinating tale... I am sure that students of contemporary history, social and public administration will regard this history as definitive and that future generations of students will regard it as an essential source and reference. But the book is not for the full-time or part-time student alone. It is for everyone who is fascinated by employment and unemployment, by changing attitudes to those who lose jobs or change jobs and by different theories and approaches to the modernisation and efficiency of government.'
From the foreword by Sir Geoffrey Holland, former Permanent Secretary of the Department of Employment and the Department Education

'This promises to be *the* key text in understanding the history and role of the ES. I think it would quickly become required reading for those interested in unemployment and how you implement policies to tackle it and would attract specialist readers in other countries (such as Australia and the USA). It would also have a wide readership amongst those interested in the study of Government and the civil service.'
Dan Finn, Reader in Social Policy at the University of Portsmouth

'Public services, like the concept of public service, are currently scorned. Yet, in peace and war, they have been crucial to economic efficiency and the meeting of individual need. The Employment Service, despite its lingering associations with the dole queues of the 1930s, has been a pioneer among such services. Here is the history it deserves, written with great clarity and an authority based on insider knowledge and privileged access to unreleased policy files.'
Rodney Lowe, Professor of Contemporary History in the University of Bristol

Unemployment, one of the great scourges of the last hundred years, has also been one of the most controversial issues in British politics. Governments have intervened in many different ways, but one of their main instruments throughout has been the Employment Service, culminating in Tony Blair's decision to use the Service to deliver Labour's New Deal.

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Office of Hope is the first full history of the Employment Service, from its creation by Churchill and Beveridge in 1910 right up to 1997. It tells of the origins of the service, its vital role in two world wars, the chaotic response to unemployment in the 1920s, the despair surrounding the Employment Exchanges in the 1930s and their decline after 1945.

The book goes on to tell the fascinating inside story of how Department of Employment civil servants in the 1960s and 1970s persuaded politicians to revolutionise the service to produce the modern Jobcentres. The book reveals acute tensions between employment and social security departments at the time, involving Barbara Castle, Richard Crossman, Robert Carr and Sir Keith Joseph. Controversy continued and by 1979 Professor Richard Layard was suggesting that the new Jobcentres were actually pushing up unemployment.

The book chronicles the bitter conflict between the Thatcher Government and the Manpower Services Commission over drastic cuts to the service at a time when unemployment soared to 3 million. In 1986, Lord Young, one of Mrs Thatcher's closest allies, reversed this policy when he introduced systematic interviewing of unemployed claimants under the Restart initiative. This turned the tide of unemployment and helped Mrs Thatcher to win the 1987 Election. Thereafter Norman Fowler abolished the Manpower Services Commission and drew the Jobcentres back into the Department of Employment as an Agency, with an agenda known to civil servants as the 'Stricter Benefit Regime', leading to the Jobseeker's Allowance in the mid-1990s. The book tells for the first time the inside story of how this change came about.

The book draws both on unpublished files and on the experience of the author who served in the senior management of the service from 1972-1995. He concludes with reflections on the tensions between three competing models of the service - making the labour market more transparent, controlling benefit expenditure and promoting social welfare. He discusses the service today and its role under Blair's New Deal.

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employment suitable for their ages and capacities and to obtain suitable employees...

It proved a remarkably flexible piece of legislation, which did not require amendment when the two Agencies were abolished in 1977 or even in September 1987, when the Commission ceased to be responsible for the employment service, though legislation was subsequently introduced.

Ken Cooper would have been content with a Departmental Agency. But now that there was to be an MSC, he and his colleagues were keen to escape from the rigid manpower ceilings operated by CSD and to facilitate the recruitment of staff from industry. They were therefore prepared to risk antagonising staff and unions by removing civil service status. Surprisingly, however – bearing in mind what happened two decades later with Next Steps Agencies – they made no attempt to relax the tight grip that the Treasury and CSD had on civil service terms and conditions of employment. Instead, they promised adherence to these terms in order to soften the blow of losing civil service status and to ensure transferability between the MSC and the Department.

The broader policy implications of setting up the MSC were very difficult to predict in 1972. Chapter 10 will show that the MSC proved a dynamic body with ideas of its own and a willingness to lobby for the services for which it was responsible, as well as offering its senior staff unusual opportunities for initiative.

The philosophy of 'hiving off' was nowhere so zealously pursued as in the Department of Employment. In 1974, most of the functions of the Department were hived off to external bodies – employment services and training to the MSC, conciliation and arbitration to ACAS and health and safety to the Health and Safety Commission. The term 'Department of Employment Group' was coined to describe the new federal structure. Of all the changes, hiving off the employment service had the most profound impact in breaking up the multi-purpose matrix organisation of the Department which had existed since the 1920s, when the employment exchange service became fully integrated into the Ministry of Labour.

Separation of employment and benefit work

The second major change was separation from the unemployment benefit service. This had been an ambition of the senior officials of the Department since the time of the Dunnett Report in 1964. As *People and Jobs* argued in December 1971:

> *The Employment Service has come to be regarded by many workers and employers as catering primarily for the* unemployed *and as having a poor selection of jobs and of workers seeking them. Thus if the Service is to improve its quality and reputation for satisfying a wide variety of needs, its 'dole image' must be removed.*[35]

It was further argued that the two functions required different qualities in the staff and different kinds of premises.

We have seen that the DHSS was consistently uneasy about this whole line of argument, though in the last analysis not prepared to make a stand against it. For the DHSS, hiving off made matters worse. In October 1972, AG Beard of the DHSS wrote to Ken Cooper to express concern that the employment service's much greater degree of independence, particularly under the new MSC, might 'erode the essential part the service plays in benefit control'. He urged that the MSC should be obliged to provide information for this purpose to the benefit authorities. Ken Cooper wrote back reassuringly that 'we accept without equivocation the duty to cooperate with your Department in protecting both unemployment and supplementary benefit from abuse'. He believed that the improvements in the service would in fact lessen the burdens on the Fund.[36]

In 1971, Sir Keith Joseph had followed up the Manifesto commitment to reduce abuse of the benefit system by setting up a Committee chaired by Sir Henry Fisher. In March 1973 Fisher reported. His report expressed fears that modernisation would increase the employment service's reluctance to submit long-term unemployed people to employers and declared:

> *The obligation to serve such people should in our opinion be kept high in the attentions of the employment exchanges. We should deplore any change in personnel, premises or attitudes which adversely affected the service given to such people.*[37]

In January 1974, Ralph Howells, a Conservative MP who was to focus on the link between benefit and unemployment over the next two decades, asked the Secretary of State how benefit control would be assured after separation. He was assured that

> *The Employment and Training Act 1973 requires the MSC to provide information necessary for the determination of claims to benefit. The arrangements for transmission of information between the employment and training services of the MSC and the benefit service of my Department will be broadly the same as those operating now, where the functions are separately performed.*

This answer referred to the trials in separation which had been running since the mid-1960s and to the transit card arrangements and other procedures that had been devised to ensure the necessary flow of information.

Chapters 13 and 14 will show that, by the mid 1980s, it was seen as a mistake to have separated the two functions. This requires us to consider carefully the separation decision of 1971. The DHSS's criticisms were from two angles – benefit control and social welfare. Chapter 8 showed that DHSS officials were most worried about the impact on benefit control, whereas

Crossman was more worried about the impact on those who were socially disadvantaged (page 141) – a view that was shared by some academic writers, such as Brian Showler[18] as well as by the Fisher Committee. Sir Keith Joseph seems to been concerned about both aspects.

It is important not to over-simplify the arguments about separation. It was clearly not essential to benefit control that the employment service should actually administer the benefit system. After all, in the system that was running from 1945 to 1974, the employment service administered unemployment benefit, but supplementary benefit was administered by the DHSS and in 1971 was received by as many as 37 per cent of the unemployed.[19] So the key issues relate not to overall administration but to the employment service's involvement in benefit controls and whether, as Beveridge had argued in 1942, it was essential that payment of benefit and placing in employment should take place in the same office (page 99). In the 1960s and early 1970s, Department of Employment officials fundamentally were not interested in benefit control. Unemployment was still low by later standards and long-term unemployment had not become a major national problem as it did later. But they recognised that some commitment to benefit control was necessary if the DHSS was to be persuaded to go along with their modernisation plans. Thus they accepted that the employment service would be obliged to continue reporting cases of non-availability and refusal of suitable employment (though there was scepticism about the wisdom of sending reluctant workers to an employer to 'test them out'). They appreciated that benefit control would not work so well if regular attendance for signing was not in an office concerned with employment. But for the DE it was all a question of priorities. They believed that they could never achieve major cultural change in employment service offices so long as these offices were identified in the public mind as benefit-paying institutions. They were committed to the labour market transparency model of the service, but prepared for some compromise to safeguard DHSS interests.

The compromise reached in 1971–72 did not anticipate the way in which the ethos of the new Employment Service Agency was to develop. Priority was given to building up penetration of the labour market. A powerful new system of performance objectives or targets (pages 165–6) was introduced, which emphasised maximising placings, with no differentiation between those still in a job who wanted a change and the unemployed – whether short term or long term. Protection of benefit funds played no part of management rhetoric at this time. ES management would have welcomed extra resources for a special service for the 'disadvantaged'. Failing this, it was assumed that 'the disadvantaged' would benefit not through targeting services directly towards them, but through a sort of 'trickle down' from the much stronger service that would emerge. Senior managers were trying to achieve a massive turn-round in attitudes. Some over-simplification of the message may have been unavoidable. But a price was paid later.

well as the need for speedy vacancy filling. In the ESA's view, the problems raised by the SBC arose from very high unemployment, which intensified competition from the more able. The new instructions would clarify procedures.

Table 10.2 shows that, following the issue of the instructions in February 1977, referral rates for potential abuse increased, though not dramatically. Fundamentally, however, the employment service continued to give very low priority to 'benefit liaison'. Thus, although benefit liaison had featured in the seminal documents of the early 1970s – *People and Jobs* and the *Action Plan* – it is virtually unmentioned in strategic or operational plans thereafter. The SBC's catalogue of quotations represented genuine ESA managerial attitudes at the time. Ken Cooper and his senior team had succeeded in re-orientating managers towards maximising labour market penetration. Managers knew that this depended on employer attitudes and that employers were in a buyers' market as unemployment rose. Employers did not want to be sent potential 'scroungers' to test them out. In this climate, only very clear and authoritative messages from Head Office could have ensured that benefit control was taken seriously. But Head Office itself was divided. The Divisional Directors shared the views of the other line managers. It took heavy external pressure even to get out the basic instructions, and even then benefit control had no real priority.

