

## **Response to the Freud Report Reducing dependency, increasing opportunity: options for the future of welfare to work**

### **Recommendations from TAEN – The Age and Employment Network**

#### **The Impact of Demographics and New Deal 50Plus**

We recommend that the follow-up to the Freud Report should have a stronger focus on the changing demographics of the workforce and welfare to work programmes. This was missing from the Report.

The reforms proposed must be implemented in a way that works for all ages, recreating the momentum that existed in 1999-2003 with the New Deals for 25+ and 50+ alongside the New Deal for Young People. Welfare to Work is operating in the context that two thirds of the growth in the workforce is made up of people over 50, over which 40% are people over State Pension Age, people normally on the margin of Jobcentre Plus activity. People in mid and later working life make up a large proportion of those on disability benefits and those without skills and qualifications. Older people are also important in addressing work for lone parents as family roles change in a more fluid family structure than in the past. Duration on benefits of over-50s demonstrates that they are amongst the hardest to help and also that they have not been targeted as much as some other groups by Jobcentre Plus policies and personnel.

The main focus of the Freud Report and reform is on incapacity benefit claimants, lone parents and to a lesser extent unqualified workers. We do not suggest that there should be programmes specifically for certain age groups, as in the past, but it is essentially that there is a strong focus on how future programmes work for all ages in a period of rapid demographic change.

None of this is apparent from the Freud Report. There is only fleeting reference to New Deal 50+: no recognition in the Chapter on *UK Performance to Date* that in its heyday it was a world-leading success story nor recognition that in the last three years it has dwindled to very little as reform of New Deals has been awaited. New Deal 25+ also gets little attention.

It is not apparent that the largest contribution to meeting the 80% target will have to come from the over-50s. Nor that the DWP rightly interpret the increase to be 'net of demographics' which will mean that at least 2 million additional older workers will need to be in employment for the aspiration to be met. The analysis of survival rates in work excludes the New Deal over 25s and over-50s (pps 71-75)

The analytical framework for labour market performance (p 20) ignores the major impediment of age discrimination – as indeed it ignores other forms of discrimination in employment and training.

### **Economic inactivity**

We agree that the focus should be on all those who are economically inactive, as much as those who are on welfare benefits (pps 18-19 and 80). We welcome that the Report draws attention to the fact that the proportion of the working age population who are economically inactive has hardly fallen since 1997, despite the strong employment performance. In the case of the over-50s it has not fallen, even though the employment rate of over-50s has improved strongly. Over-50s make up about a third of the economically inactive of working age.

### **Complex pathways for claimants**

We agree that the pathways for individual claimants defined by allocation to programmes are too complex and must be simplified (p12 and 78). A good example is over-50s claimants who in turn go through Jobseekers Allowance, New Deal 25+ and New Deal 50+ status, all with different terms and conditions attached to them.

We agree about converging the systems of conditionality (p88). This is currently happening in respect to the over-50s. Assuming that programmes perform equally well for people of all ages, there is no reason to differentiate the degree of conditionality by age group. However, programmes are not currently performing equally well for older age groups and the proportion of over-50s on benefits who remain longer than one year has been rising rather than falling, suggesting that the quality of Jobcentre Plus service has been falling and/or that the barriers to employment have been getting worse.

### **The most disadvantaged groups and multiple disadvantage**

We support the proposed shift from placing individuals in one of the main disadvantaged 'client groups' to operations based on multiple disadvantage (pps 27 & 39). In part, this is because it is the best way to recognise age as one of the dimensions of each individual's identity and circumstances. Age should be an essential element of client profiling and a personalised services.

As the report says, this approach also takes account of two crucial dimensions: skills level and geographical or community location. DWP research and analysis has been excellent at demonstrating the multi-layered build up of employment disadvantage. The Freud Report provides the opportunity to translate this approach into programmes and delivery.

We welcome the link to public policies on social exclusion and the acknowledgment that social mobility appears to have declined, despite policy efforts to promote it (p41).

The Report is in tune with the direction of travel of the Commission on Equality and Human Rights and the move to a single equality act. The recent Equality Review placed great emphasis on employment in promoting equality of opportunity, but insufficient focus on multi-layered disadvantage.

