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**Rethinking job creation programmes: The StepUP Pilot in the UK**

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## **1. Introduction**

Since the 1970s economic crisis active labour market policies (ALMPs) have undergone a transformation that has mirrored the paradigm shift from Keynesian demand management to supply-side responses that posit unemployment as a consequence of market rigidities such as minimum wage rates and other employment conditions, combined with innate deficiencies of the unemployed. Peck and Theodore (2000) and Lafer (1999) document the transformation of ALMPs. In the 1970s, the immediate response to mass unemployment was implementation of job creation schemes. As the supply side explanation of unemployment became entrenched in the 1980s, the emphasis of ALMPs shifted from attempts to increase labour demand toward training programmes to enhance adaptability of the workforce to changing labour market requirements. From the 1990s the agenda emphasised employability, combined with conditionality on welfare payments to exert downward pressure on wages and working conditions. In the UK, as elsewhere, the attribution of unemployment to individual failings ushered in a ‘work-first’ approach in the form of various New Deal programmes, whereby unemployment benefits became increasingly conditional on behavioural requirements and mandatory participation in activities to enhance employability. These include unpaid work experience that can be classified as workfare. This approach has failed to restore full employment or eliminate regional disparities in unemployment.

This paper explores the failure of the supply-side approach and the potential of a resurgence of job creation schemes to address labour demand and improve employment outcomes for disadvantaged jobseekers. Section 2 traces the retrenchment of the Keynesian welfare state. The following section discusses the transformation of ALMPs from job creation through to the dominance of workfare programmes. The remainder of the paper examines the StepUP job creation programme that was trialled in an attempt to address the problem of churning through successive periods of New Deal participation. The results of the trial suggest that job creation programmes are beneficial for the most disadvantaged.

## **2. Transformation of the Welfare State**

The major concepts underpinning the welfare state as well as the policy tools used to achieve these objectives are listed in Table 1. Fundamentally, the welfare state signified government acceptance of responsibility for the welfare of citizens, as Mishra (1990:18) states: “the general principle behind the welfare state was that governments both could and should assume responsibility for maintaining a decent minimum standard of life for all citizens.” First, governments committed to maintaining high levels of employment, coupled with labour market regulation in the form of minimum wages and working conditions, to curtail exploitation and ensure sufficient labour supply (Levine, 1988; Mishra, 1990; Teeple, 1995). Second, transfer payments, service provision and taxation policies were designed to meet essential needs (Levine, 1988; Abel-Smith, 1994), maintain living standards (Mishra, 1990), or redistribute income, wealth and power (Stoesz and Midgley, 1991). Contrasting previous arrangements, the welfare state included extensive provision of public services (Gladstone, 1995), predominantly provided on a universal basis (Mishra, 1990; Stoesz and Midgley, 1991). Third, access to welfare state services was provided as a citizenship right through state funded services, professionally and impartially administered, rather than discretionary assistance that was the hallmark of earlier

charity based arrangements. These three interdependent components of the welfare state combined to enhance economic growth, provide a healthy, educated workforce, and legitimate the system.

The 1970s economic crisis - declining profitability, the breakdown of the Bretton Woods arrangements, oil shocks and recession - laid the basis for the shift to neo-liberal economic policies (Gough, 1979; Dale, 1981; Mishra, 1990; Glennerster, 1991; Hutton and Giddens, 2000; Scharpf, 2000; Callinicos, 2001). These included the embrace of globalisation, opening up profit-making opportunities in sectors that were previously outside the ambit of the market, and restricting deductions from surplus value that were channelled into the welfare state. International agencies representing the interests of capital in developed countries campaigned to implement institutional changes that reinforce globalisation.