This could be seen as common sense at a time of high unemployment. If there was a grave shortage of jobs, should you not encourage the keen jobseekers to get them, rather than harrassing the workshy to go after them? This worked with, rather than against, the grain of the labour market. However, there were counter-arguments about the risks of growing welfare dependency among the long-term unemployed. Moreover, the Canadian government, which had pioneered separation, had decided to re-integrate benefit and employment work on precisely the same arguments about abuse of benefit that were beginning to be advanced in Britain.

Professional and Executive Recruitment (PER)

Chapter 9 described the setting up of PER as a fee-charging subsidiary of ESA (pages 166–7). The target was to achieve financial self-sufficiency by 1976, apart from the 'social subvention' (which in 1975/76 covered 25 per cent of its costs). Despite remarkable vigour and panache, this target was not achieved, partly because of the decline in the labour market (which caused losses among private agencies at the time) and also because of the constraints imposed by civil service rules on staffing and grading. In April 1976, despite continued TUC misgivings about a commercial service, the Commission decided to maintain the commercial operation for another three years, with a revised fee structure and more external recruitment.[40]

Commercial self-sufficiency was achieved in 1977/78 and placings rose to 8800.[41] But, in response to continued scepticism on the part of the Public Accounts Committee, Richard O'Brien, MSC Chairman, led a further review

DE (page 250). Towards the end of 1986, Young made clear to Cabinet colleagues his idea that the Manifesto for the next Election might propose re-integrating the Jobcentres with the UBS. Norman Fowler at the DHSS was then able to win the Prime Minister's support for the argument that this new development shifted the goal posts so much that it was impossible to reach any conclusion on the two benefit networks without considerable further study. As a result, the two parallel networks continued to deal with benefits for the unemployed for another 10 years.[47]

This is not the place to discuss the twists and turns that occurred on the first issue listed on page 253 – the organisation of education and training. Suffice it to say that by April 1987, when Young was involved with the Prime Minister and other ministers in drawing up the Conservative Manifesto for the 1987 Election, he proposed not only returning the employment service to the Department of Employment, but also abolishing the MSC, presumably with a view to creating a new training body. He recorded in his memoirs:

> *right away I could see the Prime Minister was very nervous over the proposal to abolish the MSC. In one of those rare moments of brilliance - even if I say so myself – I suddenly suggested instead that instead of abolishing the MSC we could substantially increase employer representation.*[48]

As a result, the Manifesto proposals on MSC organisation were as follows:

> *We will take further steps to provide a comprehensive service to the unemployed. We will consult the Manpower Services Commission about transferring Jobcentres to the Department of Employment so that they can work more closely with Unemployment Benefit Offices.*
>
> *The Manpower Services Commission would then become primarily a training agency. It is employers who are best equipped to assess their training needs. We will increase employer representation on the Commission and its advisory bodies.*[49]

Conclusion

This conclusion looks at Young's impact on the role and positioning of the employment service, on unemployment and on politics.

First, Young's short spell as Secretary of State for Employment had a profound effect on the role and positioning of the employment service. Whereas previous Conservative ministers, notably Peter Morrison, had made repeated cuts in the employment service, but had not changed its fundamental strategy, Young had both changed the strategy and, in a remarkable reversal of policy, secured increased resources. In conversations with senior managers, Young made it clear that the service should focus predominantly on the long-term

unemployed. In terms of the analysis in Chapter 1, he was making a decisive shift away from the 'labour market transparency' model dominant since 1973 to the 'benefit control' model. While Restart was presented to the MSC in terms of the 'welfare' model and genuinely had a welfare dimension, it was even more concerned with 'benefit control'. This interpretation was confirmed by the Manifesto proposal to transfer the Jobcentres from the MSC to the Department, which was intended to make possible a new system of 'availability testing'. For Young, the employment service had a closer synergy with benefit administration than with training, in contrast with MSC's 1970s concept of a 'comprehensive labour market policy' combining employment and training. Links with training would continue to be needed after 1987, but were not seen as so vital as the 'stricter benefit regime'.

Young's wish to re-position the Jobcentres away from the MSC also reflected a frustration with 'hiving off' to the social partners. Running Restart through the MSC had involved tensions and ambiguities, because the TUC and at least one local government Commissioner resisted Jobcentre involvement in benefit control. Young believed that a unified employment and benefit service could intensify the pressure on those who engaged in fraud or were resting on the register, and he did not want unnecessary institutional obstacles to stand in the way. Successful 'hiving off' requires greater convergence of policy thinking between government and the social partners than existed in 1987.

Secondly, Young's Restart initiative had a significant impact on unemployment. Compared with most other labour market measures of the 1980s, the Restart programme was unusually coherent and effective. In his memoirs, Nigel Lawson wrote: 'Of all the schemes introduced by the government, "Restart" had the most marked effect on the unemployment figures'.[50] Restart was also one of the most thoroughly researched of all labour market measures. The evaluation of the pilot of Restart for the 12 month unemployed suggested that an extra 8.5 per cent left the count as a result of Restart (page 243). In 1989–91, the Policy Studies Institute studied the impact of Restart on those unemployed for six months against a control group to whom Restart was not applied. PSI concluded that:

> *the Restart process had significant effects on the reduction of claiming and time taken to leave the unemployment register. The best estimate of reduction in time claiming for respondents who went through the Restart process was around 5 per cent.*[51]

The writers concluded: 'Restart is an excellent example of a "pure" supply-side policy. It acts as a gateway into the labour market programmes and services and helps to facilitate the flows into and between them'.[52]

Various labour market analysts have concluded that Restart had a decisive effect in 1986/87 in reducing the numbers and duration of long-term unemployment.[53] A Bank of England study even suggested that at least 50 per cent of the fall in registered unemployment between 1986 and 1988 could be attributed to

Table 13.3 *All male and female unemployed over 52 weeks and unemployed (not seasonally adjusted), United Kingdom, claimant count*

	A. *Over 52 weeks (000s)*	B. *All unemployed (000s)*	C. *A as a % of B*
Oct 1985	1352	3277	41.3
Jan 1986	1372	3408	40.3
April 1986	1356*	3325*	40.8
July 1986	1348	3280	41.4
Oct 1986	1341	3237	41.4
Jan 1987	1334	3297	41.4
April 1987	1295	3107	41.7
July 1987	1238	2905	42.6
Oct 1987	1172	2751	42.6

Note: *Administrative changes reduced the total UK count by 50,000 on average.
Source: Department of Employment Gazette.

Restart.[54] The movement in the figures between 1985 and 1987 is shown in Table 13.3.

A clear downward trend in long-term unemployment can be seen from July 1986 onwards when Restart became national. At the same time, a falling trend in overall unemployment was established. Without Restart and the special measures, the long-term unemployed could easily have been left on one side in the ensuing Lawson boom. As it was, the Table shows only a small increase in the proportion of the unemployed who were over one year.

At the same time, Young's approach can be criticised as in part 'cosmetic', in the sense that it was unduly focused on a narrowly interpreted 'register effect'. Since 1982, the government had treated unemployment as coterminous with those on the claimant count', which was of course a considerable over-simplification. It played down the extent to which people moved off the count into other benefits and/or into economic inactivity or moved out of long-term unemployment into temporary opportunities, only to rejoin the register as short-term unemployed.[55] Criticisms of this kind qualify Young's achievement but do not undermine it.

Finally, it is worth noting the political significance of Young's initiative. When he became Secretary of State, unemployment greatly concerned the voters and was a subject where the government's credibility was low. By the time of the 1987 Election, this situation had changed. Margaret Thatcher was in no doubt who deserved the credit:

> *at the Department of Employment (Young's) schemes for getting the unemployed back into work made a major contribution to our winning the 1987 general election.*[56]

FROM RESTART TO THE NEW DEAL IN THE UNITED KINGDOM

William Wells
Head of Economy and Labour Market Division
UK Department of Education and Employment

1. Introduction

The UK public employment service, the Employment Service (ES) and its administration of the unemployment benefit regime is the central feature of the active labour market system. This was also the case when the welfare state was established just after the Second World War. However, it was not always the case in the intervening period. From the end of the 1960s there was a gradual diminution of the labour market focus. In fact, between 1982 and mid-1986 there was no requirement to visit Jobcentres at all in order to receive unemployment-related benefits.

This paper considers the development of the system of labour market policies from the introduction in mid-1986 of Restart and the *stricter benefit regime*. This marked the reversal of the previous trend away from a labour market focus. Over the next decade there was a number of innovations that increased the work focus of benefits. These culminated in the introduction of a new unemployment-related benefit called the Jobseeker's Allowance (JSA) which remains the bedrock of the current active labour market system.

The current government has introduced two radical extensions to employment policies. First, there are the New Deals for the claimant unemployed that aim to end long-term unemployment; the New Deal for Young People and the New Deal for the Long Term Unemployed. Secondly, employment policies are being extended to cover economically inactive people of working age, particularly lone parents and long-term sick and disabled people on welfare. The challenge in helping these inactive people is different. It is necessary to get people back into the labour market before they can get into work.

In what follows Section 2 sets out some essential features of the UK labour market within which labour market policies have to work, highlighting particularly its diversity of job characteristics and employment and its dynamism. Section 3 draws out the implications for labour market policies. It sets out how they affect the Employment Service and how policies have developed since the mid-1980s. Section 4 presents some evidence that suggests that the UK approach has had a positive effect on unemployment, the ability to deal with recessions, the geographical distribution and the extent of long-term unemployment. Section 5 considers the new welfare to work initiatives of the current government and what evidence is available. Section 6 compares the UK approach with that of some other countries and considers the issue of *profiling*/early identification and *one stop shops*. Finally, Section 7 draws some conclusions.

2. Features of the UK labour market

A central feature of the UK system is its universal welfare state that has its closest counterparts in the Scandinavian countries in scope, if not generosity. The main components of the welfare state are universal public education and health systems, universal benefits for people of working age paid to people in respect of unemployment, sickness and disability, lone parenthood and people on low wages relative to their family circumstances (now paid in the form of tax credits). For people above retirement age there are universal pensions. For those in receipt of benefits, whether in or out of work, there are also benefits paid in respect of housing costs and local taxation.

The UK system contrasts with the social insurance principles of many EU countries such as France and Germany and the similar but more privately-based delivery system in the United States. In social insurance countries there are always supplementary social assistance or welfare systems. However, they are not as comprehensive, integrated or centralised as in countries with Beveridgean welfare states such as the United Kingdom. Social assistance in social insurance countries also tends to be less well regarded and at a lower level.

