

Welfare isn't working

The New Deal for Young People

Frank Field MP

Patrick White

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The authors

Frank Field has been the Member of Parliament for Birkenhead since 1979. He accepted the position of Minister for Welfare Reform in Tony Blair's first Government and held it between 1997 and 1998. He currently chairs the Pensions Reform Group, the Cathedrals Fabric Commission for England and the Churches Conservation Trust. He has written numerous publications on welfare and poverty including *The Ethic of Respect: A Left Wing Cause* (2006) and *Neighbours from Hell: The Politics of Behaviour* (2003).

Born in Birkenhead, Patrick White graduated from Cambridge in 2006 and since January he has worked as a researcher for Frank Field. A geographer by instinct, his interests span social and economic development. His current research focuses on the effectiveness of British welfare policy since 1997 and education standards on both a national and international scale, Wirral Authority level, and in the Birkenhead constituency.

Welfare isn't working

This is the first in a series of reports – written by Frank Field and supporting authors – which will investigate the Government's record on welfare since 1997. The reports will cover: child poverty, Tax Credits, the Child Support Agency, Sure Start, pension reform, the New Deal for Work, and the National Minimum Wage.

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Executive summary

- Rarely have the conditions been more favourable than when Labour began its welfare reform programme in 1997:
 - the economy was in a period of sustained growth, which has since produced 2.9 million additional jobs;
 - record sums were put aside for reform – £3.5 billion for the New Deal alone, of which £1.9 billion has been spent on the New Deal for Young People;
 - the electorate was up for reform and anxious for the Government to succeed; and
 - the bureaucracy welcomed in a new administration with open arms and was keen for its abilities to be harnessed in a great programme of welfare reform.
- The New Deal programme is very much the Chancellor's brain child. Gordon Brown's laudable ambition has been to make life on benefit a thing of the past.
- The results of the New Deal for Young People have however been modest, to put it mildly. Some young people have been found work, but the vast majority of them would have done so without the New Deal. Moreover the number and proportion of young people finding work as a result of their New Deal has collapsed from 51 per cent in 1998 to 34 per cent in 2005.
- In a recent speech, the Employment and Welfare Reform Minister, Jim Murphy, claimed that "youth unemployment has been virtually abolished." The figures disprove this statement.
- **Youth unemployment is higher than when Labour was elected in 1997, and rising;**
 - Overall; up 140,000 on its lowest point in summer 2001,
 - Worklessness up to six months; up 101,000 on the lowest point in summer 2000,
 - Worklessness between 6 and 12 months; up 28,000 on the lowest point registered in winter 2002-03,
 - Worklessness over 12 months; up 43,000 on the lowest point registered in summer 2002, and
 - Worklessness over 24 months; up 19,000 on the lowest point in spring 2002.

- A third of New Deal programmes are now completed by retreads and the proportion of young people on the New Deal has fallen as a proportion of the numbers claiming benefit.
- The numbers not in education, employment or training (NEETs) are similarly on the rise: up 246,000 on the low point recorded in summer 2001, and up 131,000 above the level Labour inherited in 1997.
- Inactivity of 18 to 24 year olds shows a similar trend: up 283,000 on the 1997 level inherited by Labour.

More of the same will not work.

A key part of Labour's renewal in Government has to be to take its youth employment strategy back to the drawing board. More of the same will not work, even if the money was available to continue to finance the New Deal. The New Deal, so far, has had only a modest impact on unemployment, on the numbers not in education, employment or training, and therefore the numbers recorded as inactive. Part of the Government's renewal must be to begin to construct a more effective New Deal for the future.

1. Introduction

Labour's welfare reform programme is made up of five separate initiatives. These different programmes are:

- the New Deal;
- the National Minimum Wage;
- Tax Credits;
- Sure Start; and
- Pension Credit and Pension Reform.

The aim of these programmes could not be more audacious. They are quite simply aimed at abolishing child and pensioner poverty. No previous government has ever set itself such ambitious targets.

This audit looks only at the New Deal for Young People programme, first introduced on 6 April 1998.¹ This has been by far the most important in terms of expenditure, political time and use of civil service innovative talent.²

How successful has the New Deal, costing almost £2 billion, been in combating youth unemployment? In answering this question we attempt to answer four inter-related questions:

- Has the aim of the scheme to abolish youth unemployment been realised?
- What do the numbers on the New Deal tell us about its effectiveness?
- What is the New Deal's record on NEETs?
- How has the pattern of youth activity rates changed?

¹ The five other main programmes of the New Deal have been: the New Deal 25 Plus; New Deal for Disabled People; New Deal for Lone Parents; New Deal for 50 Plus; and New Deal for Partners.

² See Appendix One for information on 16-18 year olds.