### **Labour market policies: what works?**

We agree with the view that despite a wealth of analysis there are limited clear overall conclusions on cost benefit analysis (p 44). While aware of internal Treasury hurdles for investment, external partner and stakeholder organisation do not have any conceptual framework for understanding the added value of welfare to work programmes. Is a 5 or 10% improvement in outcomes resulting from a welfare to work programme a lot or a little? How is duration of work and churn factored in? How is quality of work as distinct from quantity of jobs factored in?

The research, statistical and analytical work of the Department, the LFS and other groups is a great asset. We believe that employment policy is better supported in this respect than most other areas of public policy.

But we have concerns about how well this evidence-base is used and what results from it. Several recent evaluations of projects and programmes have given a distorted view of results and impact as seen by clients, external partners and Jobcentre Plus staff. The evidence on the performance of contracted out work compared to JcP delivered programmes is mixed. Vested interests intrude on this sensitive topic. The Freud Report does not present a compelling economic case for more contracting out, even though it may be the right thing to do (p 51). Bias within the evaluation and appraisal system and the headline reporting of it also creates a credibility gap between the picture reported and the experience on the ground.

### **Defining the 80% target and working age**

We accept that the simplest approach may be to use the ratio of people working (including those over State Pension Age) compared to the working age population up to age 64 (i.e. not including pension age population). However the starting point for working age will need to rise from 16 to 19 with the increase of compulsory learning to 18. (p48).

We have argued for a redefinition of upper limit of 'working age' or the ending of an upper age. This would mean using an employment rate which was the actual percentage of adults in work relative to the actual population, rather than a ratio of two inconsistent data sets. We recognise that this would require a redefinition of the 80% target. But we also recognise the case for simplicity. If the numbers over SPA in work rise to 2-3 million compared to 1.2 million now we may need to think again. We do not support the Select Committee's approach (p 49) to segment working age into client groups.

The start point for 'working age' must change because there is no point having an education target to maximise the numbers of young people in learning rather than in work and an employment target to maximise the opposite – young people in work rather than in learning. It is for decision whether this should be 19 or 21, reflecting the Government's ambition that maximum numbers of post-school young people should be in higher or further education.

## **Contracting out services for the hardest to help**

In general we support the move to contracting-out programmes for harder to help clients, subject to:

- Evidence that contractors can demonstrate a track record of delivery of programmes to all ages of clients and achieve equally good results across all age groups.
- The contracting arrangements encourage prime contractors to draw on sub contracting expertise, local knowledge and experience on working with clients in mid and later working life (the creation of Programme Centres in the 1990s led to many specialist service providers being washed away, but we understand that the move to 50+ area contracts last year did not have this effect).
- The question of whether referral of clients to contracted-out services only happens after 12 months on benefits with Jobcentre Plus services, rather than immediately, is kept under review.

We support this approach because there is widespread reluctance on the part of many workers in later career who have not had previous experience of Job Centres to engage with it or official agencies. Use of non-governmental bodies may make it easier to break down these barriers.

The issue of longer term prime contractors on a regional basis is a concern to many (p53). We do not have strong opinion on this, on the assumption that the longer term contracts play through to local sub-contractors and that the enhanced performance compared to the public agency can be demonstrated.

We support an outcome-based contracting model as described in Chapter 4. This requires a more transparent understanding of costs per client that is currently not available, and excellent contract management by DWP and Jobcentre Plus. The need for commercial confidentiality appears to be a major barrier to transparent analysis of costs of contracted-out programmes.

## **Employment and Skills**

We support a stronger focus on skills acquisition for the hardest to help, given the employment rate of low skilled workers (p112). The proportion of low skilled workers increases with age.

The implementation of the Freud Report must take place in parallel with the Leitch Review reforms. The current Level 2 based Skills Strategy is not working well for people aged 40+. The qualifications regime is not fit for purpose for them and this means that there is low demand for full qualification courses and low attainment. Therefore advancement of the skills dimension of welfare to work reform requires a fresh view on what kinds of skills (rather than qualifications) packages will best advance employability for people with 20-30 years work experience behind them. The inter-dependence of skills policy and employment policy is fundamental and not yet a reality in public policy and service delivery.