Table 1 Comparison of the welfare state and the post welfare state

Welfare state	Post Welfare State
<b>Economic pillar</b>	
<ul style="list-style-type: none"> <li>• Commitment to full employment</li> <li>• Demand management</li>   <li>• Public sector employment</li> <li>• Government as employer of last resort</li> <li>• Labour market regulation               <ul style="list-style-type: none"> <li>○ Collective bargaining</li> <li>○ Minimum wages</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Acceptance of market outcomes</li> <li>• Restrictive fiscal policy and inflation targeting</li> <li>• Reduced role for public sector</li> <li>• No employer of last resort</li> <li>• Labour market deregulation               <ul style="list-style-type: none"> <li>○ Reduced role for collective bargaining</li> <li>○ Downward wage pressure</li> <li>○ Flexibility</li> </ul> </li> </ul>
<b>Redistributive pillar</b>	
<ul style="list-style-type: none"> <li>• Intervention to ameliorate market outcomes</li> <li>• Transfer payments for those outside the labour market</li> <li>• Redistributive taxation policies</li>   <li>• Services to enable full participation</li> </ul>	<ul style="list-style-type: none"> <li>• Intervention to stimulate market outcomes</li> <li>• Transfers payments conditional on activation and behavioural requirements</li> <li>• Tax cuts for higher income earners and companies</li> <li>• Greater emphasis on regressive consumption taxes</li> <li>• Privatisation of services</li> <li>• Restricted access</li> <li>• User charges</li> </ul>
<b>Right of citizenship</b>	
<ul style="list-style-type: none"> <li>• Delivery by the state</li> <li>• Uniform services</li> <li>• Transparency</li> </ul>	<ul style="list-style-type: none"> <li>• Privatisation of delivery</li> <li>• Non-uniform services -increased discretion</li> <li>• Less transparency</li> </ul>

Sources: derived from (Jamrozik, 2005; Cook, 2006; Allen *et al.*, 2007; Mitchell and Muysken, 2008).

The OECD Jobs Study (OECD, 1994) elaborated a supply-side programme that advocated cuts to wages, working conditions and income support payments. The Jobs Study promoted ‘flexibility’ with regard to working time, wage and other labour costs, and employment security. These reductions in wages and working conditions were to be accompanied by retrenchment of income support, including cuts to replacement rates, and making benefits conditional on participation in ALMPs

including workfare programmes that require participants to work in return for unemployment benefits. The EU adopted similar proposals as part of the European Employment Strategy introduced at the Luxembourg Summit in 1997.

The outcome of decades of attacks has transformed the Keynesian welfare state into the post-welfare state (Jamrozik, 2005), the Enabling State (Gilbert and Gilbert, 1989), the Schumpeterian workfare post-national regime (Jessop, 1999; 2004), or the Full Employability Framework (Allen *et al.*, 2007; Mitchell and Muysken, 2008). Contrasts between the welfare state and the post-welfare state are presented in Table 1 which highlights the retreat from government acceptance of responsibility for welfare. Economic policy has been reduced to restrictive fiscal policies and inflation targeting reflecting the abandonment of full employment in favour of international competitiveness and supply-side 'Schumpeterian' policies to promote innovation and strengthen competitiveness (Jessop, 1999; 2004). The focus of redistributive policies is to stimulate market outcomes through privatisation and conditionality of access to welfare state services (Jamrozik, 2005; Allen *et al.*, 2007; Mitchell and Muysken, 2008). The diminution of access to the welfare state as a right of citizenship is reflected in the rhetoric applied to the unemployed and other 'workless' groups of working age; slogans such as 'mutual obligation', 'rights and responsibilities', 'right and duty'. This shift in responsibility to the victims has occurred in a continuing environment of insufficient labour demand.

### **3. The changing role of Active Labour Market Policies in the UK: from job creation to Workfare**

This section details the transformation from the use of job creation programmes to Workfare in the UK. Job creation involves paid employment; participants are classified as employees and receive at least the minimum wage. Conversely, workfare forces people to engage in unpaid work experience in exchange for welfare payments (OECD, 2005). Such programmes are generally not classified as employment, are stigmatising and constitute a reduction in entitlements (Lødemel, 2001).

