

Britain: Labour's employment initiatives cut welfare rolls and depress wage rates

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Figures released this week show that unemployment in Britain has fallen to its lowest rate since 1975. The number of people out of work and claiming welfare benefits dropped in June to 1.098 million, or 5.6 percent.

Prime Minister Tony Blair welcomed the figures, saying one million more people were now in work than when Labour came to office in 1997. It was now “possible for the first time in a generation to talk about full employment in Britain,” he said.

Since both Labour and the Conservatives had previously ruled out the possibility of full employment, this was a bold statement for Blair to make. A closer examination reveals that his claim is not the good news it at first appears.

The fall in unemployment has been achieved by forcing people off welfare benefits and into low-wage, temporary jobs. On Wednesday, the National Institute of Economic and Social Research (NIESR) released the first independent study of the results of the government's “New Deal” programme. This has been a central part of Labour's “Welfare to Work” scheme, which Blair hailed as ending the “something for nothing” society by “getting people off benefits and into work”.

Modelled along the lines of US workfare programmes, the New Deal was initially targeted at the young unemployed aged 18 to 24 years and the long-term jobless. These individuals are required to choose training, job placement, or work in the voluntary or environmental sector rather than remain on benefits. In January, the government announced that the young unemployed would also have to attend three-week courses on how to present themselves at job interviews, or lose their benefits for up to one month.

To encourage employers to take on extra workers, the

government offered a six-month subsidy for all or part of the wage of those employed under the New Deal. The finance for this was raised by a special windfall tax on the recently privatised utility companies, which netted £5 billion.

The NIESR found that the cost of the New Deal had been much lower than expected—a projected total of £1.5 billion over five years, due to the savings made on welfare benefits through the scheme and the fall in the overall rate of unemployment. It had barely succeeded in creating new jobs, however. Of the 330,000 who have passed through the scheme so far, just 215,000 have found jobs and only 139,000 of these were unsubsidised placements in the private sector, lasting more than 13 weeks.

A separate report by the House of Commons Education and Employment Select Committee reviewing the New Deal confirmed that between 25 percent and 40 percent of total placements were in temporary and insecure employment.

The NIESR research found that the government's employment initiatives have had little effect in significantly increasing the jobs pool. “We find that the programme has raised the stock of youth employment by 13,000 and reduced the stock of unemployment by 41,000,” the report said.

What the government has achieved through the New Deal is to deprive many thousands of their welfare entitlements. Employment Minister Tessa Jowell said as much in justifying the scheme: “For many of these young people getting a short-term job is a very good thing, because it means that they start being in work, they stop being on benefit.”

Meanwhile, the number of decent paying and secure jobs is falling. In the last year, 95,000 manufacturing jobs have been lost in the UK. The total number of

workers now employed in manufacturing is under 4 million. This is less than one-fifth of all full-time workers, and just 15 percent of the total workforce. There are now more people working in Indian restaurants and takeaways than in the auto, steel and mining industries combined.

Labour introduced a minimum wage, set at £3.60 for adult workers, 50 percent of average male median earnings, and £3.00 for 18- to 21-year-olds. The wage includes service charges, tips, incentive payments and commissions. There is no minimum level for those below 18 years.

The main impact of government employment initiatives has been to depress wages across the board. In the three months to May, the rate of growth of average earnings fell from 5.1 percent to 4.6 percent. The growth of average earnings in the service sector was lower still at 4.5 percent.



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