

BULLETIN

Researching the New Deal

New Deal was one of the 'big ideas' for policy introduced by the new Labour Government in 1997. Initially conceived of in regard to unemployed young people, the New Deal brand has been applied via a range of programmes, to groups as varied as lone parents, people aged 50 plus and partners of unemployed people, as part of the government's overall 'Welfare to Work' strategy. One key feature of the New Deal has been the commitment by government to the evaluation of the delivery, operation and impact of the programmes, both on the individuals concerned and on the wider labour market and economy. The scale and transparency of the evaluation exercise is probably without precedent and IER, often working in collaboration with other leading research organisations, has been involved in much of this evaluation work. This *Bulletin* briefly describes some of the Institute's work in this area of policy evaluation and concludes by drawing some broad lessons from the research.¹

New Deal

New Deal is intended to contribute to an increase in the sustainable level of employment and a reduction in social exclusion by:

- helping young and long-term unemployed people, lone parents and disabled people who wish to work, into jobs and helping them to stay and progress in employment;
- increasing the long-term employability of young and long-term unemployed people, lone parents and disabled people who wish to work.

The key feature of New Deal that distinguished it from previous initiatives was the provision of support tailored to the needs of clients. This has been facilitated in several ways: first, by having programmes specific to target groups (such as young people or lone parents); second by offering a range of provision within each programme; finally, and above all, by providing each participant with a New Deal Personal Advisor (NDPA) whose task is to provide individualised and continuous support during participation in New Deal. A description of the three main New Deal programmes (Young People, Long-Term Unemployed and Lone Parents) can be found in Hasluck (2001).

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IER research on New Deal

IER has contributed to the evaluation of New Deal in many different ways, reflecting the range of expertise within the Institute.

The earliest involvement in New Deal evaluation concerned analysis of local labour markets. New Deal for Lone Parents (NDLP) was introduced in prototype form in 1997 in a small number of areas. At an early stage of the evaluation, IER produced profiles of the prototype areas and other areas, which were to be used for comparison. These profiles collated and synthesised labour market information from a wide range of sources. The analysis showed clearly that employment opportunities in the NDLP prototype areas were less than in the comparison areas. While this finding might have been anticipated (programmes tend to be introduced where the need is greatest) it indicated that NDLP faced greater difficulty in helping lone parents back into work in the prototype areas than would have been the case in the comparison areas. This needed to be taken into account when assessing the overall impact of the programme. A similar exercise was carried out in respect of the evaluation of the New Deal for Disabled People (NDDP) pilots (Green *et al.*, 2001).

The NDLP prototype programme also drew upon IER analysis of programme impact. Analyses of administrative data relating to Income Support claims by lone parents provided estimates of the effect of NDLP on the rate at

which lone parents were helped into work. Small but positive effects on the rate of leaving Income Support were detected, as were effects on increased entry into employment (Elias, 2000; McKnight, 2000). This confirmed findings from survey work that was running in parallel with the analysis of administrative data. These estimates of impact, in turn, fed into IER cost-benefit analysis that related the costs of NDLP to any benefits gained, in terms of the value of such net gains to the Exchequer, the participants on programmes or to society as a whole. The cost-benefit analysis of NDLP showed that the prototype programme involved very small Exchequer net costs and generated substantial social net benefits (Hasluck, 2000a).

A different type of impact was examined in regard to New Deal for Young People (NDYP) and New Deal for Long-Term Unemployed People (NDLTU). As part of a broad programme of evaluation of these two programmes, IER examined data collected by means of a large-scale survey of employers who had recruited to subsidised jobs from New Deal. The research was designed to estimate the 'additional' impact of the New Deal and the wage subsidy, that is the extent to which employers recruited more people, or more unemployed people, than would have been the case without the programme (Hasluck, 1999; Hales *et al.*, 2000). The research found evidence of a not insignificant additional impact. The analysis also found that, once recruited to subsidised jobs, New Deal clients had a good chance of being retained by their employer. Around two in every three were still in a job with their original employer at the end of the subsidy period and more than half were still in employment 12 months after entering subsidised employment.

One consequence of the scale of the New Deal evaluation programme has been that it has sometimes been necessary to step back from the detail of individual projects and to take stock of the evidence in order for the overarching key messages from evaluation to be identified. Several such reviews of evaluation evidence have been undertaken covering NDYP (twice), NDLTU (twice), NDLP and NDDP as well as an 'overarching' synthesis of evidence relating to all of the mainstream New Deal programmes. In addition to identifying key messages, these reviews provided convenient summaries of wide ranging evaluation research programmes as well as assessing the strengths and weaknesses of the evaluations and identifying gaps in the research (Hasluck, 2000b, 2000c, 2000d, 2000e).