#### **3.1 The pros and cons of job creation programmes**

Several reasons have been advanced for the use of job creation programmes. In periods of high unemployment they can be speedily phased in to provide an effective counter-cyclical stimulus to the economy by increasing labour demand and creating jobs for the unemployed (Balkenhol, 1981; Jackson and Hanby, 1982; Roy and Wong, 2000). In the past, political necessity has dictated that governments faced with electorate expectations of full employment are seen to be actively attempting to eliminate unemployment (Jackson and Hanby, 1982).

Job creation contributes less to inflationary effects than a general expansion in aggregate demand because it directly targets the unemployed (Jackson and Hanby, 1982; Calmfors, 1994; Belchamber, 2004). The Job Guarantee (JG) advocated by Mitchell (1998) proposes the use of a buffer stock of public sector jobs available to all those seeking work. JG jobs would expand/contract as unemployment increased/decreased. The JG environment offers a mechanism to control inflation (see Allen *et al.*, 2007; Mitchell and Muysken, 2008 for a detailed explanation). In essence, when the buffer stock is high real wage demands will be lower.

In addition to macroeconomic objectives, job creation programmes address structural imbalances among industry sectors and regions and assist disadvantaged groups in the labour market (Balkenhol, 1981; Jackson and Hanby, 1982; Roy and Wong, 2000).

Belchamber (2004) asserts that governments have a responsibility to address unemployment, including regional disparities, which have persisted despite a prolonged period of economic growth. In addition, Brodsky (2000: 31) stresses that public sector job creation “may be the only effective way to aid those among the long-term unemployed who are less skilled and less well educated.” Finally, public sector job creation is also a means of addressing unmet needs for environmental protection and community development.

As with other ALMPs there are potentially unintended adverse consequences of job creation programmes. At the macro level, provision of jobs could fail to meet the objective of net job creation due to substitution effects or deadweight loss. Substitution occurs either because existing workers are displaced, or other positions are not generated. Deadweight loss indicates that workers employed under the programme would have been employed in any case so that new positions are not created. O’Connell (2002: 67) notes that an OECD review of ALMPs in 1993 found that “direct job creation schemes were less likely to suffer from high deadweight than employment subsidies – since most participants would have few alternative employment opportunities – and that programmes can be designed to minimize substitution and displacement.”

Programmes may be considered worthwhile on equity grounds in the absence of net job creation if employment outcomes of disadvantaged groups are enhanced. However, at the individual level, participants may not achieve improved employment outcomes, or improvements may dissipate rapidly after completion of the programme. In addition, such programmes potentially suffer from lock-in effects whereby participants become attached to the programme and reduce job search efforts so that employment outcomes actually decrease. Programme evaluation is difficult in the absence of random assignment because the treatment and control groups are likely to have differences in unobservable characteristics that impact on outcomes.

### 3.2 Job creation programmes in the UK

In the UK, as elsewhere, the initial response to mass unemployment in the 1970s was to implement counter-cyclical job creation programmes to provide temporary work to overcome what was viewed as a cyclical problem. In 1972 the Community Industry scheme provided full-time employment for one year for disadvantaged youth (Jackson and Hanby, 1982). The 1975 Job Creation Programme provided short-term jobs of ‘social value’ in areas of high unemployment. Initially the jobs were targeted at young people 16 to 24 years old and those over 50 years but were later expanded to include the long-term unemployed. Projects in urban renewal or provision of social services could be sponsored by private employers, voluntary organisations, charities and community groups. By the time the programme finished in 1978 it had provided a total of 120,000 jobs, lasting an average of 8 months, mainly in Northern England and Scotland.