The United Kingdom's form of social protection and the relatively low level (although with more comprehensive coverage) of benefits in international comparative terms have implications for the tax regime. Much of the social protection system is paid for through general taxation. So social security contributions for employers and employees are relatively low. As employers' social security payments usually make up a large proportion of non-wage labour costs this is a major reason why non-wage labour costs are low. In the European Union, only Denmark has a lower level. However, it is not just the method of financing the welfare state that determines the size of the tax wedge. Despite its comprehensive welfare state, the size of the public sector in the United Kingdom tends to be lower than other EU countries, but not the United States or Japan. There is, therefore, less finance needed.

As social protection in the United Kingdom tends to be delivered through the benefit system there has traditionally been less of a role for regulation of terms and conditions in the labour market. Social protection tends to be focused on outcomes such as requiring behaviour that ensures health and safety or equal opportunities, rather than prescribing the method of achieving these outcomes. This is a long-standing tradition. For example, the United Kingdom has never signed up to any ILO convention on working time. This includes the very first one, Convention Number 1, established when the organisation was set up in 1919. Thus, although the previous government had a reputation for deregulation and there was some, it was not extensive general deregulation because there were few general regulations to abolish in the first place. However, there was unease that the previous government had gone too far. The current government believes that it is possible to combine this labour market diversity with decent minimum standards. It has, therefore, restored some basic minimum standards.

Diversity in labour markets

The lack of general regulation of terms and conditions in the labour market has tended to mean that there is, and always has been, a wide range of types and patterns of employment (Wells, 1992). The range of jobs in the United Kingdom is wider than in any other EU country and the concept of a *standard* or *typical* working week does not really exist in the United Kingdom. The range of hours worked is very wide with only 10-15% of employees working the modal number of hours of 40 hours per week. Similarly, the distinction between full- and part-time employment is somewhat artificial as there are no obvious dividing points. As well as great diversity of hours worked the United Kingdom

tends to do more shift, night, Saturday and Sunday work. A notable exception is that temporary work is less prevalent than in other parts of the EU.

The range of jobs available tends to enable a wider range of people to find a pattern of work that suits their individual circumstances. It is one of the reasons why the UK employment rate (the proportion of people of working age who are in employment) is amongst the highest in the world. In the EU it is second only to Denmark.

Diversity in product markets

Diversity in types of work available are accompanied by increasing diversity and decentralisation in the methods of production. Self employment is more prevalent than in the 1970s (although it has fallen back somewhat lately) and more generally enterprise and competition are now actively promoted. Alongside this, product market deregulation, international trade liberalisation, privatisation, trade union reform, contracting out and market testing have all made it possible for a larger group of economic agents to compete in both product and labour markets.

Increasing the relative power of "outsiders"

It is not, however, enough to have a wide range of jobs available if they are not open to people who are without work. Here policies have changed. The previous stance during the 1970s and early 1980s favoured the maintenance of employment of existing workers. Now, there are fewer barriers to market entry for the unemployed.

Subsidies in respect of existing employees such as the Temporary Employment Subsidy and the Short Time Working Compensation Scheme aimed to avoid redundancies. Industrial rescues, subsidies to nationalised industries and closed shops have a similar effect. By the mid-1980s such subsidisation of firms and employees had largely disappeared. Alongside this, there was also a belief that too onerous employment protection regulation for existing workers tended to prevent market entry by different workers and also retard competition. Thus, the qualifying period for unfair dismissal (for full timers), having been reduced from two years to six months in 1974, was increased to two years between 1979 to 1985. Again, the current government believed that this had gone too far and it is now set at one year.

As a consequence, it appears that the determinants of the level of unemployment have changed. During the 1970s the prevailing wisdom was that the increase in unemployment was largely due to an increase in the average duration of unemployment (see, for example, Layard *et al.*, 1991). This is what you might expect if outsiders are excluded from jobs and job growth itself is sluggish. In contrast, during the 1980s and particularly since 1986 the level of unemployment has primarily been determined by inflows into unemployment. The increased competition in both product and labour markets may have had an effect in enabling more unemployed "outsiders" to get past the "insider" barriers and into jobs.

Increased employability and improved incentives.

There has also been some increase in the ability of individuals to take up jobs and firms to provide them. Education levels have improved substantially since the mid-1980s (although from a low

base) and the current government has placed great emphasis on raising education standards, particularly of basic skills and employability. For example, in 1986 37% of the population of working age had no qualifications. By Winter 1999/2000 this proportion had fallen to 16%. However, demand for unskilled personnel has also fallen over this period and this fall is likely to continue. Therefore, it may be necessary to improve just to stay in the same position.

On top of this, financial incentives to make work pay have been improved. Non-wage labour costs have traditionally been low but the United Kingdom is the only G7 country where they have fallen since 1980. Also, there has generally been a shift from direct to indirect taxation. This has meant that the direct tax wedge (direct taxation together with employer and employee social insurance costs) is amongst the lowest in the OECD. Thus, the gap between the total costs of labour and take-home pay tends to be lower in the United Kingdom than elsewhere.

There were also reforms of the distribution of the tax, social insurance and benefits so that it is generally true that people are better off in work. A National Minimum Wage has been introduced. Benefits have been uprated by prices rather than earnings since 1980. As real earnings have risen throughout the earnings distribution then the gap between earnings and benefits has grown. (The situation is complicated by the fact that housing costs have risen more than prices. These costs are usually paid in full on top of benefits. Hence, overall, benefits have risen in real terms.) Changes in taxes and recent reforms of National Insurance have also favoured the lowest paid. There have also been reforms of in-work benefits. Initially Family Credit was introduced and then the more generous Working Family Tax Credit (WFTC). The WFTC also promoted work by payment through the tax rather than the benefit system.

Social insurance changes and changes in wage determination may have helped employers to take on workers although partly at the expense of a widening of the earnings distribution. Employer's National Insurance payments have been reformed to reduce the costs of employing low paid workers. Also, over the past two decades, pay determination has become more decentralised and there are now more systems that link pay to performance. Tentative conclusions are that the relative pay movements may have been favourable in providing more job opportunities (Beatson, 1995; OECD, 1996*a*). However, they have also contributed to the earnings distribution becoming more unequal.

Dynamism in the labour market

The current government has restored as a central economic objective the achievement of high and stable levels of employment so that everyone can share in higher living standards and greater job opportunities. The current position is relatively favourable. The number of people employed is currently at its highest ever level at 27.8 million. However, because the population is also increasing record levels of employment do not mean that the employment rate is at record levels. Compared to previous cyclical peaks the employment rate at 74.3% (UK working age is 16-59 for women, 16-64 for men) is currently back up to 1979 peak but below the unsustained 1990 peak of 75.0%.

Employment rates are also well above the EU average in every region and in the vast majority of local authority districts within regions. Differences within regions are much greater than the differences between regions with all regions having areas of high and low employment, sometimes next to each other. There are a relatively small number of local authorities (20 out of 408) which have employment rates below the EU average. Six are in London, four each in North West, North East and Wales and two in Scotland. These districts are dominated by areas in or around major cities, particularly London and Liverpool, some ex-coalfield areas particularly in the North East and Wales and some seaside and coastal towns.

More importantly from the perspective of the public employment service Jobcentre vacancies come up all of the time (Figure 1). Over the past year around 2 ¾ million vacancies (just under 10% of the workforce) were notified to Jobcentres. Changes in the levels of employment are the net result of a large number of people taking up jobs and a large number leaving jobs. Numbers taking up work do not vary as much as numbers leaving work. Even in each of the recession years of 1991 and 1992 there were still around 2 million new Jobcentre vacancies. Yet, over the period employment fell by over a million because job losses rose substantially. Also, as well as Jobcentre vacancies there are probably twice as many vacancies from other sources such as newspaper adverts.

At a local labour market level there is a relatively even spread of vacancies across the country. In most Travel To Work Areas (TTWAs) vacancies notified to Jobcentres each year are around 7-15% of their workforce (Figure 2). Vacancy rates are not closely linked with whether employment is going up or down or whether employment is low or high. Again, Jobcentre vacancies might be a third of total vacancies.

All industries notify vacancies to Jobcentres. There is not a close link between the industry's share of vacancies and whether employment is growing in that industry or not. There is a much closer link between any industry's share of Jobcentre vacancies and its share of total employment. In terms of Jobcentre vacancies, distribution and hotel and catering industries are over-represented and public administration, health and education and, to a lesser extent, manufacturing are under-represented.

It is a similar story at an occupational level. Jobcentre vacancies cover a wide range of occupations. Again, there is not a close link between an occupation's share of Jobcentre vacancies and whether employment in the occupation is growing or not. Jobcentre vacancies are under-represented in managerial and professional occupations compared to the structure of employment. However, Jobcentre vacancies are more closely aligned with the occupations sought by the claimant unemployed as managerial and professional occupations are also under-represented amongst the claimant unemployed.

3. Developments in UK labour market policies

The justification for and establishment of a public employment service

The diversity and dynamism of the UK labour market at least affords the possibility that people who are without work need not be concentrated amongst certain groups. With all sorts of jobs coming up all of the time more people are likely to be able to find a type of work that suits their individual circumstances such as their domestic commitments and education. There is also the possibility that people will, relatively quickly, find a job that suits them and need not spend too long without work.

However, compared to the immediate post war period, society is less collective. It is more individualistic, more consumerist, more complex and more market based and driven. Society is now much more decentralised, diverse and heterogeneous. It is now a mosaic not a jigsaw. This is partly because of the onward march of the market that involves millions of individual transactions rather than a smaller number of collective decisions. It is also partly because new technology, mass communication and travel have shrunk the world. In such a society, information about how all the various bits fit together is an invaluable resource. Here, the provision of information aimed at bringing together people without jobs to jobs without people is crucial.

What is more, because of economies of scale and hence decreasing marginal costs, governments or other collective bodies have a distinct advantage in collecting that information and disseminating it universally. On top of this, information does not diminish when it is used. It can be used more than once without being reduced. Also, the marginal cost of provision is close to zero. This would again suggest government involvement in order to bear the costs of collection whilst generally providing the information free so that the economy can recoup the benefits of better resource allocation.

This classic market failure argument for state provision of labour market information is supplemented by the need to offset unintended side-effects of government policies. That is why, from the beginning, the British welfare state has incorporated what is now called the rights and responsibilities agenda.

For example, the Royal Commission on the Poor Law (1904-09) examined the case for unemployment insurance. The minority report, largely written by Labour Party luminaries Sydney and Beatrice Webb, advocated compulsory labour exchanges as a crucial counterbalance to any scheme of unemployment insurance. This view, with which Beveridge concurred, was partly based on an early example of evidence-based policy. There was a brief experiment with compulsory insurance in the Swiss canton of St. Gall which had failed because of the lack of adequate controls over claimant's availability or their willingness to work. Requirements of active job search and availability for work were maintained in the UK system and reproduced in the unemployment benefit system when the welfare state was set up in the late 1940s.