2. The New Deal for Young People

“Tomorrow the Secretary for Education and Employment will detail the four options, all involve training leading to qualifications: a job with an employer; work with a voluntary organisation; work on the environmental task force; and, for those without basic qualifications, full time education or training. With these new opportunities for young people come new responsibilities. There will be no fifth option – to stay at home on full benefit. So when they sign on for benefit they will be signing up for work. Benefits will be cut if young people refuse to take up the opportunities.”³

The New Deal programme is very much the Chancellor’s brain child. Gordon Brown’s laudable ambition has been to make life on benefit a thing of the past.

Ten years ago the main aspiration of the incoming Labour Government was quite simply to abolish youth unemployment as we have known it. Step one in achieving this objective was set out in Labour’s 1997 election manifesto. One of the five election pledges was to “get 250,000 young unemployed off benefit and into work”. The New Deal for Young People was the means to close off for the first time the fifth option of staying at home on benefit. It works along the following lines.

How the New Deal for Young People works

The New Deal for Young People is a mandatory programme for 18 to 24 year olds who have been claiming Jobseeker’s Allowance continuously for six months. At the six-month stage, benefit becomes conditional both on claimants continuing to apply for jobs as well as committing to the New Deal programme.

The New Deal has three stages: a gateway, an options choice and a follow through period. Each of these stages aim to improve the chances of each individual landing a job. The gateway period comes into play after six months continuous unemployment and it lasts for up to four months. At this stage each individual who is still without work is assigned a personal advisor who sets up an individual action plan with the young claimant and makes sure that each individual honours their agreement. Each plan will typically include job focussed interviews and application help, short refresher courses to improve basic skills as well as independent career advice.

If participants fail to achieve employment during the four-month gateway period they automatically enter what is called the option stage of the programme. During this stage each individual is expected to take up one of the four options made available to them: employment, membership of an environmental task force, a placement in the voluntary sector, or the undertaking of full-time education or training.

³ Brown, G., Budget Speech, *Hansard*, 2 July 1997, col. 303-316.

The employment option aims to improve each participant's chance of finding work by providing them with paid work experience from an employer who is subsidised to provide this service. Participating employers receive a £60 a week subsidy for each full-time New Deal employee working 30 or more hours a week, and £40 a week subsidy for each part-time post of 24-29 hours a week.⁴ In addition, employers can receive a training grant towards the cost of providing a New Deal employee with certified vocational training

The environmental taskforce offers up to six months work experience. Each individual must show how such an experience will be of use to a future career before they enrol but, as with the employment option, there is the opportunity to gain a vocational qualification. The qualification would normally be achieved as a result of a short one day course. Work in the voluntary sector follows along the same lines as the environmental taskforce option.

The fourth option centres on individuals being invited to go back to education to achieve a level two qualification,⁵ if they do not already possess one, or begin to develop basic employment skills. Participants would be expected, in addition, to have improved their chances of seeking work experience.

'Evolution' of the New Deal for Young People

Since its inception the New Deal has been 'tweaked' by central Government. In 2000 the job search help was expanded to include coaching support and help with literacy and numeracy for those participants who need it. In the same year the 'Intensive Gateway' was rolled out nationally which addressed, amongst other things punctuality, teamwork and communication skills of the participants.⁶ In 2004 New Deal Streamlining came into effect. It was aimed at increasing the flexibility of the programme by allowing some JSA claimants to be brought into the New Deal at an early stage and changing the length and design of the four options in the second stage of the New Deal.⁷

In 2004 the Department for Work and Pensions published its *Building on the New Deal* report which highlighted three new principles for the programme: "a national framework of rights and responsibilities; greater local flexibility, devolution and discretion; and accountability, targets and contestability."⁸

The aim of the principles was to inject greater flexibility into what the New Deal offered to its participants. This flexibility was to be gained by the ability of District Managers to choose what employment programme provision would be available in their areas. Additionally, the methods of helping people find work

⁴ DWP, *New Deal for Employers*.

⁵ Level 2 is the National Standard Qualification Level, equivalent to GCSEs at grade A*-C.

⁶ HM Treasury, Budget 2000, HC 346 1999/00.

⁷ DWP (2004), Touchbase.

⁸ DWP (2004), *Building on the New Deal: Local solutions meeting individual needs*.

were to expand from the constricted four options to include generous further job-search assistance, motivational help and career guidance. It was expected that the new system would be piloted in seven areas in October 2005. These pilots never materialised and as a result the programme has yet to be rolled out nationally.

3. Putting wind into the reform sails

It is difficult to think of a more advantageous time that a radical welfare reform programme could have been introduced than in 1997. The number of jobs was rapidly increasing. The budget taxpayers underwrote to finance the New Deal experiments was at record-breaking levels. There was a record level of support amongst voters at large, and more specifically civil servants were up for radical reform.

Prolonged economic growth

In the run up to the 1997 election Labour committed itself to the cutting of economic and human waste evident with the vast numbers of working age people who were on benefit. The New Deal was aimed specifically at achieving this goal. Indeed, though perhaps not fully realised at the time, the Government had one great ally in its war against economic inactivity.