As a result of the Holland Report in 1978 there was increased emphasis on training programmes to address supply-side deficiencies in the skills and attitudes of the unemployed (Jackson and Hanby, 1982; Peck and Theodore, 2000). Two new job creation programmes commenced in 1978. First, the Youth Opportunities Programme (YOP) provided a range of options for youth aged 16 to 18 including training and community services but around two-thirds also involved Work Experience on Employers’ Premises (Main, 1985). Second, the Special Temporary Employment Programme (STEP) targeted areas of high unemployment and provided 12 months

employment for 19-24 year olds unemployed for more than six months, and long-term unemployed persons over 24. STEP was replaced by the Community Enterprise Programme in 1981.

### 3.3 The rise of workfare

Since the 1980s there has been evidence of ‘activation’ of the unemployed in the UK including compulsory interviews, jobsearch programmes, training programmes and work experience (Trickey and Walker, 2000). A succession of programmes for youth provided work experience in combination with further education or training in return for an allowance slightly higher than unemployment benefits. These included the 1976 Work Experience Programme (Jackson and Hanby, 1982), the Youth Training Scheme in 1983 (became Youth Training in 1990), and Employment Training in 1988.

In 1996 Project Work was introduced for the long-term unemployed who were required to participate in 13 weeks intensive jobsearch training followed by 13 weeks mandatory work experience despite opposition to the ‘workfare’ nature of the scheme and complaints about insufficient training or choice of the type of work performed (Trickey and Walker, 2000). In the same year activation requirements were reinforced by the introduction of Jobseekers Agreements and sanctions under the ‘Jobseekers Direction’.

After the 1997 election the New Labour government continued the supply-side ‘employability’ approach, extending activity requirements through implementation of the New Deal. Trickey and Walker (2000: 190) point out that New Labour rhetoric to justify these policies vacillated between ‘dependency’ and a mixture of ‘social exclusion’ and ‘poverty’, with paid work prescribed as the only remedy for these ills. Under the various New Deal programmes jobseekers are allocated a Personal Advisor, required to enter into a Jobseekers Agreement and participate in one of a number of options: subsidised employment, self-employment, work in the community sector, or full-time education or training. The New Deal for Young People (NDYP) began in 1998 for those aged 18 to 24 and on benefits for 6 months. Subsequently, New Deal 25 plus and New Deal 50 plus were introduced for other segments of the unemployed.

The New Deal has also incorporated groups who were previously considered to be outside the labour market; New Deal for Lone Parents (NDLP) in 1998 and New Deal for Disabled People (NDDP) in 2001 for Incapacity Benefit recipients. While participation for these groups has been voluntary the Green paper ‘*In work, better off: next steps to full employment*’ (DWP, 2007b) proposes that from October 2008 lone parents whose youngest child is 12 will be required to look for work and the age will be reduced to 7 years from October 2010. Similarly, people with disabilities will be required to look for work from 2008 when the national Pathways to Work programme begins, and Incapacity Benefit is replaced by Employment and Support Allowance for new claimants (DWP, 2007b). In addition, it is proposed that all long-term unemployed will be required to participate in full-time work experience or work in the community.

### 3.4 How successful has the New Deal been?

Employment outcomes for New Deal participants have varied significantly. Of the 12 to 21 per cent of people placed immediately after a New Deal programme (outcome rates varied by programme) between a quarter and one-third were employed for less than 3 months, and only 26 to 40 per cent worked for a year or more (Bourn, 2007b).

Monitoring of New Deal participants for four years using administrative data revealed that NDLP participants were employed for 26 per cent of that time, NDYP participants were employed for 24 per cent of the time, and ND25 plus participants were employed for only 10 per cent of the time (Bourn, 2007b). In short, “the rates of return to benefit suggest for some people, help in finding work is only part of the solution” (Bourn, 2007b: 8).