These factors remain the key reasons for maintaining a public employment service. In 1995 the conclusions of what was called a Prior Options Review of the Employment Service were announced by Michael Portillo the then Secretary of State for Employment. Abolition was ruled out, despite the then government's predisposition towards greater private sector involvement. Privatisation was not considered feasible. ES generated only a small revenue and any attempt to boost it by charging for placings would undermine the help for the unemployed. Strategic contracting out and market testing were also not considered feasible on a national scale because there was no current capacity to provide all ES functions nation-wide.

The over-riding factor behind these conclusions was the need to maintain the links between job-broking and benefit administration. As the report concluded:

The strong links between benefit administration and job-broking have been shown to be a significant factor in ensuring that the unemployed receive adequate help back into work. Without them, levels of unemployment, particularly long-term unemployment, would be higher, and any reduction in the effective labour supply would lead to higher recruitment costs and greater wage pressure. The report concluded early on that it is important to maintain such links in any future arrangements for the delivery of ES functions.

Thus, the UK approach is to ensure that all of the claimant unemployed are helped all of the time by maintaining continuous labour market attachment. Administrative means are used to maintain this attachment and labour market focus. They offset the effect of duration dependency – the natural tendency for morale and job search to flag the longer a person is unemployed – and any disincentive effects associated with the receipt of benefit. This approach aims to increase the chances of individuals of all durations of getting a job. It allows people to take advantage of the fact that all sorts of jobs come up all over the country all of the time.

The period up to the mid-1980s: broken links between job broking and benefit administration

From the mid-1960s there was a move away from market solutions and towards direct interventions in the income distribution not just in the United Kingdom but in many other countries. Benefits moved away from being a temporary palliative whilst the underlying problem is being resolved towards a permanent payment for "victims" who have no responsibility for their plight.

Jobcentres and Benefit Offices were split in 1974 when the Manpower Services Commission was established. From 1961 people only had to visit Jobcentres once rather than twice a week. In 1980 it became once a fortnight and between October 1982 and mid-1986 unemployed people did not have to sign on at Jobcentres at all.

Thus, the management of the system had become essentially passive with no responsibilities to counterbalance the right to benefit. People only had to sign on at Benefit Offices in order to receive their benefits. This shift away from responsibilities was increased by the pressure to reduce the number of public servants. The review that suggested the move to voluntary attendance in Jobcentres also recommended that the number of Unemployment Review Officers (UROs) needed to police the new regime should be increased from 940 to 1 250. Instead, by 1985 only 550 UROs were being employed. The first half of the 1980s had also seen years of staff cuts. This further reduced the focus on the labour market and increased the relative importance of the passive payment of benefits.

What is more, in the early 1980s large numbers were encouraged out of the labour market into inactivity. For example, the 1983 Budget allowed men aged over 60 to move on to a higher benefit rate if they left the unemployment register and signed onto the long-term supplementary benefit rate (as it was called then). This benefit required that benefit recipients *did not* look for work. In addition, there was the Job Release Scheme which subsidised the early retirement of older workers in order to release a job for young people. Finally, many people were on large-scale undifferentiated training and employment programmes which had relatively few links with the "open" labour market.

The focus of the Jobcentre network also moved away from the individual. The split of Jobcentre from Benefit Offices and the siting of Jobcentres in high streets aimed to maximise vacancies by concentrating on providing a better service to employers. By gaining market share the belief was that more of your clients, particularly the harder to help, would benefit. This example of *trickle down* did not work. The policy aimed to get more vacancies notified to Jobcentres, but fewer unemployed people were coming in to Jobcentres to match with these jobs.

Restart and all that

The year 1986 is rightly famous for the start of a reversal in UK labour market policy. However it was not just Restart (see below) that was introduced. A number of initiatives, collected under the term "stricter benefit regime" also began to increase the labour market focus of the administration of benefit. More Unemployment Review Officers (UROs) and also fraud officers were introduced, vacancies were displayed in Benefit Offices, UROs could interview clients in Jobcentres, and there was a "Postal Contact Initiative". Letters were sent to all unemployed over six months to encourage them to use Jobcentre services.

As well as this initiative Restart was introduced. All the long-term unemployed were invited to come to an interview at a Jobcentre The interview included discussion of why individuals remained unemployed and of a menu of opportunities. Restart was introduced on a pilot basis in nine offices in 1986 because the government and particularly the finance ministry asked for an evaluation of the

pilots before they would agree a nation-wide extension. The evaluation when it finally emerged concluded that an extra 8.5% left the count as a result of Restart. Not all of those who left entered work. This became a common feature of such programmes. When a new initiative is introduced some people will tend to leave the register, but not for work. Over time this effect tends to wear off and, to some extent, could be seen as "cleaning up the register". In the end Restart went national on 1 July 1986 and by 1987 interviews were held after the first six months and every six months thereafter until a person left the register.

Over the next decade until the introduction of the Jobseeker's Allowance in 1996 there was a gradual revision of all aspects of labour market policies. Active labour market policies aimed to take advantage of the diversity and dynamism of the UK labour market and match individuals with the jobs as they appear. The public employment service is, therefore, a vital element. Within it the use of the job-broking function in conjunction with the payments seeks to promote and improve job search. Where necessary this is supplemented by other individual-based interventions such as training and work experience that help to place the right person in the right job. This approach is fully in line with the original proposals of the OECD Jobs Study (OECD, 1994). It combines the payment of benefit with active job search and also acts as a gateway to other active labour market help.

The key elements comprised, firstly, the establishment of a fully unified unemployment benefit system (the Jobseeker's Allowance) which combines both contributory (social insurance) and means tested (social assistance or welfare) benefits. Rules from the previous regimes were standardised and, where possible, simplified. The objective was to allow people to concentrate on getting back to work rather than worrying about benefit rules. It also makes it easier to provide more coherent and extensive help as the individual's unemployment duration increases. By contrast, in many other countries the social assistance or welfare system is not integrated with either the social insurance system or active labour market policies. In these other countries active labour market policies tend to be concentrated on people receiving social insurance benefits who, in turn, tend to be the shorter-term unemployed.

Secondly, an intervention regime has been established which is built around the individual and fully focused on the labour market. At the start there is a Jobseeker's Agreement for everybody who becomes claimant unemployed. This is a back-to-work plan that tries to devise the most efficient form of labour market activity necessary to get people into jobs. It takes account of an individual's characteristics, their benefit position (another reason for integrating benefit payment and job search) and the local labour market circumstances. Such an action plan is a common feature of many countries' systems but the UK system is more comprehensive. It applies to all unemployed people at the start of their claim whether they are on social insurance or social assistance benefits.

The other major difference is that the Jobseeker's Agreement expects the individual to do most of the work particularly at the start of the claim. Individuals tend to have the best idea of their own circumstances. They can also tap into the majority of vacancies that are not notified to Jobcentres as well as those that are. Finally, getting the jobseeker to do most of the work is a way of shepherding public sector resources.

This plan requires people to be actively seeking work and available for work and the intervention regime promotes continuous job search by requiring regular (fortnightly) attendance at a Jobcentre where vacancies are available. This keeps individuals in touch with vacancies and tries to offset, through administrative means, any tendency for job search to flag as their unemployment duration increases. In addition, "active signing" checks the Jobseeker's Agreement by testing a proportion of the client group each time they attend. "Active signing" supplements this continuous-

job-search strategy particularly since the individual is unaware when their Jobseeker's Agreement will be checked. Under this approach the payment of benefit itself is an active labour market measure.

This regular attendance is supplemented by regular, more intensive, interviews thereafter. At three months individuals have to widen the range of jobs that they have to consider in terms of occupation, type of job and distance travelled. Individuals attend a Restart interview at six months and a similar interview every six months thereafter. These interviews review and check the individual's approach to getting a job and, as duration increases, provide a suitable occasion for determining whether they should change their approach and also what individual help is needed.

The amount of help available increases as duration increases. There are, however, some groups who are eligible for extra help immediately. For individuals with one particularly severe labour market disadvantage – disability, English as a second language, severe literacy or numeracy problems – early access is allowed.

The range of large-scale interventions has also changed in nature. As Figure 3 shows there has been a shift away from large-scale and undifferentiated training and work experience. Now, the focus is much more on measures aimed at matching people with jobs and aiming to address their individual barriers and problems. There is a range of jobs and individuals so there is the need for a range of interventions. The interventions include policies to improve job search (*e.g.* Jobclubs); interventions to ease the transition into work (*e.g.* travel to interview subsidies, work trials, subsidies, jobfinder grants, help with claiming or retaining benefits, advice on in-work benefits and tax credits); and interventions to restore either work habits (*e.g.* work experience) or improve skills (*e.g.* training). At the end of longer interventions there is also greater effort to recoup the investment and ensure an efficient transition into work through job search.

There has also been an examination of how the policies are delivered. Jobcentres and Unemployment Benefit Offices have been re-integrated. This reinforces an approach which enables the payment of benefit to become an active labour market policy in itself. Jobseekers, once again, regularly attend offices where vacancies are available and they are expected to access them. Also, greater attention is paid to customer service with an important cultural change brought about by removing screens between staff and clients and having open plan offices.

Also, new management techniques were introduced. The Employment Service (ES) was set up as a Next Steps agency that operated at arm's length from its parent department. However, given the importance of the various processes in the delivery of labour market policies there continues to be close liaison between policy and delivery. The ES is given, each year, a set of targets. There is a set of placement targets aimed at those with labour market disadvantage so that the delivery mechanism as well as policy is focused on those most in need. Other targets aim at ensuring that the labour market interventions are delivered promptly and accurately and at ensuring customer satisfaction.

For the large-scale interventions the ES hands the individuals over to specialist providers. ES does not deliver all these interventions. Many are contracted out.

4. Success of the policies

As Figure 3 shows, the cost of active labour market policies has fallen even after the introduction of the current government's more extensive welfare to work programme. However, despite the reduced costs there is evidence that labour market outcomes have improved since the mid-1980s and that labour market policies have contributed to this outcome.

Since labour market policies changed and then changed back after 1986, a historical comparison might show whether the policies since Restart have had an effect. Figure 4 compares claimant and ILO unemployment. In the mid-1980s the number of unemployed claimants was more than the number of ILO unemployed. This implied that, during the period when there were not policies aimed at continuous labour market attachment, many claimants were either not actively seeking or not available for work – even though these were conditions of receiving benefit. They were inactive in the labour market.