Much of the new Deal evaluation programme has now been completed (for instance, in respect of NDYP only long-term analysis of macroeconomic impact remains to be completed). Nonetheless, evaluation work has continued especially where New Deal programmes were introduced later than the mainstream programmes or where the programmes have been subject to major revision. An example of the latter situation relates to NDLTU. That programme was significantly 'enhanced' from April 2000 while a more fundamentally 're-engineered' NDLTU programme was introduced in April 2001. IER contributed

to the evaluation of the enhanced NDLTU, finding that the enhancements had made little difference, either to the operation of the programme or the outcomes for participants (Winterbotham *et al.*, 2002). Evaluation of the more significant changes introduced in April 2001 is currently being carried out and will report in mid 2002.

Lessons for labour market policy

There is nothing new about the notion of evaluating labour market programmes. There have been many examples of such evaluation in the UK in the past. What is more novel about New Deal is that the evaluation has not been conducted entirely *ex post*, but has been seen as an integral part of the delivery of the programme. As such, research findings have often resulted in changes and improvements to the delivery and operation of the programme (this may be a good thing for the programme and its participants but is less of a good thing for researchers trying to assess the impact of a constantly changing programme). Such an extensive evaluation programme, involving as it does many different types of intervention and provision, also provides an important test of the effectiveness of labour market interventions. It is important therefore to draw out some of the key messages from the New Deal evaluation programme in order to highlight lessons for labour market policy development in general.

There are several key messages to be found in New Deal evaluation research. The first of these is the crucial role of the New Deal Personal Advisor. The introduction of the NDPA was a central innovation of New Deal. The evidence from evaluation has shown just how important is the relationship between NDPA and clients to a successful outcome. It also raises questions about the extent to which the Employment Service is capable of supplying staff with the necessary interpersonal skills in order to meet the constantly growing commitment to provide NDPAs. New Deal has worked well where NDPAs had good, open relationships with their clients and were able to maintain continuity of contact. Continuity appeared most threatened in situations where clients passed into the control of others (such as during training courses, Education and Training Opportunities (ETO) or subsidised employment) and in Follow-Through (the final stage of a number of New Deal programmes).

The evidence from evaluation has also pointed out the diversity of New Deal client population. Even on a single programme, participants were extremely varied in terms of their circumstances, employment backgrounds, aspirations and their barriers to work. Looked at across different New Deal programmes this diversity was even greater. As a result, the form and frequency of support and types of intervention needed to make participants job ready was extremely varied. New Deal programmes appear to have worked best when they allowed flexibility in programme operation and offered a wide range of provision so that support could be matched to the needs of participants.

New Deal was designed to provide support that was tailored to the individual needs of clients. Success in matching clients to provision has been a key factor in success, while poor matching has been a cause of difficulties. Where participants had high or very specific job or career aspirations that were not met by their New Deal programme, they were as dissatisfied. The challenge for New Deal has been to make a range of provision available and have the means to identify the needs of clients in order to match them to available provision.

Successive changes to New Deal have strongly shifted the emphasis in the direction of placing clients into unsubsidised jobs rather than preparation for work. Now that more information about outcomes has become available, this emphasis appears more open to question. Many exits from Gateway (the first stage of most New Deal programmes) to unsubsidised jobs were not sustained for very long (many returning to claim benefits within 13 weeks). A key factor at work here is the underlying job readiness of clients and the reasons they left New Deal. Where clients left in reaction to the programme and were in an unprepared state, their chances of sustained employment were reduced. New Deal worked best where participants were prepared for jobs (including a range of social and work skills). The challenge for New Deal is to be able to clearly assess the extent to which participants require preparation for work. In some instances it may be better to work with clients on a programme towards longer-term benefits in terms of employability than place an unready client into a job vacancy no matter what the short-term gain in terms of programme outcome measures.

Previous evidence relating to subsidised employment is patchy and sometimes contradictory. New Deal evaluation provides firm evidence that subsidised employment has been an effective way to get unemployed people into sustainable employment. High levels of retention at the end of the subsidy period have been found on both NDYP and NDLTU. Similarly participants in subsidised employment have the greatest likelihood of being in employment in any job after participating on New Deal. The numbers entering subsidised employment have been less than was originally envisaged by the New Deal design. This has resulted from a continuing reluctance by some employers to recruit from the unemployed as well as the fact that many New Deal clients were less job-ready than had been expected (and therefore could not be placed into subsidised jobs even if a vacancy existed). The challenge facing New Deal has been to increase the number of participants entering subsidised employment. This will require better preparation for employment, improvements in the quality of job placements and, particularly, in the broadening of the industrial and occupational areas from which subsidised employment is drawn. This will make subsidised jobs more attractive and relevant to the career goals of New Deal clients (especially young people).