Table 2 shows regional employment and unemployment rates and New Deal employment outcomes (jobs obtained as a percentage of New Deal spells commenced). The first point that stands out from this data is that the regions with higher/lower employment rates tend to have lower/higher unemployment rates. London has the highest unemployment rate (7.8 per cent) and the lowest employment rate (69 per cent) suggesting a large discouraged worker effect. Second, New Deal success rates are highly negatively correlated with the unemployment rate. London has the lowest employment outcomes for all New Deal programmes. Similarly, the region with the highest employment rate and lowest unemployment rate, South West England, achieved the highest employment outcomes for NDYP (61.7 per cent), ND 25 plus (40.8 per cent) and NDDP (72.9 per cent). East Midlands recorded the best outcome rate for NDLP at 62.7 per cent.

Table 2 Employment outcomes as a proportion of New Deal commencements, 1998-2007

Jobcentre Plus Region	NR	UR	NDYP	ND25+	NDLP	NDDP
Scotland	75.7	5.3	58.1	33.1	57.1	67.9
North East	70.7	7.0	56.1	29.5	56.8	61.8
North West	72.5	5.4	56.3	32.2	56.2	57.2
Yorkshire and the Humber	73.7	5.7	55.0	30.7	58.2	52.0
Wales	71.1	5.3	58.4	34.6	56.4	67.0
West Midlands	72.9	5.6	50.1	30.4	56.1	63.4
East Midlands	76.3	5.3	55.5	32.0	<b>62.7</b>	57.7
East of England	76.9	4.7	54.1	32.8	56.3	60.7
South East	78.3	4.5	53.5	32.6	55.9	53.7
London	69.0	7.8	45.0	28.3	44.4	45.2
South West	<b>77.9</b>	<b>3.8</b>	<b>61.7</b>	<b>40.8</b>	57.1	<b>72.9</b>
Total	74.1	5.5	53.8	31.6	55.3	59.9

NR-employment rate; UR-unemployment rate

Source: (National Statistics, 2006; Department for Work and Pensions (DWP), 2007a)

Theodore and Peck (1999: 498) conclude that “the primary difficulty that confronts all welfare-to-work programmes: the strong association between weak labour demand and widespread welfare usage. ... has, time and again, overwhelmed supply-side interventions in the UK and the US, although it certainly has not slowed their proliferations.” Demand deficiency is highlighted by a recent National Audit Office report showing there were only enough vacancies to cater for 37 per cent of the unemployed and for only 6.5 per cent of workless people of working age (Bourn, 2007a).

There is evidence of unsuccessful jobseekers cycling through the programme again or only finding short-term employment (Bivand *et al.*, 2006; Griffiths and Durkin, 2007). For example, to May 2007, the 1,208,240 individuals who had commenced NDYP had a total of 1,676,920 spells on the programme, meaning that almost 28 per cent of all commencements were previous participants. In the two years to September 2003, 35 per cent of NDYP commencements and 32 per cent of New Deal 25 plus commencements were people who were returning to the programme. In addition, the Department for Communities and Local Government commented that “[e]xisting policies, while reducing worklessness overall, have not helped the least competitive in the labour market” (2007: 43).

#### **4. StepUP**

Limited success of the New Deal and churning of jobseekers returning to the programme provided the impetus for the StepUP trial job creation programme that ran from 2002 to 2004 in 20 areas. Pilot areas with high unemployment included East Ayrshire, Bradford, Leeds, Great Yarmouth, Sheffield, Dundee, Hackney, Lambeth, Sunderland, Sandwell, Knowsley, South Manchester and Greenwich (Bivand *et al.*, 2006). Areas with a medium level of unemployment included Wrexham, Rotherham, Coventry, Oldham and Cardiff. Low unemployment areas selected were Burnley, and Bristol.