In such circumstances the claimant unemployed cannot take up jobs even if they come up. They either do not know that there are jobs around or are not available to take them. The drift into inactivity and benefit dependency is also likely to be concentrated amongst those who have been without work for a long time. By mid-1986, even though employment had been growing for more than three years after the recession, there were 3.1 million claimant unemployed and 1.3 million had been claimant unemployed for more than a year.

Thereafter, when the labour market focus of the benefit regime increased, claimant unemployment fell below ILO unemployment as you would expect and the gap grew from 1996 when the Jobseeker's Allowance was introduced. However, generally the unemployment trends were very similar. That is not surprising given the universal nature of the UK benefit system.

Since 1986 there has been improvement in claimant unemployment (Figure 5). For the first time since the 1960s, the cyclical peak in unemployment in 1992 was lower than the previous (July 1986) peak. Recently, another milestone was reached. The current claimant unemployment levels are now below the previous unemployment trough in 1990. Most of the improvement in unemployment (1.1 million of the 1.9 million improvement in unemployment since 1986) is amongst the long-term unemployed. Falls at the even longer durations were even faster.

The improvement has largely been because there has been a change in the relationship between inflows and outflows. As Figure 6 shows, until the 1980s outflows were generally on a downward trend and that trend was relatively unaffected by inflows. The focus on maintaining employment probably meant that the probability of "outsiders" getting back into work was reduced. Thus, even when inflows jumped during the recession of the mid-1970s, there was not an equivalent increase in outflows and durations increased. From the 1980s and particularly since 1986 outflows have become more of a mirror image of inflows, following the moves up and down. Thus, in contrast to the mid-1970s, the recession of the early 1990s saw a rise in unemployment that was predominantly due to the increase in inflows.

The improvement in outflows between mid-1986 and 1999 is set out in Figures 7 and 8. By using the benefit regime to maintain continuous attachment for all claimants throughout the unemployment spell, it seems that it is possible to take advantage of the constant turnover of vacancies. Most people leave unemployment quickly; in 1999 over three quarters left within six months and over 90% left within a year. People continue to leave unemployment at all durations. Half of the people who reach a year leave within the next year. Similarly, half of the people who reach two years and three years leave in the next year. (However, among all people leaving, the proportion that goes into jobs falls as duration rises.)

Since mid-1986 there have been large improvements in the outflow rate at every duration. Compared to 1986 the proportion of the inflow who remain claimant unemployment after a year is now less than half (9% compared to 20%); after two years a quarter (2% compared to 8%); and after four years an eighth (0.5% compared to 4%).

The regime also appears to help prevent the build-up of long-term unemployment during recessions. Outflow rates have moved up over the period (Figure 9). There was a rise in the mid- to late-1980s when the new approach to labour market policies was being introduced and in 1996/97 when the new Jobseeker's Allowance was introduced. However, there is little overall variation in the rates despite the fact that the early 1990s recession was both long and severe.

The application of a standardised approach to all claimants across the country has helped to achieve a relatively even spread of outflow rates. Figure 10 shows for Travel To Work Areas (TTWAs) the proportion of people in the first three months of unemployment who leave in the next year (ranked from lowest to highest) for both 1986 and 1999. Most TTWAs were in a relatively narrow range of 85% to 95%, close to the national average of 91%. This was a substantial improvement on the 1986 range of 75% to 85%. Outflow rates tend to be slightly lower the higher is the unemployment rate but the differences are neither consistent or marked.

It is a similar story at longer durations. In 1999 for people in their first year of unemployment most TTWAs in 1999 saw around 85-95% leave unemployment in the next year compared to around 70-80% in 1986. In the second year of unemployment most were in the range 60-80% in 1999 compared to 40-60% in 1986. In the third year 50-80% left unemployment in the next year in 1999 compared to 30-40% in 1986. In the fourth year 40-60% in 1999 compared to 20-30% in 1986. For longer durations, outflow rates tended to be lower in higher-unemployment areas. However, again this correlation is neither close nor marked. The correlation seems even less marked in 1999.

5. The new welfare to work agenda

Despite the fact that there is the same proportion of people of working age in employment as in 1979 there is now a greater number of people on benefits who are not in work. The number of households as well as the number of people who are dependent on benefits has risen. Also, more people have been without work and on benefits for a long time. This is particularly true of benefits associated with inactivity – lone parent and long-term sickness and disability benefits. Also, there are still more people who are long-term claimant unemployed than in 1979 which was then considered a historically high level.

The numbers of claimant and ILO unemployed are now falling to close to 1979 levels but the number on other benefits is much higher. Of the 5 1/4 million people of working age who were not working and on benefits only around 1.2 million were on unemployment-related benefits. Of the rest, 2.9 million were on sickness and disability benefits, 900 000 on lone parent benefits and around a quarter of a million on various other benefits. The major reason why the number on inactive benefits is high is that once they are on benefits only a small and, until recently, declining proportion of them leave. There is, therefore, a build up of people on these benefits with very long durations. This picture is similar to the story of the claimant count in the period up to the mid-1980s when it, too, had a passive administration regime.

Given this distribution of people without work the current government has decided to use the best national and international evidence of what works in active labour market policies in order to end long-term unemployment. Also, in another radical innovation, employment policies are being extended to cover the inactive, particularly those on benefits.

The New Deals for the claimant unemployed

The New Deals for Young People and the Long Term Unemployed are the policies aimed at ending long-term unemployment. The New Deal for Young People is the more developed of the two. In return for the rights of a comprehensive, individually-based service young people aged 18-24 unemployed for six months or more have the responsibility to take up the help. They are not allowed to remain on benefit.

In the *New Deal for Young People* there is a "Gateway" process. For up to four months, the young people are assigned to a caseload with a personal adviser and given counselling and intensive job-search help. There are then four options; a subsidised job with an employer, work experience on either the environmental task force option or with a voluntary organisation, or – primarily for people with low or no qualifications – the option of full time education or training. If the young person turns down all reasonable offers there is "no fifth option". They will not be allowed to rest on benefits and will be sanctioned. Towards the end of the option, help with job search is reintroduced and this continues after the option has ended in what is called the Follow Through.

The *New Deal for Long Term Unemployed* was introduced in its original form in June 1998. It is now being developed building on the evidence and successes of the New Deal for Young People. After a degree of experimentation and piloting a new structure, which resembles that of the New Deal for Young People, will be introduced next year in the light of evaluation results and lessons that have been learnt.

These New Deals were introduced to end long-term unemployment. There are signs of success but there is still more to do. The client group for the New Deal for Young People is now at levels not seen since the mid-1970s. As Figure 11 shows, the number of young people claiming unemployment benefit for six months or more is around 50 000 (most of whom are on the Gateway phase of the New Deal), about a tenth of the peak in the mid-1980s. And, since the introduction of the programme two years ago, claimant unemployment amongst the 18-24 year olds has fallen by over half (56%) compared to nearly a fifth (18%) for the rest.

There is further independent evidence from the National Institute of Economic and Social Research that the New Deal has contributed to this improvement. It estimates that, in its first year, around 30 000 of the fall in the numbers in the client group was due to the New Deal with around half representing an increase in jobs. From the national statistics, there is some sign of an increase in the numbers rejoining the Jobseeker's Allowance after leaving the New Deal options and/or the Follow Through. Despite this rise in inflows, the outflow rates from the short durations have not been adversely affected. We are doing more work to try to isolate the former New Deal people among the short-term unemployed and where they are going. If their experience has improved sufficiently so that they have become similar to other newly unemployed young people then this might be seen as an early indication that their long-term employability has increased.

Employment policies for the inactive

The other radical innovation of the current government is to extend active labour market policies to the inactive, particularly those on welfare. The challenge here is different. It is first necessary to get people back into the labour market before they can take up jobs. Also, the client group is different. These are people who are receiving benefits because they are lone parents or long-term sick or who have a disability. They will, therefore, have particular barriers to work and sometimes a temporary or permanent inability to do any work.

Therefore, the United Kingdom has proceeded cautiously and with a good deal of experimentation in order to ensure that the security and social protection of these people are maintained. Thus, there have been a set of New Deals for each of the main groups of the inactive population dependent on welfare; the *New Deal for Lone Parents,* the *New Deal for Disabled People,* and the *New Deals for the Partners of the Unemployed.* In addition, there has been a *New Deal for the over 50s* introduced to target help on the area where growth of inactivity has been most marked. These New Deals again draw on some of the lessons from the New Deal for Young People. Key elements are caseloading with a personal adviser and extra help to offset particular disadvantages such as lack of childcare and workplaces that are inaccessible to people with disabilities.

Alongside these policy innovations there have also been pilots aimed at giving a greater work focus to the delivery of the inactive benefits. They are the "*ONE*" pilots which introduce work-focused interviews for the inactive as well as the unemployed. Thus, they incorporate active management of the benefit and the requirement of certain activity by the participants (although not necessarily full labour market conditionality). This process is similar in principle if not intensity to the rights and responsibilities agenda associated with the Jobseeker's Allowance. It aims to get people back into the labour market and keep them there so that they can, with appropriate help, take advantage of the vacancies as they come up.

There are changes planned in the delivery organisations that also aim to increase the work focus of benefits. The Employment Service which concentrated mostly on the unemployed is being combined with the parts of the Benefits Agency that deal with the people of working age on inactive benefits. The aim is to improve the delivery of the welfare to work policies by removing artificial bureaucratic burdens that may inhibit people from considering work or getting the work that suits them.

For these people on inactive benefits the evidence of likely success is more speculative because the policies are still in their infancy. However, the diversity and dynamism of the labour market and the fact that there are people already in work who face similar barriers to those who are on benefits suggest that there is, at least, the possibility of moving these people from welfare to work.

The success of the active management of the claimant count since 1986 particularly in reducing long-term unemployment and the US success in dealing with their welfare rolls made up largely of lone parents suggests that policy can make a difference. After years of almost continuous increases, numbers on lone parent benefits seem to be trending downwards, albeit slowly (Figure 12). Growth in the number of people on long-term sickness and disability benefits has slowed considerably and the number may be close to peaking.

At the very least, policies that aim to increase the probability of the most disadvantaged in society taking up and keeping work – their employability – can have a redistributive effect. The work is shared more evenly. However, there is an economic case as well. If these policies are effective in bringing more people into the world of work then more vacancies can be turned into jobs rather than remaining unfilled. Getting the right people into the right jobs also eases bottlenecks, skill shortages and inflationary wage increases. If all people in the labour market have at least basic employability and we can match the people with the jobs it will be possible to run the economy with a higher level of employment and lower levels of inflation.