The economy, once sprung from the shackles of the European Exchange Rate Mechanism, began to grow again towards the middle of 1992. It has continued to grow ever since. An abundance of new jobs had been thought of as a necessary prerequisite for a welfare reform strategy based on helping claimants move successfully from benefit to work, and the economy delivered on its part of the bargain.

Since late 1992, there has been a net addition of 4.3 million jobs into the British economy, at a fairly consistent rate of growth:

- From 1992 up to the 1997 election the labour market grew at a rate of 79,000 jobs per quarter, achieving a little over a 1.4 million increase in employment.
- During Labour's first administration the economy expanded at a consistently good rate, producing a net increase in jobs of 76,000 a quarter. Since 2001 the average growth rate in the labour market has come in at over 75,000 additional jobs per quarter.
- Since 1997 the economy has produced an additional 2.9 million jobs.

From an employment base of 27,276,000 workers (in the fourth quarter of 1992) the numbers have risen by the fourth quarter of 2006 (the latest data) to 31,583,000.⁹

Money in abundance

This unprecedented growth in the number of jobs in the economy has been matched by funding for the New Deal programme. How much taxpayers' money has so far been committed to transforming the welfare rolls?

⁹ The Office for National Statistics, Labour Force Survey online data

The cost of each of the programmes is given in the table below. £3.5 billion has been spent in total on the six programmes with over half of the total expenditure going to the New Deal for Young People.

| Table 1: Expenditure on each of the New Deal programmes since 1997 | | |
|--|--|---|
| New Deal Programmes | Total expenditure 1997-98 - 2005-06 (£ million) | Number of potential participants in 1997 |
| New Deal for Young People | 1,914 | 396,735 * |
| New Deal 25 plus | 936 | 930,690 * |
| New Deal for Disabled People | 201 | 2,644,470 ** |
| New Deal for Lone Parents | 126 | 1,001,800 ** |
| New Deal 50 plus | 257 | 260,195 * |
| New Deal for Partners | 5 | 7,820 *** |
| Total | 3,439 | |
| <p><i>Source: Hansard, Written Answer, 23 February 2005, columns 676; Department for Work and Pensions (2006), Departmental Report</i> <i>*ONS via NOMIS</i> <i>** Field, F. and White, P. B. P., unpublished statistics</i> <i>*** There is no data on the numbers covered by the New Deal for Partners at its inception. Between April 1999 and March 2004, 7,820 people started on the NDP, of which 1,870 gained a job. Hansard, Written Answer, 23 February 2005, column 676</i></p> | | |

Further conditions for success

A cascading number of jobs and an unbelievably generous reform budget were not the only advantages laying the ground for a successful reform programme. Any reform programme requires a fair political wind and that was also clearly present. Poll after poll showed that, if anything, the voters were ahead of the Government in wishing to abolish welfare as we have known it by successfully helping working age claimants back into work.

Some people amongst Labour's elite might have had doubts about the loyalty of senior civil servants to a new Labour Government. That fear however was not in evidence as Labour Ministers were sometimes clapped into their offices by a bureaucracy anxious to begin the process of modernising Britain.

4. Youth unemployment has not been “virtually abolished”

Has the Government abolished youth unemployment as we have known it? The Government believes the answer is beyond all peradventure. In late February, Jim Murphy, the Minister for Employment and Welfare Reform, claimed that the “results are clear. Youth unemployment has been virtually abolished”.¹⁰

But are the results that clear? How does this claim match up with the Government’s own unemployment data on young people? Different measurements of unemployment for young adults are given in the table below.

| Table 2: Unemployment amongst young people since 1992 | | | | | |
|--|--|--|--|---|---|
| Date | 18-24 Unemployed | 18-24 Unemployed up to 6 months | 18-24 Unemployed 6 to 12 months | 18-24 Unemployed 12 months plus | 18-24 Unemployed 24 months plus |
| Start of series <i>(March – May 1992)</i> | 714,000 | 357,000 | 155,000 | 202,000 | 69,000 |
| Peak under Conservatives | 783,000 <i>January – March 1993</i> | 368,000 <i>December – February 1993</i> | 166,000 <i>August – October 1992</i> | 269,000 <i>August – October 1993</i> | 122,000 <i>August – October 1993</i> |
| Election level <i>(April – June 1997)</i> | 489,000 | 305,000 | 72,000 | 111,000 | 51,000 |
| Level at New Deal’s roll out <i>(March – May 1998)</i> | 437,000 | 286,000 | 66,000 | 85,000 | 36,000 |
| Lowest level | 367,000 <i>May – July 2001</i> | 249,000 <i>June – August 2000</i> | 42,000 <i>November – January 2003</i> | 44,000 <i>June – August 2002</i> | 12,000 <i>April – June 2002</i> |
| Latest level <i>(December – February 2007)</i> | 507,000 | 350,000 | 70,000 | 87,000 | 31,000 |
| <i>Source: ONS Labour Force Survey</i> | | | | | |

¹⁰ Murphy, J. (2007), *The Welfare State – time for a contract?*, speech at the Work Foundation, 21 February.