The programme guaranteed 50 weeks employment, paying at least the minimum wage, to 18-50 year olds in pilot areas who were still unemployed 6 months after completing a New Deal Option or Intensive Activity Period on New Deal 25 plus. By targeting those who would otherwise return to New Deal, StepUP was designed to provide transitional employment for those facing multiple disadvantages (Bivand *et al.*, 2006: 92). Jobs could be located in the private, public or voluntary sector and were restricted to 33 hours per week to allow time for job search. The objective for the first half of the placement period was to retain the person in StepUP, while jobsearch activities intensified in the second half or ‘progressive’ stage to assist with transition to unsubsidised employment. Employers received a subsidy of the minimum wage plus a fee for additional costs.

The pilot sought to investigate three major issues. The first was whether a job creation programme would achieve better employment outcomes than recycling the unemployed through another period on the New Deal. Second, the pilot sought to identify whether results varied according to characteristics of particular disadvantaged groups. The third research question related to employer attitudes. One rationale for job creation programmes is that recent work experience enables people to upgrade employment related skills and demonstrate their abilities to prospective employers. The StepUP pilot sought to establish whether participation in the programme would have a positive impact on employers’ perceptions of the long-term unemployed and therefore improve access to employment.

##### **4.1 How did the StepUP program operate?**

In total, 5678 people became eligible and 3032 commenced StepUP during the trial period. Over 40 per cent of eligible jobseekers were under 25 and three-quarters were male, while over two-thirds had three or more recognised labour market disadvantages. Around 20 per cent belonged to ethnic minorities and a quarter had a disability.



The StepUP eligible group were significantly disadvantaged in terms of human capital in comparison to the remainder of the workforce. Almost two-thirds had either no, or very low levels of qualifications. One-quarter had literacy or numeracy problems. Almost one-third had been out of work for more than three years, while almost one in six had not worked before. More than half of those eligible for StepUP had spent less time working than not working. For many, previous employment had consisted of mainly short-term work.

Table 3 outlines the roles and responsibilities of the various participants in StepUP. After an initial interview with a Jobcentre Plus Personal Advisor clients were referred to suitable positions as they became available. Positions were secured by the Managing Agent in each of the pilot areas by canvassing private, public or non-profit employers to establish a bank of suitable vacancies, or attempting to secure vacancies that met the requirements of individual jobseekers. The programme stipulated that vacancies were to be additional to normal employment levels to prevent substitution of subsidised StepUP employees for the normal workforce. While strict conditions applied in the public sector there is no indication in the programme evaluation of how additionality was ensured in the private and non-profit sectors.

Table 3 Roles and responsibilities of participants in StepUP

<b>Jobseeker</b>	<b>Jobcentre Plus</b>	<b>Managing Agent</b>	<b>Support Worker</b>	<b>Employer</b>
<ul style="list-style-type: none"> <li>Attend interview at Jobcentre Plus</li> <li>Accept employment and remain in position for 50 weeks or until secure unsubsidised employment</li> <li>Outcome payment of 70 pounds for securing unsubsidised employment</li> </ul>	<ul style="list-style-type: none"> <li>Interview jobseeker and refer to StepUP jobs lodged by managing agent</li> <li>Advise Managing agent of referral</li> <li>Could breach jobseekers for failure to attend interview, start work or remain in work</li> <li>If jobseeker returned to JSA after 50 week placement there was no 'follow-through' interview</li> </ul>	<ul style="list-style-type: none"> <li>Secure StepUp jobs with employers from private, public or non-profit sector</li> <li>Notify jobs to Jobcentre Plus</li> <li>Appoint Support Worker when advised of referral by Jobcentre Plus</li> <li>May provide training or other types of support</li> <li>Pay employer fee</li> <li>If jobseeker placed in unsubsidised employment before 50 weeks the managing agent could keep part of the subsidy</li> </ul>	<ul style="list-style-type: none"> <li>Provide support to jobseeker for duration of placement and assist them to find unsubsidised position</li> <li>May attend job interview with jobseeker</li> </ul>	<ul style="list-style-type: none"> <li>Provide StepUP job to Managing Agent:</li> <li>Jobs to satisfy additionality criteria</li> <li>Appoint 'buddy' for each StepUP employee</li> <li>Received subsidy of minimum wage plus employer fee to compensate for additional costs</li> <li>Outcome payment for unsubsidised employment (£350)</li> <li>Provide on the job or formal training</li> </ul>