6. Profiling/early identification and one stop shops

The UK approach to people on unemployment benefits is fully in line with the strategy set out in the original Jobs Study report (OECD, 1994). The Jobs Study policy proposal for the public employment service was to maintain close links between the administration of benefits and job-broking and use the public employment service as a hub from which individuals are handed off to larger scale, more intensive active labour market policies. (This approach is sometimes called "work first".) However, as the Jobs Study developed, there was a movement away from this conclusion towards recommending the use of "profiling" or "early identification" (OECD, 1996*b*, 1998).

The two different approaches, "work first" and early identification/profiling, are different in two important respects. First, "work first" emphasises the importance of universal and continuous job search so that all people are expected to be looking for work all of the time. More intensive help is only given to the small proportion of people who reach longer unemployment durations. By contrast, "profiling" tends to give intensive help early in their unemployment spell to the small proportion of people who are forecast to become long-term unemployed rather than wait until they actually become long-term unemployed.

The other difference between the two approaches concerns the nature of one stop shops. Both approaches tend to have one stop shops but the "work first" one stop shop integrates benefit payment and job-broking and acts as a hub from which people are passed on to larger-scale more intensive labour market programmes. On the other hand, "profiling" one stop shops tend to combine job-broking and other active labour market help and the link between benefit payment and job-broking is weaker with, in some cases, no vacancies available in the benefit offices. These two differences mean under the "work first" approach that not only are all people expected to search for work all of the time they are also, through the integrated benefit office and Jobcentre, in contact with vacancies every time they "sign on" for benefit. Automatic access to vacancies under the "profiling" system is neither as universal or as regular.

Since 1986 the "work first" approach has gradually been re-introduced in the United Kingdom for people on unemployment benefits. More recently, a "profiling" system has been introduced in the United States for people on unemployment insurance. Changes in the numbers of people receiving unemployment benefits in the two countries suggest that the "work first" approach has been relatively more effective. Similarly, despite the fact that the objective of "profiling" is to prevent long-term unemployment, over the last economic cycle the share of long-term unemployment has increased in the three countries where profiling has been introduced – the United States, Australia and the Netherlands – whereas in the United Kingdom the share has fallen. Finally, further support for the relative effectiveness of the "work first" approach is provided by comparing the fall in the numbers of people on welfare or social assistance in the United States (who are largely lone parents) with the growth in the numbers on social assistance in the United Kingdom.

Dealing first with the unemployment benefit system, the improvement in the United States has not been as great as in the United Kingdom despite a relatively more favourable economic performance. Unemployment benefits in the United States are almost entirely social-insurance-based. Benefits tend to last a maximum of six months and social assistance or welfare payments in the United States are not generally available for unemployed, including long-term unemployed, people. By contrast, the UK system is fully unified with social insurance integrated with social assistance and, providing the benefit conditions are met, the benefit can be paid indefinitely. In the United States the improvement in ILO unemployment rates since the late 1980s was concentrated amongst people who are not on unemployment benefits. The unemployment benefit rate in the mid 1990s was no lower than the late 1980s (OECD, 1999, p. 19). This contrasts with the United Kingdom where both the ILO

and claimant unemployment rates have improved but the improvement in the claimant unemployment rate has been greater.

The improvement in the UK claimant unemployment rate has been primarily due to an improvement in outflow rates. Now, more than three quarters of benefit recipients leave unemployment within six months. This compares favourably with the United States where over a third of unemployment benefit claimants exhausted unemployment benefits (OECD, 1999, p. 65) which usually last for six months (these figures are not strictly comparable as some people in the United States may exhaust benefits before six months if for example, they have had multiple unemployment spells). These similar outflow rates in the two countries occur despite the fact that profiling provides intensive help for a greater proportion of the short-term unemployed in the United States than the United Kingdom. Also, one might expect that the fact that US benefits end after a maximum of six months would provide a greater financial incentive to leave unemployment before benefits are exhausted than in the United Kingdom where benefits are everlasting. This provides some support for the view that the "work first" approach of maintaining continuous job search for everyone through administrative means is the more effective system. One factor which might contribute to this effectiveness is the personal checking of labour market activity in the United Kingdom compared to the greater use of telephone in the United States.

A second piece of evidence about the relative effectiveness of the "work first" approach compared to "profiling" has been the changes in the duration structure in countries. Despite the fact that "profiling" aims to minimise long-term unemployment, the average duration of unemployment in the United States was higher in 1997 than at similar points in previous expansions (OECD, 1999, p. 9). Also, two other countries have introduced profiling methods, Australia and the Netherlands. In these countries the proportion of the ILO unemployed who have been unemployed for more than a year was higher in 1998 than in 1986 (1987 in the Netherlands). In Australia, the share rose from 27.5% to 33.6%, in the Netherlands from 46.2% to 47.9%. By contrast, the UK share improved from 45.9% to 33.1%, still higher than in the United States but lower than in the other two countries. It may be that the UK "work first" approach which helps all of the people all of the time but concentrates more intensive help on the long-term unemployed is a more effective approach for preventing or minimising long-term unemployment than "profiling" which concentrates most help on those who are currently short-term unemployed.

A third piece of evidence supports the view that it is the "work first" approach which is relatively effective rather than a country-specific effect limited to improvements in the United Kingdom. It concerns labour market policies towards social assistance or welfare recipients in the United States and the United Kingdom. Welfare payments in the United States tend to be restricted to lone parents. The recent welfare to work reforms for this group mark a novel departure for the United States by providing comprehensive labour market help for people on social assistance. These reforms have been largely "work first" in nature. By contrast, in the United Kingdom the administration of non-unemployment-related benefits (largely for lone parents and the long-term sick and disabled) has, until recently, become increasingly passive. Thus, for social assistance recipients, particularly lone parents, the approaches in both the United States and the United Kingdom are the reverse of the approach taken towards the unemployed. Here comparisons favour the United States. Employment rates for lone parents are higher than in the United Kingdom and welfare rolls have been halved. By contrast, the passive administration in the United Kingdom is likely to have contributed to the growth of the number of lone parents (and the long-term sick and disabled) on benefits, especially for long periods. This growth has occurred despite sharp reductions in the UK unemployment rate.

In summary, it is arguable that the unemployment benefit rate in the United States, and the long-term unemployment share in the United States, Australia and the Netherlands might be lower if

there was a more comprehensive and more continuous administration of their unemployment insurance system.

Also, it is arguable that the application of a more active and work-focused administration of the UK non-unemployment or "inactive" benefits would have beneficial effects. There is already surprisingly little difference between US and UK activity rates. In 1998 76% of the population aged 15-64 in the United Kingdom were economically active compared to 78% in the United States. This is despite the time limits on the unemployment insurance system and, increasingly, the welfare or social assistance system which provide stronger financial incentives to get a job in the United States. However, if people are unsuccessful in getting a job, the time limits and the lack of comprehensive welfare provision may also increase the possibility that some people will drift into inactivity. Without a comprehensive welfare state there are fewer levers to pull to stop people drifting away from the world of work and society, and into economic inactivity and social exclusion. The relatively high proportion of the US population in jail might be an indication of this. In the United Kingdom many more of the economically inactive than in the United States are on benefits. If this attachment to society through the benefit system can be used to promote labour market attachment then there may be the possibility that activity rates in the United Kingdom can be increased substantially. The success of the US welfare to work initiatives, which tend to concentrate on the previously economically inactive, is a hopeful sign.

7. Conclusion

If a modern welfare state can be configured correctly, it can act as an economic as well as a social tool – combining efficiency with fairness. If people can be kept in touch with the world of work, they can fill vacancies more quickly but also they are kept in touch with society. This promotes a lower level of frictional unemployment, a higher level of employment and a fairer distribution of the remaining burden of joblessness.