Overall

Youth unemployment peaked at 783,000 in the winter of 1993. From that point up until the 1997 election the overall level fell consistently, slowing slightly in Labour's first term. Even so the level hit an all-time low of 367,000 in mid-2001.

An effective New Deal, with a rapidly rising number of jobs would, as a minimum, be expected to keep unemployment below the 1997 level. In fact, nothing of the kind has occurred. Since that summer of 2001 the overall level of youth unemployment has been rising.

Consequently, by the winter of 2006-07 the unemployment level was 140,000 above the 2001 low point. Worse still, the latest 2006-07 total was 18,000 above the level inherited in 1997, and up 70,000 compared to the level found in April 1998: at the start of the New Deal.

Youth unemployment up to six months

This element of youth unemployment has followed a similar trend. Since 1992 unemployment for up to six months duration fell for 18 to 24 year olds giving a total of 305,000 by the May 1997 election. While this rate has fluctuated, it fell back further to a low ebb to 249,000 in 2000. Like the overall figure it too has risen and stands at 350,000 young adults unemployed. That is an increase of 101,000 over the low point of 2000, of 82,000 since April 1998 and of 45,000 above the level inherited from the Conservatives.

These figures illustrate that while the New Deal has been in operation the proportion of those unemployed under six months has grown. This would suggest that there is a "New Deal Trap" at work, with the New Deal introducing a new rigidity into the labour market. Little appears to happen during the first six months of unemployment – JSA's conditionality appears to be increasingly ineffective as New Dealers and staff simply wait for the start of the programme, six months into unemployment. It is at this point that Jobcentre Plus becomes fully engaged in helping young people enter the labour market successfully. So what is the record here?

Youth unemployment 6 months to twelve months

A similar, disturbing picture is apparent. In recent years the number of unemployed young people has moved in exactly the opposite direction to what might be expected from the New Deal rhetoric. The number of jobless young people, unemployed between six and twelve months, is up 28,000 on its lowest point in winter 2002-03. It now stands well above the level at the start of the New Deal in April 1998.

Youth unemployment over twelve months

What is the record for those unemployed for longer than a year? These figures again fly in direct contradiction to what the New Deal was crafted to achieve. The number of young adults unemployed for over twelve months shows the most dramatic fall, down from 111,000 (at the 1997 election) to 44,000 by summer 2002. But since then the numbers have almost doubled – up to 87,000 young adults registering unemployed for over twelve months in the winter of 2006-07.

The same pattern occurs for those who have been unemployed for more than two years. The total stood at 51,000 in spring 1997, it fell to 12,000 five years later but has since more than doubled to 31,000 by the winter of 2006-07.

Conclusion

To claim, as the Government does, that youth unemployment has been virtually abolished suggests that Ministers are suffering from a political amaurosis. The facts demonstrate that the opposite is true:

- the number of short-term unemployed young people is on the increase;
- likewise, the number of long-term unemployed is rising; and
- in the winter of 2006-07, 157,000 young individuals were unemployed for over six months. They continued to live the lie that the fifth option, a life on benefit, had been abolished.

But the current 157,000 young adults are not the full extent of that lie.

5. The retread phenomena

On a criterion of abolishing youth unemployment, it would be an exaggeration to say that the New Deal has been successful. Yet it should be accepted that, whatever the state of the labour market, some individuals find it harder, sometimes much harder, than others to land a job. Has this New Deal been successful in placing into employment those who find the greatest difficulties in gaining a job, especially at a time when the labour market has been expanding so dramatically?

Claimants who have completed their New Deal, and who are still without work, are required to re-enter the New Deal, and then they become known as “retreads”. Since the New Deal was initiated the number of retreads has continued to grow with some young claimants entering the New Deal not merely for a second time, but a third, fourth or even a further time. How effective then is the New Deal for this group of retread New Dealers?

The table below gives the numbers of young unemployed claimants entering the New Deal since the 12 pilots were initiated in January 1998. The whole country was covered by April of that year.

| Table 3: number of young workers entering and re-entering the New Deal | | | | |
|---|-----------------------------|-----------------------------|-----------------------------|----------------------------|
| Years | 1st start | 2nd start | 3rd start | 4th plus |
| 1998 - August 2006 | 1,118,260 | 307,180 | 88,460 | 24,540 |

Source: DWP Information Directorate (IFD)

Since the initiation of the pilots well over a million young people have been involved in the New Deal. It would be unreasonable to think that the New Deal would be successful in every instance. But, over the same period, the numbers entering the New Deal for a second or subsequent occasion already amount to 307,180 claimants. Presented in another way the data show that almost a third of New Dealers have been on the scheme for two or more occasions.