Source: Derived from (Bivand *et al.*, 2006)

Jobseekers were obliged to accept positions regardless of whether they met their employment aspirations. Jobseekers' perceptions of service standards, the quality and appropriateness of jobs impacted on satisfaction with StepUP, willingness to cooperate and, ultimately, effectiveness. Jobseekers wanted more job choice and the

pilot established that those placed in jobs they were interested in achieved better results (Bivand *et al.*, 2006).

Managing Agents were pivotal to the operation of StepUP. They secured vacancies, dispersed employer fees and employed Support Workers to provide individual assistance to jobseekers after referral. Cooperation between Jobcentre Plus and Managing Agents was important to efficient and appropriate placements. Some Managing Agents expressed the view that assessment of jobseekers prior to placement and involvement in the matching process would have resulted in more appropriate placements in some instances (Bivand *et al.*, 2006). In addition, poor communication between these agencies delayed placement of some jobseekers for considerable periods of time.

The program evaluation stressed the importance of the Support Worker: “[w]hat was clear is that the Support Worker is the single most important delivery agent in the implementation of StepUP” (Bivand *et al.*, 2006: 87). The Support Worker could attend the initial job interview and provided post placement support, assisting with job retention for the first half of the placement, then providing intensive jobsearch assistance. Although 69 per cent of participants reported regular contact with the Support Worker, some expressed a preference for more frequent or intensive contact. Support Workers could also act as an intermediary when problems arose with the job placement.

During the progressive stage Support Workers were responsible for ensuring that jobseekers attended weekly jobsearch sessions. In fact, attendance at these sessions was poor, possibly due to participants expectations that they would be employed by their StepUP employer when the subsidy expired (Bivand *et al.*, 2006). The expectation of intensive Jobsearch in addition to 33 hours work was seen as excessive by some participants and Support Workers. Some Support Workers addressed these issues by actively participating in jobsearch and assisting clients with job applications. However, only 44.2 per cent of participants said that they received assistance from their Support Worker. The rigid timing of the jobsearch phase was not always appropriate and needed to be moderated by progress in acquisition of marketable skills and confidence. Given the critical importance of the relationship between the jobseeker and the Support Worker, high turnover rates for the latter would need to be addressed prior to implementation of StepUP.

Employers received a subsidy equivalent to the minimum wage and an additional fee to cover other costs. Employers appointed a ‘buddy’ for each StepUP worker as a mentor and to assist them with any difficulties encountered on the job. While many participants felt that the workplace buddy was not necessary, 14.4 per cent credited the assistance of the ‘buddy’ with their ability to maintain their employment in the StepUP position (Bivand *et al.*, 2006: 92). In terms of placement support, the evaluation found that additional support for both employers and employees would enhance programme effectiveness as well as ensuring that workplace ‘buddies’ were adequately trained. StepUP positions offered an opportunity for participants to address multiple labour market disadvantages. First, they gained work experience and a recent reference. Second, in addition to on the job training, some gained from participation in formal training and were able to gain new qualifications such as driving licences, materials handling and first aid. In total 57.1 per cent of StepUP participants felt that they received the training they needed (Bivand *et al.*, 2006).

Financial incentives were tailored to meet the twin objectives of maintaining employment during the retention phase and moving to unsubsidised employment during the progressive phase. If StepUp employees found unsubsidised employment between 26 weeks and 50 weeks Managing Agents were able to retain part of the unused subsidy. For placements in unsubsidised employment at any time during the placement, the employer received an outcome payment of £350 and the participant received £70.