It has become very clear from the evaluation evidence that

completing a New Deal activity, especially training and work placements, is critical to the later outcome for the client. Non-completion can occur for many reasons but where it did, it often reinforced already low self-confidence and self-esteem in participants and reduced their motivation.

New Deal evaluations commonly report differences between groups of clients, both in terms of their activities on New Deal and the outcomes achieved. In particular, ethnic minorities appear to take different routes through New Deal programmes and tend to achieve less successful outcomes than white participants. The challenge for New Deal in the future will be to ensure that the particular needs of ethnic minority clients are addressed adequately and to seek ways to facilitate a higher level of entry into employment for these groups. In many instances, however, the source of the difference in outcomes lies outside of New Deal, for example in employers' recruitment practices or in cultural norms, and is thus difficult or impossible to address.

It is clear from the evaluation evidence that some New Deal participants are a long way from being ready to enter mainstream employment. Acute health and personal issues mean that such individuals face substantial barriers to employment. Where participation on New Deal was voluntary (such as NDLP), those facing the greatest barriers were the least likely to have entered or remained on the programme. Despite this, New Deal does appear from the evidence to have been able to help some of these participants into work and has helped others make progress towards future employability. Even so, it has been the case that the scale of difficulties faced by some New Deal clients with multiple disadvantage were such that New Deal alone could not hope to overcome their problems without other forms of support and assistance (not least a willingness by the individual concerned to receive such support). The general issue raised by this is just where to strike the balance between compulsion to participate and individual choice not to.

The future of New Deal

New Deal has constantly evolved both with the introduction of new programmes under the New Deal banner and through the modification of existing New Deal provision. The future of New Deal has been set out in the 2001 Employment Green Paper *'Towards Full Employment in a Modern Society'*. The Green Paper proposed three broad developments to help people into work. These were:

- to establish a new Agency bringing together the Employment Service and parts of the Benefits Agency, to provide a single point of access to the benefit system for those of working age²,
- an enhanced and permanent New Deal,
- a clearer focus on the hardest-to-help groups.

² This new agency will be called Jobcentre Plus.

In addition to the formal changes proposed in the Green Paper, a review of the evolution of New Deal and the evidence from evaluation suggests that New Deal is likely to develop in a number of other directions too.

The first direction of change that can be discerned is an increased use of mandatory participation (compulsion for those wishing to continue receiving social security benefits). Participation in all stages of NDYP was always mandatory but mandatory participation applied only to the early stages of NDLTU and participation in some programmes (notably NDLP, NDDP and ND50 Plus) was voluntary. Mandatory participation was extended on NDLTU in April 2001 to include post-Gateway activities while initial interviews were mandatory on NDLP from the same date.

New Deal is likely to place greater emphasis on Gateway and Follow-Through activities (which involve advisory activity and short-term provision) while reducing the emphasis on the more substantial (and costly) education and training and (subsidised) employment elements of programmes. Moreover, there appears to be increased use of common provision across different New Deal programmes. This has partly been a response to falling numbers of participants on all programmes and partly a means of enabling more flexible and individually tailored support to be provided.

The growing awareness of the need to identify accurately clients who are not work ready and ensure that their needs are matched by New Deal provision is leading to a growing emphasis on diagnostics to assess job readiness. This individualisation of provision again undermines the rationale for separate programmes for different client groups and reinforces the trend towards common provision from which tailored support is fashioned.

Taken together these developments suggest a process of convergence in which clients are required to participate on a New Deal that places most emphasis on flexible, short-term support for job seeking. The creation of common provision, the overlap in NDPA caseloads, the ever-increasing emphasis on support for jobsearch, provision to overcome immediate barriers to work and a focus on the hardest-to-help clients all point to a future in which New Deal is basically the same for all clients, although individuals would draw upon different aspects of the common programme. Should this come about, it would mean that New Deal would be less a set of separate, targeted programmes and more a mainstream activity of Jobcentre Plus. Herein may lie the threat to any success that New Deal has so far achieved. Much of the success of New Deal stemmed not just from programme activities in themselves but from a sense amongst all concerned that New Deal was different. Latterly, there is evidence that increasing numbers of clients have been unaware of participating in New Deal, seeing their interviews and other activities as just part of the usual activities required of jobseekers. Fewer and fewer entrants to New Deal will be able to recall the 'bad old days' before

New Deal and are thus less likely to see the initiative as something new and innovative. Mandatory participation, especially mandatory repeat participation, will further strengthen such perceptions. The challenge will be to maintain the effectiveness of New Deal when its activities are perceived to be mainstream activities and not something special.

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