That a third of all New Deals are completed by retreads who fail to land a job in a rapidly expanding job market suggests that there are some very serious structural weaknesses to the Government’s New Deal programme for a very significant number of young unemployed people¹¹. The data suggests that the New Deal, as it is currently structured, seems incapable of adapting to the needs of those young people who find it most difficult to find a job, i.e. the very group which is most reliant on the New Deal for this purpose.

¹¹ These data also raise some serious questions about the effectiveness of the 12 years of educational investment these young people have enjoyed.

All that the New Deal offers for those workers who have completed their course but failed to land a job is to keep taking the same medicine until it works. The data questions the appropriateness of this approach. 307,180 New Dealers have already entered the scheme for a second occasion, almost 90,000 have entered it for the third time, with almost 25,000 entering for a fourth or more occasion. Naturally there is a limit to the number of times a young person is subjected to being a retread on the New Deal. At some point this group comes up against the age limit for this particular New Deal. Once New Dealers are 25 they graduate to another programme, appropriately billed as the 'New Deal 25+'.

Leaving aside the possibility of young people being able to spend the whole time between the ages of 18 and 25 on the New Deal – the Government records this number as nil¹² – a further concern becomes apparent once the data from the numbers of young unemployed coming on to the New Deal are considered. As we have seen, the unemployment level for 18 – 24 year olds is now rising, but the number of New Dealers, including retreads, is a falling proportion of the total claimant count. In a world of no fifth option these figures fly in the face of what ought to be happening.

Within these retread figures is a growing trend of employment not being sustained beyond thirteen weeks (the Government's definition of a sustained period of employment). There is a growing issue surrounding apparently 'successful retreads'. Since the New Deal's inception the number of participants who have completed a New Deal course, left it for at least thirteen weeks of employment, but then come back onto the New Deal, has been growing (reaching a peak of 6,880 in summer 2006).¹³ This rise not only clearly signals, again, that the New Deal does not equip participants with the necessary skills to last in a job for a reasonable length of time. But also that the New Deal is getting worse at this same task. The number of 'successful retreads', as a proportion of the claimant count, is rising, and the number of 'successful retreads' as a proportion of the total number of participants in the New Deal, is currently falling.

Given that the period the New Deal has been operating in has been a unique period for growth in the numbers of jobs in the British economy, and that the New Deal was designed to ensure that those without work did not remain on benefit, these findings are particularly disturbing and raise two important questions. First, why is it that with a rising youth unemployment rate the numbers entering on to the New Deal (as a proportion of the total) have been dropping? Second, given that the Government believes the New Deal to be the most effective programme there is to ensure that there is no fifth option of remaining on benefit, why is it there has been an increasing number of New

¹² *Hansard*, Written Answer, 20 March 2007, column 813w.

¹³ *Hansard*, Written Answer, 24 April 2007, column 1093w.

Dealers who have been on the scheme for a second, third, fourth or more occasion? At what point does the Government concede that a most fundamental rethink is required?

6. New Deal options

Recently the Government answered a question on which of the four options proved to be the most effective in placing New Dealers into jobs. Their reply, perhaps not surprisingly, was the employment option.¹⁴

Overall only 15.3 per cent of new dealers have been able to opt for the employment option which says everything about a centrally devised and centrally controlled welfare reform programme. This statistic however clouds a more alarming one. Since November 2002 the participation rate in the employment option has remained firmly below this 15.3 per cent and in fact it has been falling since the New Deal's national roll out. So much so, that by August 2006 a derisory 2.5 per cent of participants were in the employment option – a fall of 94 per cent since the New Deal's inception.¹⁵

If local offices were given their own budgets and had total autonomy on how they implemented welfare reform, within the law, then it is inconceivable that most local offices, taking responsibility for outcomes, would have allowed the most successful exit from benefit – the employment option – to have withered to this pathetic level.

Not surprisingly, therefore, the success rate of the New Deal, at moving New Dealers into unsubsidised jobs, is falling. The percentage of under-25 New Dealers moving into sustained, unsubsidised jobs was recorded at 51% in 1998. The percentage has fallen significantly, hitting 34 per cent in 2005 – representing a one third fall.¹⁶

| Table 4: Percentage of leavers from the New Deal into sustained unsubsidised employment | |
|--|----|
| The New Deal for Young People | |
| 1998 | 51 |
| 1999 | 45 |
| 2000 | 43 |
| 2001 | 42 |
| 2002 | 40 |
| 2003 | 40 |
| 2004 | 39 |
| 2005 | 34 |

Source: Hansard, Written Answer, 12 March 2007, col. 167-168

¹⁴ *Hansard*, Written Answer, 9 March 2007, col. 2335w.

¹⁵ DWP Information Directorate (IFD)

¹⁶ *Hansard*, Written Answer, 12 March 2007, col. 167-168w.

This picture moves from one of concern to alarm once we begin analysing what are now known as NEETs (young people not in employment, education or training).