#### 4.2 StepUp outcomes

Evaluation of StepUP consisted of a longitudinal study of StepUP eligible beneficiaries in the pilot areas and matched control groups in other areas. The evaluation included in-depth qualitative interviews with individual job seekers at the beginning of StepUP, at 12 months and 18 months. A random sampling technique was used for the StepUP areas while control groups were constructed using the propensity matching technique to match characteristics of individuals from the control areas to the StepUP sample. Interviews were also conducted with employers as well as focus groups with all stakeholders including employees from Jobcentre Plus and Managing Agents. Control areas were aligned with pilot areas on the basis of population density and unemployment rates (Bivand *et al.*, 2006).

For StepUP participants, the evaluation revealed that 52.7 per cent were either in employment or had worked in the previous three months, which was 3.3 per cent higher than for the matched control group (Bivand *et al.*, 2006). Of StepUP participants who were working 40.2 per cent were with their StepUP employer. Importantly, job outcomes varied substantially according to age and participant characteristics. Positive impacts were recorded for those aged 30 to 49, and 18 to 24 year olds but the impact was marginally negative for 25 to 29 year olds. The largest positive impact was evident for those aged 30 to 49 years. 44.1 per cent of StepUP participants in this age group had worked in the previous 90 days compared to only 36.5 per cent of the control group. Similarly, for those aged 18 to 24, 59.2 per cent of StepUP participants worked, compared to 55.8 per cent of the control group. In contrast, only 48.7 per cent of 25 to 29 year old StepUP participants recorded positive employment outcomes, while outcomes for the control group reached 50.6 per cent.

Turning to the quantum of work, the only group of StepUP participants for which the average number of working days exceeded that of the control group was 30 to 49 year olds. They worked an average of 24 days compared to less than 14 days for the control group over the previous 90 days. The 18-24 control group had a slightly higher average, 27 days compared to 26 days for StepUP participants. The 25-29 control group fared significantly better, working an average of 29 days compared to only 19 days for StepUP participants.

The largest positive employment impact was for those assessed as having low levels of employability when they commenced the program, particularly those with poor work histories, transport limitations, or lacking basic skills or education. For those over 25 positive impacts increased in tandem with disadvantages in contrast to control groups where outcomes declined sharply as disadvantage increased. In addition to the work experience aspect of the program many participants were able to address employment barriers and upgrade skills through formal or on the job training. Employment outcomes were more likely to be full-time permanent jobs but were also more likely to be elementary and have lower pay rates than jobs obtained by the

control group. However, for the least disadvantaged StepUp participants there was a negative program impact, possibly due to lock-in effects.

## 5. Conclusion

The abandonment of the commitment to full employment that was an integral component of the Keynesian welfare state in favour of a supply-side concentration on employability failed to restore full employment because it ignored the fact that the cause of unemployment is insufficient labour demand.

Several important issues identified through the StepUP pilot provide insight into best practice job creation programme design. Two major strands identified in the evaluation related to the interaction of agents involved in delivery of the program - Jobcentre Plus, Managing Agents and Support Workers - and the relationship of jobseekers with other stakeholders. Effective job creation programmes require a stock of jobs in a range of occupations to match the skills, experience and aspirations of the unemployed. Combining work experience with formal training leading to recognised qualifications has the potential to enhance the national skills base and increase labour market efficiency. An important oversight in the design of StepUP was the failure to offer follow-up assistance to those who returned to benefits after completion. The programme was susceptible to both substitution and deadweight loss effects although the evaluation did not address these issues. Managing agent reports of difficulties sourcing public sector positions suggests that these effects were not large in this sector. However, there is no indication of the extent of the problem of ensuring additionality in the private or non-profit sectors. Significant lock-in effects were identified.

The StepUp job creation programme demonstrated that work placements enhance equity by producing superior employment outcomes for the most disadvantaged jobseekers. However, it must be acknowledged that programmes such as StepUP that provide time-limited jobs are not a panacea and are incapable of producing full employment since they return participants to a demand constrained labour market that has consistently failed to produce enough jobs for all those who want to work.

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