Figure 1. Vacancies notified to Jobcentres and estimated total, 1980-99

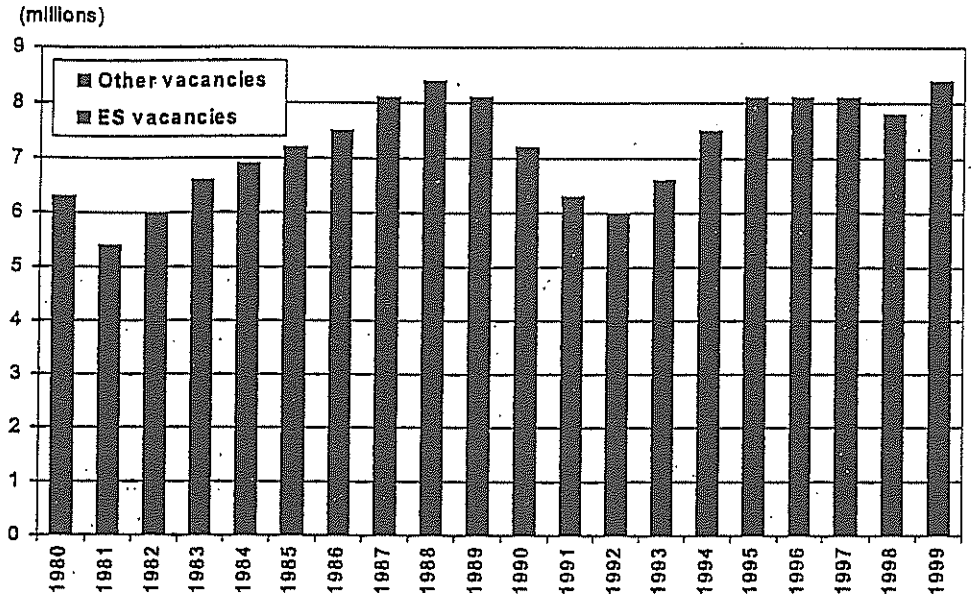


Figure 2. Distribution of notified vacancies across the United Kingdom

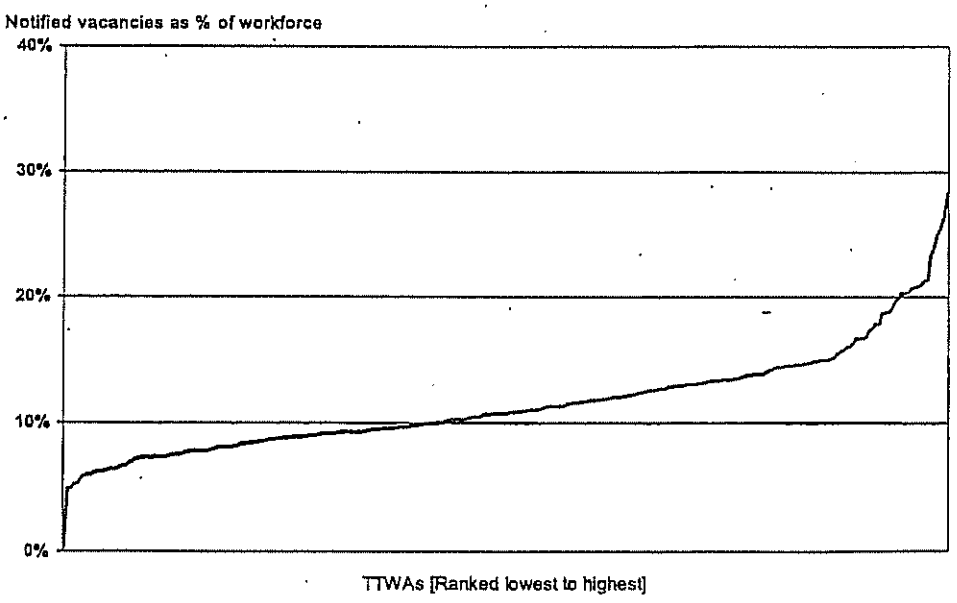


Figure 3. **Expenditure on labour market programmes, 1982-98**

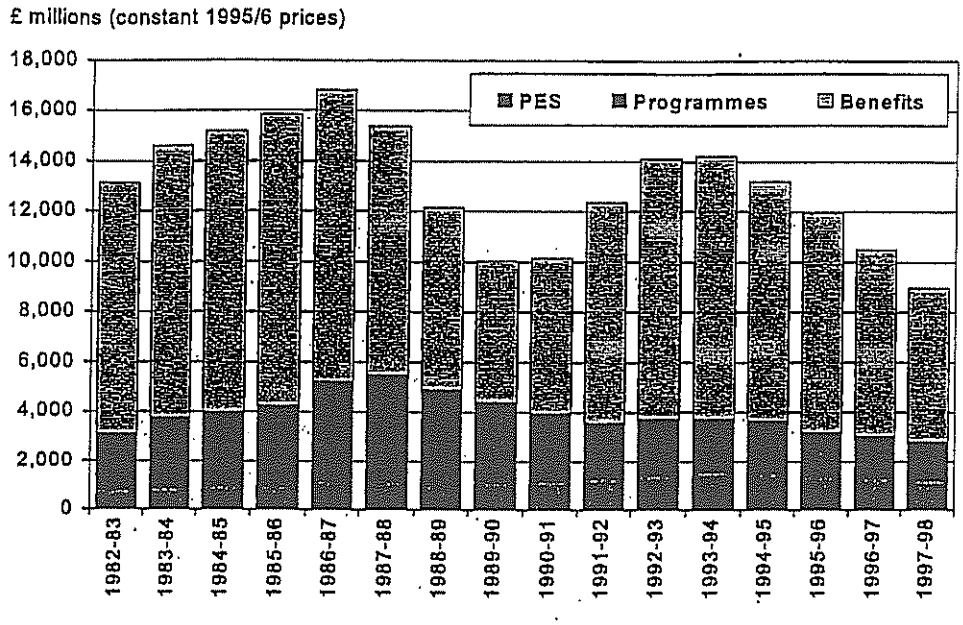


Figure 4. **Unemployment: claimant and ILO measures, 1978-2000**

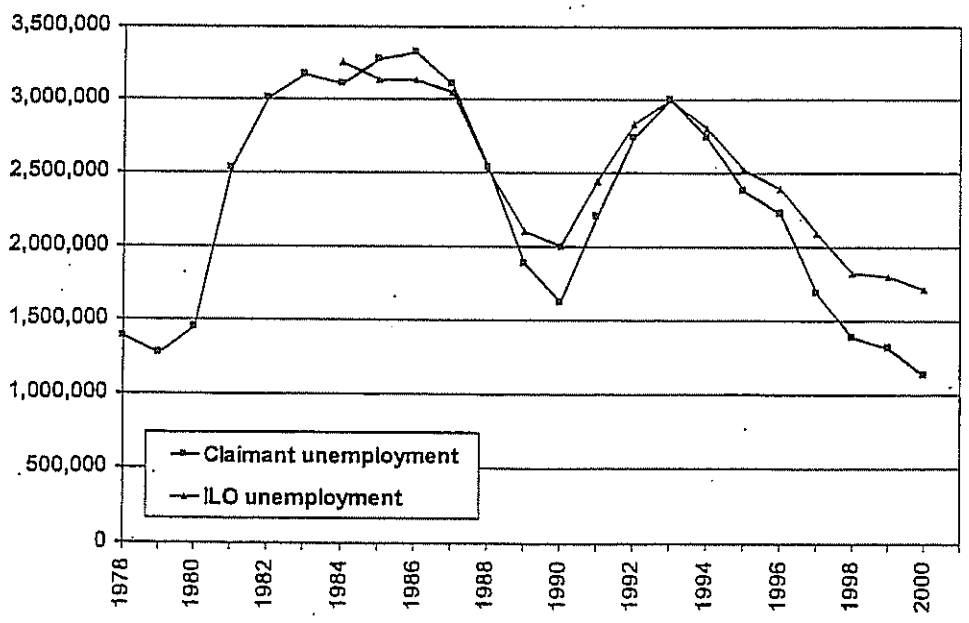


Figure 5. **Claimant unemployment: total and long-term, 1950-2000**

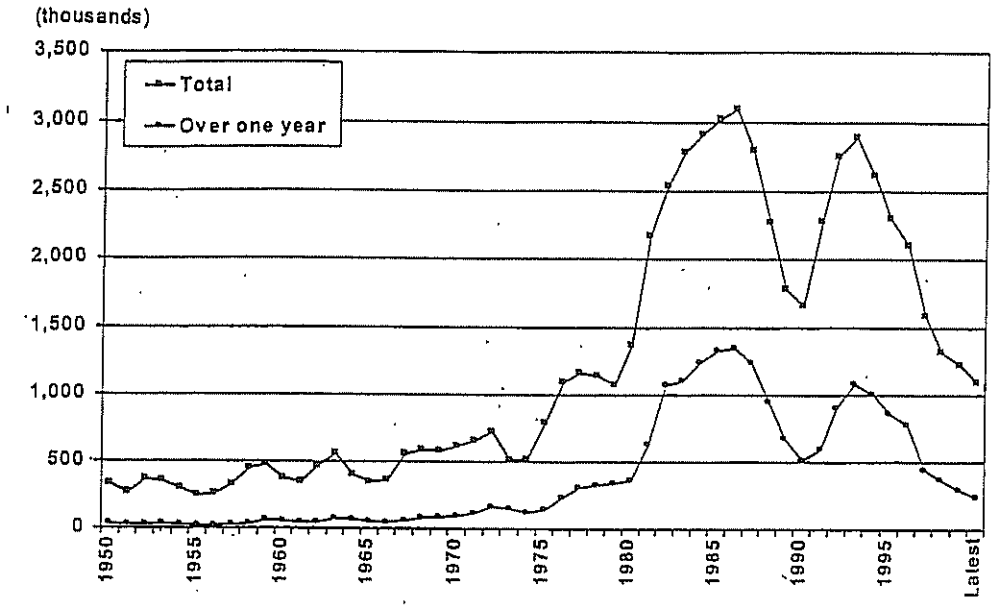


Figure 6. **Inflows to and outflows from claimant unemployment, 1967-99**

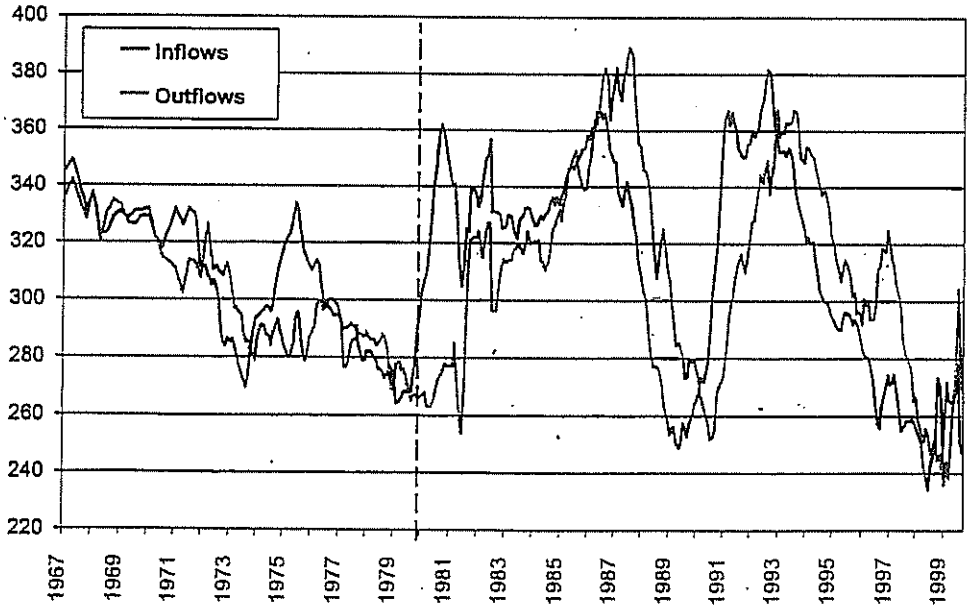


Figure 7. Proportion of people becoming unemployed who left unemployment in 1986 after various periods of time

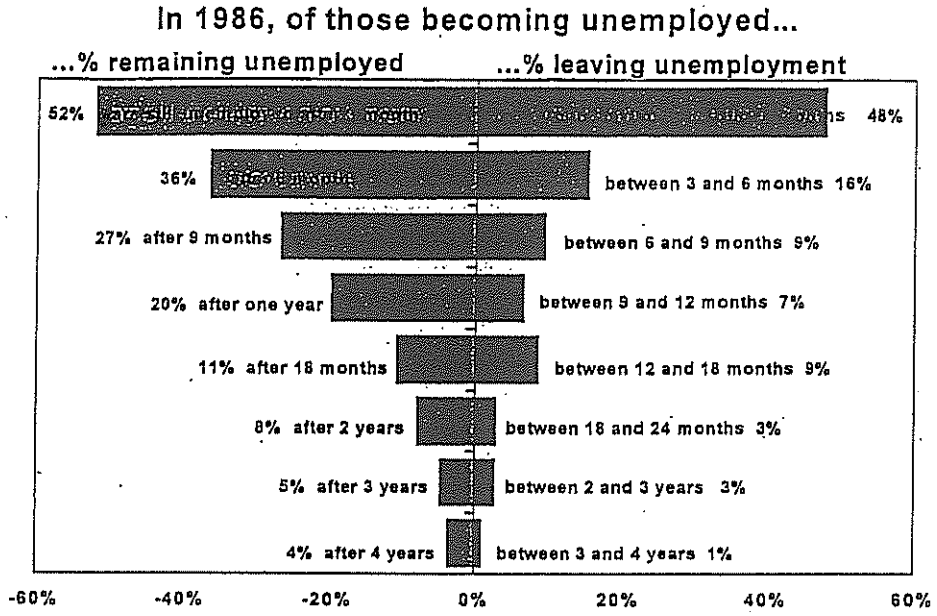


Figure 8. Proportion of people becoming unemployed who left unemployment in 1999 after various periods of time