7. NEETs – the opposite of all expectations

The Chancellor has on numerous occasions made it plain that the Government's objective is to ensure that all people are either in employment, or in education, or undertaking training or are members of the New Deal. Speaking a year before the 1997 election, for example, Gordon Brown asserted that Labour "believe[s] rights to work go hand in hand with responsibilities ... refusing the whole range of offers that are open, and staying on benefit, will now not become an option".¹⁷

During the latter years of the Conservative administration, data began to be collected and published documenting the number of under-25 year olds who were not in employment and not in full-time education together with those who were registered as economically inactive (who were also not in full-time education). The series began in spring 1992 and the relevant data are included in table 5. In 1992 there were 680,000 under-25 year olds who were unemployed and not in full-time education and a further 672,000 who were registered as economically inactive (see Appendix Two). That gave a total number of NEETs in 1992 of 1,352,000.

| Table 5: The number of NEETs, 1992 onwards | |
|--|-------------------|
| Date | 18-24 NEET |
| Start of series (<i>March – May 1992</i>) | 1,352,000 |
| Peak under Conservatives (<i>February – April 1993</i>) | 1,401,000 |
| Election level (<i>April – June 1997</i>) | 912,000 |
| Level at New Deal's roll out (<i>March – May 1998</i>) | 877,000 |
| Lowest level (<i>June – August 2001</i>) | 797,000 |
| Latest level (<i>December – February 2007</i>) | 1,043,000 |
| Difference: lowest figure to present | +246,000 |
| Difference: 1997-2006 | +131,000 |
| <i>Source: Adapted from the ONS Labour Market Statistics</i> | |

The number of NEETs fell during the period up to the 1997 May election. The quarterly figures for that period show the recorded number of NEETs standing at 912,000, a fall of 489,000 from the Conservative peak.

The latest datum is for the winter of 2006-07. This shows that the number of NEETs has not only risen but, at 1,043,000, has increased since the low point in summer 2001, by nearly a quarter of a million individuals, and is 131,000 up on the level in 1997. Even so these data do not include the number of retreads who

¹⁷ Brown, G. (1996), speech at the Friedrich Ebert Stiftung Foundation, Bonn.

have participated in the New Deal for a second, third, fourth or more occasion. As already noted this group adds a further 307,180 people to the count.

Incidentally, the Government has provided data on people classed as NEET who are neither claiming JSA nor participating in the New Deal. These figures have followed a similar trend to the overall NEET count, placing the latest total 21,000 above the level inherited from the Conservatives.¹⁸

¹⁸ *Hansard*, Written Answer, 1 May 2007, col. 1592-3w.

8. Activity levels

There is one further measurement of the New Deal's effectiveness – the rate of economic activity. The Government's overall aim is to increase activity amongst claimants of working age.

In 1997 the activity rate for 18 – 24 year olds stood at 76.7 per cent. Nine years later, and after nearly three million additional jobs have been created and nearly £2 billion spent on the New Deal for Young People, the proportion of 18 to 24 year olds economically active has fallen to 74.4 per cent.

That level is lower than in 1992, when the longest ever boom in our history had only begun to bear fruit by producing an additional 4.3 million jobs.

| Table 6: The level of economic activity for 18-24 year olds, 1997 onwards | |
|--|----------------------------|
| Date | Activity rates |
| Election rate <i>(April - June 1997)</i> | 76.7 per cent |
| Lowest rate <i>(October - December 1995)</i> | 73.5 per cent |
| Latest rate <i>(October - December 2006)</i> | 74.4 per cent |
| Difference: 1997 - present | down 2.3 percentage points |
| <i>Source: ONS Labour Force Survey</i> | |

9. Conclusion

There could not have been a more favourable time to introduce welfare to work measures given:

- that large sums of money were available to finance reform;
- huge public support; and
- a civil service willing and able to implement all of the government's ideas.

This study has looked at four different indicators of the labour market for 18 to 24 year olds. Each indicator shows the extent to which the New Deal has now run its course:

- those who are unemployed – UP;
- those classed as NEET – UP;
- those classed as economically inactive – UP; and
- those classed as retreads – UP.

Clearly the programme is not adapting to fit the needs of participants or the current labour market.

Nor is it well constructed in assisting the hardest to help into sustainable employment. The Government acknowledges the employment option to be the most effective in getting people into work but it is the least used.

More of the same won't work. The New Deal needs to be recast as a matter of urgency.

The Government should now:

- Implement the New Deal from day one of unemployment. The largest unemployed group are those registered up to 6 months prior to the New Deal kicking in;
- Devolve employment schemes and budget powers to local offices giving them the ability to promote individual programmes. Individual members of staff should be financially rewarded for successful employment outcomes and extra resources should go to successful local offices to expand further their entrepreneurial ideas in getting hard to place young people off the benefit rolls and into work;
- Local offices should be encouraged to work with any organisation or firm offering successful employment programmes for young people, but the

choice of which partners to use should be left totally in the hands of the local offices; and

- Embrace time-limiting benefit where there has been continuous expansion in jobs. Now is the time to match job opportunities with responsibilities. Pilots should be rolled out time-limiting benefit entitlement for all new young JSA claimants in areas where there has been sustained growth in employment.

