

New Labour isn't working, by Helen Disney

Being in charge of welfare-to-work in a recession is something of a poisoned chalice. Nevertheless, the Conservative Party this week made the government's welfare task even grimmer by poaching one of its top advisers.

David Freud had been advising Work and Pensions Secretary James Purnell on how to involve the private sector and voluntary groups in helping unemployed people find work. Now Freud is to join the Conservative front bench in the Lords, apparently attracted by the chance of becoming a minister if the Tories are elected to government.

Freud was first commissioned before the 2005 general election to come up with radical proposals to help the 2.7 million people on Incapacity Benefit to find work.

His plans were almost fully adopted in a government green paper. At that stage, Freud praised the government's policy as 'a significant change in the approach to the welfare state, aimed at calling a halt to the build-up of a dependency culture and in tackling our pockets of obstinate poverty'.

However, as the recession has mounted, attention has focused on the scale of the problems facing jobcentres and whether the original costings of the private sector contracts need revision, given that it is going to take longer for unemployed people to find work.

Speaking as news of his move broke, Freud said: 'By the end of this recession there are likely to be more people on welfare than ever before. In particular, we run the risk that another generation of long-term unemployed becomes condemned to languish outside the labour market for the rest of their lives. I see this as one of the most important challenges of the next few years.'

Indeed it is, but the task might be even harder than either Labour or the Conservatives have anticipated. The latest announcement of 850 job cuts at BMW's Mini plant at Cowley in Oxfordshire signals yet another blow to the local economy, leaving large numbers of staff out of work and in need of retraining.

The Bank of England now says that the UK is experiencing a 'deep recession', with the economy predicted to shrink by 3% in 2009 and unemployment, now just short of 2 million, rising rapidly.

A successful welfare-to-work strategy is urgently needed, yet the government's plans are experiencing more than one setback. Aside from the defection of Freud, the expected announcement on preferred bidders for the Flexible New Deal scheme has also been delayed.

Private providers waiting to take on board the job of finding work for large numbers of new claimants have been deeply concerned about contracts that offer only 20% of the fee upfront and 80% when jobseekers are placed in permanent

work. In the current economic climate, even the best providers will struggle to find jobs for their clients.

The government is now reviewing its terms and is likely to offer higher initial payments. But does this offer good value for taxpayers' money? The greatest benefit of many of these schemes will be in reskilling and retraining unemployed people rather than being able to get them re-employed at least in the short term.

Many workers might also be persuaded to take jobs working in the community, contributing to public works and building self-esteem, while continuing to draw benefits.

Even so, it is unlikely that either Labour or the Tories will be deterred from their welfare reform plans, despite concerns about the imposition of tough conditions on welfare claimants such as single parents.

As Frank Field, the highly respected Labour MP and welfare campaigner, pointed out in a pamphlet for the think-tank *Reform —Help! Refashioning welfare reform to help fight the recession* — the success of welfare reform programmes ultimately rests on the incentives and penalties they offer.

If it becomes too easy to fall out of such schemes, as happened with many who were registered under the New Deal for Young People programme, we are left with something even worse — a host of people struggling without hope of work, training or education.

Field says the government should not lose its nerve when it comes to conditionality, especially in an economic downturn: 'Ending "money for nothing" welfare and shifting to a "money for something" system will result in a sustainable welfare programme that actively helps benefit claimants return to the job market.

'These reforms will allow the UK economy to come out of the recession fighting, and give the workless the chance they deserve to get back on their feet.'

Over the years, many have asked why Field has not left Labour and gone over to the Conservatives. While he is deeply rooted in the Labour tradition, it looks as though his ideas might find a new home with the Conservatives.