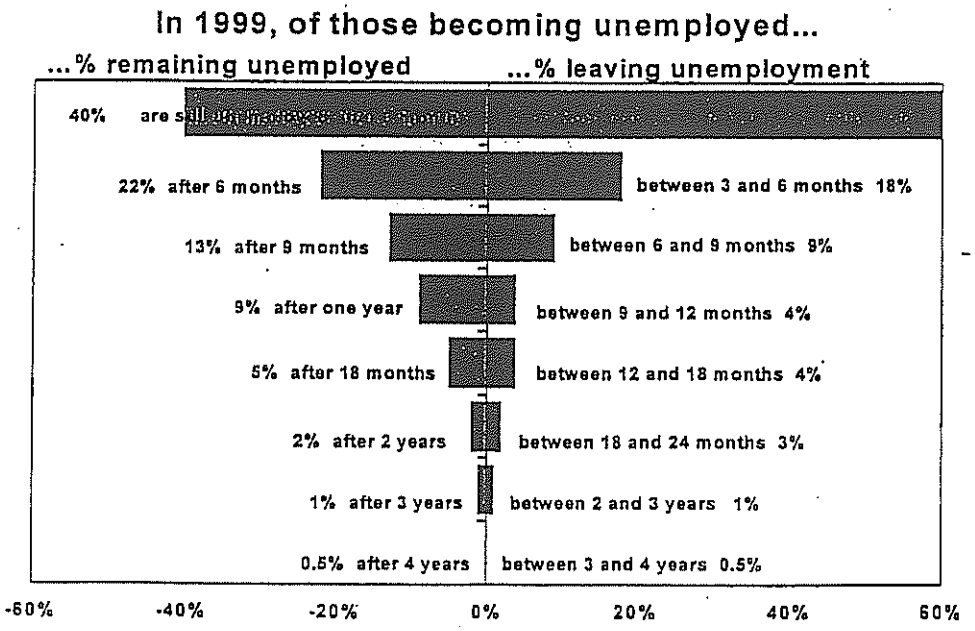


Figure 9. **Proportion of the claimant inflow leaving within a certain period, 1984-99**

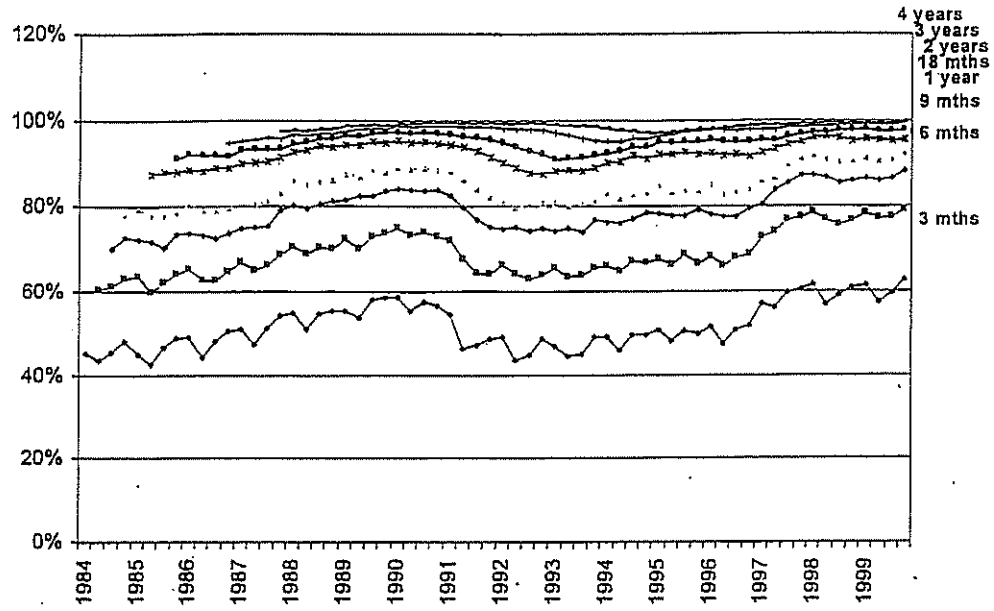


Figure 10. **Distribution across the United Kingdom of the proportion leaving unemployment in the first year of unemployment, 1986 and 1999**

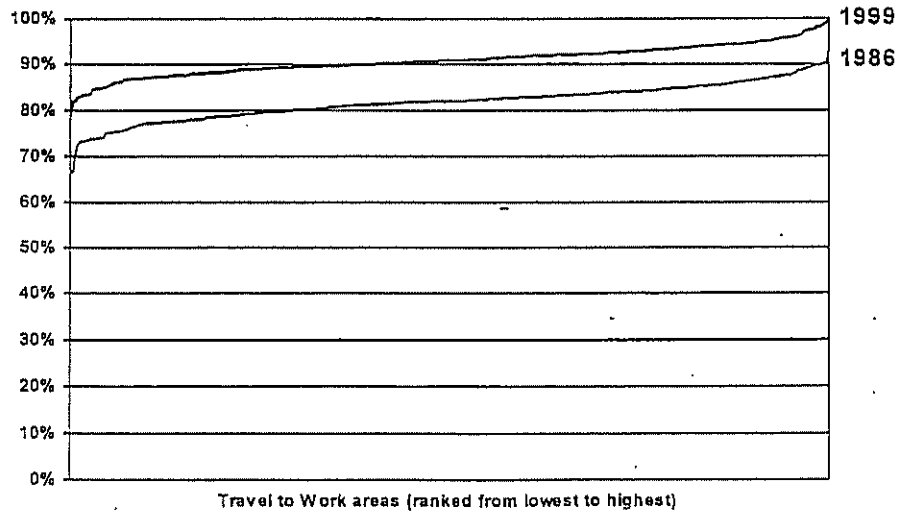


Figure 11. Claimant unemployment amongst 18-24 year olds, 1962-2000

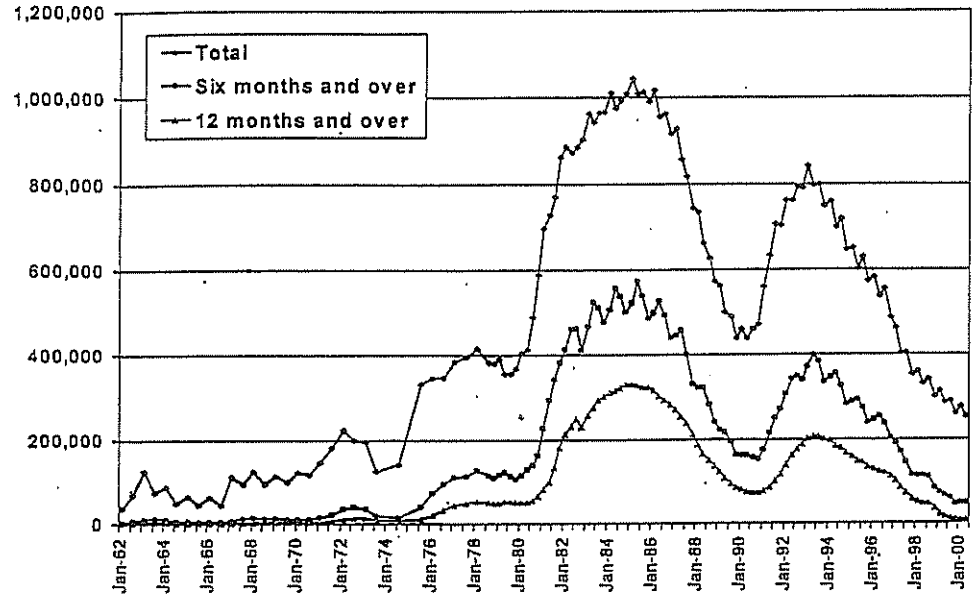
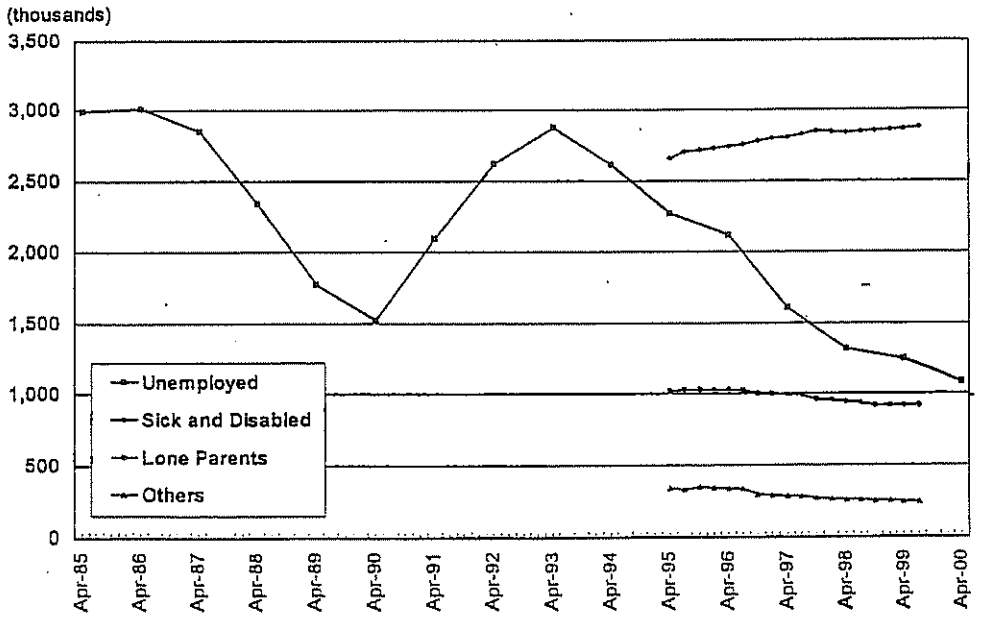


Figure 12. Recipients of selected state benefits, 1985-2000



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