Appendix One

The Connexions Service

The Connexions Service was set up by the Labour Government early on in the administration. The 1999 White Paper *Learning to Succeed* (Cm 4392), set out how the service would be run. It provides help and support to people aged 13 to 19 in the UK on wide-ranging topics including standard advice on future career information, education opportunities and issues relating to personal development.

In 2001 the Service was phased in by the then Education Secretary David Blunkett, who set out a vision of an integrated, coherent and improved service for young people. Personal advisors were to give advice and guidance on how to overcome barriers to successful transitions into adult life.

The Government's strategy was set out in *Connexions: The best start in life for every young person*, in which there were listed a number of principles to which the service was to keep to. They included aims of raising aspirations, inclusion and community involvement.

The role of personal advisors was detailed in the document *Connexions: prospectus and specification* which stated they would be at the heart of the new service.

The Connexions Service was ultimately set up to help those young people who felt disengaged. The advisors then aim to raise these children's aspirations and help in setting pathways for those who has left compulsory education.

16 and 17 year olds not in Education, Employment or Training

Under the Conservatives the number of NEETs in this age group consistently fell until mid-1995, when the level dramatically increased. In July to September 1996 the level hit 187,000, its highest level under the Conservatives in the economic recovery of the 1990s.

Immediately when Labour came into power there was a drop in the level of NEETs to a low of 131,000 in July to September 1998. Since then the level has always been higher.

Since the Connexions Service was set up in April 2001, the NEET level has risen by 44,000 (to December to February 2007). On average 638 people per month have become NEET in this age group while the Connexions Service has been in operation.

The Connexions service was set the target of reducing those classed as NEET by 10,000 between November 2002 and November 2004 (equivalent to a 10 per cent reduction). Theoretically the November 2004 level should have been 166,500. The target was missed. Taking these two rolling months, the number rose by 8,000 – a rise of 4.3 per cent overall.

However during these two points there has not been a continual increase in the number of NEET individuals. There was a drop to 178,000 in January to March 2004 – a 3.8 per cent fall – but only six out of the 24 rolling months between the two dates actually saw a lower NEET figure than the November 2002 figure.

While briefly, in May to July 1997, the level of NEETs rose under Labour, in January to March 2002 the NEET level rose above the 170,000 inheritance level consistently, and it has remained above this level ever since.

Like all the other indicators that this report considers, the success of Labour in reducing inactivity levels of young people in the UK has not lived up to their aspirations.

The question then becomes how does a government act to prevent these young people remaining benefit-reliant for the rest of their lives?

Appendix Two: further tables

| Table 7: Number of unemployed 18-24 year olds | | | | | |
|--|---|---|---|--|--|
| Date | Total | up to 6 months | between 6 and 12 months | over 12 months | over 24 months |
| Start of series <i>(March – May 1992)</i> | 714,000 | 357,000 | 155,000 | 202,000 | 69,000 |
| Peak under Tories | 783,000 <i>January – March 1993</i> | 368,000 <i>December – February 1993</i> | 166,000 <i>August – October 1992</i> | 269,000 <i>August – October 1993</i> | 122,000 <i>August – October 1993</i> |
| <i>March – May 1993</i> | 773,000 | 354,000 | 156,000 | 264,000 | 107,000 |
| <i>March – May 1994</i> | 670,000 | 305,000 | 130,000 | 235,000 | 117,000 |
| <i>March – May 1995</i> | 607,000 | 313,000 | 114,000 | 180,000 | 92,000 |
| <i>March – May 1996</i> | 557,000 | 303,000 | 95,000 | 159,000 | 75,000 |
| <i>March – May 1997</i> | 489,000 | 289,000 | 76,000 | 124,000 | 57,000 |
| Election level <i>(April – June 1997)</i> | 489,000 | 305,000 | 72,000 | 111,000 | 51,000 |
| Level at New Deal's roll out <i>(March – May 1998)</i> | 437,000 | 286,000 | 66,000 | 85,000 | 36,000 |
| <i>March – May 1999</i> | 424,000 | 290,000 | 69,000 | 64,000 | 26,000 |
| <i>March – May 2000</i> | 403,000 | 284,000 | 53,000 | 66,000 | 28,000 |
| <i>March – May 2001</i> | 375,000 | 269,000 | 50,000 | 56,000 | 18,000 |
| Lowest level | 367,000 <i>May – July 2001</i> | 249,000 <i>June – August 2000</i> | 42,000 <i>November – January 2003</i> | 44,000 <i>June – August 2002</i> | 12,000 <i>April – June 2002</i> |
| <i>March – May 2002</i> | 393,000 | 279,000 | 69,000 | 45,000 | 13,000 |
| <i>March – May 2003</i> | 402,000 | 304,000 | 48,000 | 50,000 | 23,000 |
| <i>March – May 2004</i> | 390,000 | 276,000 | 63,000 | 51,000 | 18,000 |
| <i>March – May 2005</i> | 429,000 | 307,000 | 60,000 | 61,000 | 23,000 |
| <i>March – May 2006</i> | 507,000 | 342,000 | 85,000 | 80,000 | 33,000 |
| Latest level <i>(December - February 2007)</i> | 507,000 | 350,000 | 70,000 | 87,000 | 31,000 |
| <i>Source: Office for National Statistics, Labour Force Survey: Unemployment by Age and Duration (16-17 & 18-24)</i> | | | | | |

This data is seasonally adjusted and the figures are monthly levels based on three month rolling averages. Only annual figures are included here, the figures in bold are referred to in table 2.

| Table 8: The number of 18-24 year olds Not in Employment, Education or Training (NEETs) | | | |
|---|--|---|-------------------------|
| Date | Unemployed not in full time education | Economically inactive not in full time education | NEETs aged 18-24 |
| Start of series <i>(March – May 1992)</i> | 680,000 | 672,000 | 1,352,000 |
| Peak under Conservatives <i>(February – April 1993)</i> | 736,000 | 665,000 | 1,401,000 |
| <i>March – May 1993</i> | 731,000 | 666,000 | 1,397,000 |
| <i>March – May 1994</i> | 623,000 | 621,000 | 1,244,000 |
| <i>March – May 1995</i> | 549,000 | 580,000 | 1,129,000 |
| <i>March – May 1996</i> | 504,000 | 552,000 | 1,056,000 |
| <i>March – May 1997</i> | 422,000 | 513,000 | 935,000 |
| Election level <i>(April – June 1997)</i> | 414,000 | 498,000 | 912,000 |
| Level at New Deal's roll out <i>(March – May 1998)</i> | 371,000 | 506,000 | 877,000 |
| <i>March – May 1999</i> | 351,000 | 478,000 | 829,000 |
| <i>March – May 2000</i> | 337,000 | 501,000 | 838,000 |
| <i>March – May 2001</i> | 312,000 | 509,000 | 821,000 |
| Lowest level <i>(June – August 2001)</i> | 309,000 | 488,000 | 797,000 |
| <i>March – May 2002</i> | 333,000 | 516,000 | 849,000 |
| <i>March – May 2003</i> | 335,000 | 538,000 | 873,000 |
| <i>March – May 2004</i> | 313,000 | 551,000 | 864,000 |
| <i>March – May 2005</i> | 356,000 | 598,000 | 954,000 |
| <i>March – May 2006</i> | 412,000 | 594,000 | 1,006,000 |
| Latest level <i>(December – February 2007)</i> | 421,000 | 622,000 | 1,043,000 |
| <i>Source: (Adapted from) Office for National Statistics, Labour Market Statistics: educational status, economic activity & inactivity of young people.</i> | | | |

This data is seasonally adjusted and the figures are monthly levels based on three month rolling averages. Only annual figures are included here, the figures in bold are referred to in table 4.

| Table 9: The number of economically active 18-24 year olds | | |
|--|------------------|--------------------------------------|
| Date | Level | Percentage (of the age group) |
| Start of series and peak under Tories <i>(April - June 1992)</i> | 4,489,000 | 77.6 |
| <i>April - June 1993</i> | 4,329,000 | 77.5 |
| <i>April - June 1994</i> | 4,086,000 | 76.0 |
| <i>April - June 1995</i> | 3,901,000 | 75.4 |
| <i>April - June 1996</i> | 3,815,000 | 76.6 |
| Election figures <i>(April - June 1997)</i> | 3,720,000 | 76.7 |
| Figures at New Deal's roll out <i>(April - June 1998)</i> | 3,640,000 | 75.8 |
| <i>April - June 1999</i> | 3,630,000 | 75.4 |
| <i>April - June 2000</i> | 3,634,000 | 75.3 |
| <i>April - June 2001</i> | 3,698,000 | 75.6 |
| <i>April - June 2002</i> | 3,773,000 | 75.7 |
| <i>April - June 2003</i> | 3,781,000 | 74.0 |
| <i>April - June 2004</i> | 3,905,000 | 74.7 |
| <i>April - June 2005</i> | 3,944,000 | 73.7 |
| <i>April - June 2006</i> | 4,085,000 | 74.6 |
| Latest figures <i>(October - December 2006)</i> | 4,113,000 | 74.4 |
| <i>Source: Office for National Statistics, Labour Force Survey: Historical Quarterly Supplement: Calendar Quarters, Table 4, Economically Active by Age.</i> | | |

This data is seasonally adjusted, and uses calendar quarters. Only annually recurring figures are used, and those in bold are referred to in table 5.