

Are the New Deal Target Groupings Well Founded? An Examination of Job Search Success Before the New Deal

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ABSTRACT

This study examines the appropriateness of the New Deal in targeting specific groups of unemployed jobseekers. This is done using a survey of unemployed jobseekers carried out prior to the implementation of the New Deal framework in April 1998. A sample of 169 unemployed jobseekers in two Travel to Work Areas in central Scotland is divided into those who were successful and those who were unsuccessful in finding employment and each group is analysed in terms of a set of labour market related attributes. The study generates a 'typical' profile for those who were successful in job search and a 'typical' profile for those who were less successful. These are compared and contrasted with the New Deal target groups. The findings support most of the target grouping basis of the policy but not all and we conclude that the generic aim of the New Deal, to reduce social exclusion, is unlikely to be achieved as effectively if spatial priorities are allowed to supercede the needs of the individual jobseeker.

I Introduction

The aims of the New Deal have been extensively discussed and critically analysed. Common criticisms include the lack of complementary regional demand-side stimuli (Turok and Webster, 1998; Peck, 1999; Adams *et al.* 2000), the incompatibility of the twin objectives of creating employment and enhancing employability (Mason, 1998), the problems of displacement (Gray, 1999) and the ineffectiveness of training schemes aimed at the young (Sutherland, 1998). While the overriding objectives and principles of the New Deal are essentially sound, is the scheme aiming at the right targets? The New Deal currently singles out the young (aged 18-24) and the long-term unemployed (those unemployed for over one year), lone parents, partners of the unemployed, disabled people and those in disadvantaged communities as being in need of particular attention. This paper aims to test which, if any, of these groups are appropriate criteria around which employment policies should be centred, through an examination of the employment success rate of a sample of jobseekers surveyed and ‘followed-up’ *prior* to the New Deal.

II The New Deal as a Supply-side Initiative

The theoretical basis behind current employment initiatives is supply side based, that is they aim to increase the effective supply of labour within the economy. Supply side labour market policies have two principal elements: ‘active’ policies aimed at retraining the unemployed to tackle social exclusion and reduce frictional (mismatch) unemployment; and ‘deterrent’ policies, aimed at making life on benefits a less attractive proposition for the unemployed and hence encouraging them to find work. The New Deal explicitly incorporates both elements of the classic supply-side approach to labour market ‘rigidities’ (Seibert, 1997). The problem of labour market mismatch, the inability to match jobs to workers, is central to the rationale of the New Deal. Mismatch can be affected by three main areas as defined by Cromb (1993): changes in the product market which affect the demand for labour in each sector; the flexibility, adaptability and mobility of the workforce; and the efficiency of the matching technology (employment agencies etc.) i.e. the level of information asymmetry in the labour market. In theory, mismatch in the labour market will be minimised when there are fewer changes in the product market, a more flexible workforce and a more efficient matching technology. The New Deal is therefore a large-scale attempt to address these ‘rigidities’.

III Target Groups of the New Deal

Examining specific elements of active supply side policies, one of the main objectives is to cure long term unemployment. This is felt necessary to prevent social exclusion and detachment from the labour market (Layard et al, 1991; Crighton, 1998; Layard, 1998). Research by Budd and Levine (1988) shows that as the duration of unemployment increases, peoples search activity decreases, hence long term unemployment can be self-perpetuating and positive measures are needed to break the cycle. The need to address long term unemployment specifically is not universally accepted however. Turok and Webster (1998) and Webster (1997) find that long term

unemployment falls in proportion to unemployment in general and that it is therefore valid to implement measures to tackle short term unemployment, as the effect will trickle down to help the long term unemployed. Turok and Webster argue that the same is true for the young unemployed and the other New Deal target groups.

Particular attention is also paid to the young (under 25) unemployed, as social exclusion incurred by a person at such an early stage may continue for the remainder of their life. In addition, Layard (1998) notes that in general the youth unemployment rate is running at twice that of the adult rate, and in some areas over half the young population is unemployed, leading to associated crime and drug problems.

Lone parents are also given priority in the New Deal, indeed this was the first group to experience the pilot scheme, as this group faces considerable financial costs in moving or returning to work. However, although voluntary, the success rate of the New Deal in securing employment for lone parents by 1999 has been estimated at around 10%. It has been criticised for its inability to provide positive income differentials to those who take the option of work due to the steep erosion of means tested benefits as income is earned (Adviser, 1997).

The unemployed in deprived areas is another target group. McGregor and McConachie (1995) highlight the problems caused by the spatial concentration of disadvantaged jobseekers including physical isolation, lack of social networking with employed people, social stigma and employer discrimination. Sutherland (1998) also highlights the failure of previous training schemes to address the problems faced by this section of the unemployed, due to low take up rates. The New Deal aims to redress this through motivation and compulsion. In addition, Employment Zones have been created in some of the worst affected areas to provide training and experience to unemployed jobseekers. Disabled jobseekers are also targeted, such people face problems in moving to and remaining in work.

IV The Job Seeker Survey

The initial sample taken was 306 unemployed jobseekers from 13 Employment Service Job Centres in the Bathgate and Edinburgh travel to work areas (TTWAs) in east central Scotland. The survey was conducted via a series of structured face to face interviews with unemployed jobseekers between October 1996 and January 1997. All interviewees were seeking full-time work. The survey was designed to provide information on five broad groups of jobseeker attributes: demographic characteristics; the level of human capital possessed; the search channels used; their personal financial position; and spatial characteristics including attitudes towards travel to work.

From the original sample, a follow-up survey on employment success was conducted, (October 1997) generating 169 responses, a response rate of 55.2%, of which 70 (41.4%) had found a job and 99 (58.6%) had not. The background characteristics of the original sample are given in Table 1, which shows that slightly under half of the sample were successful in obtaining employment. The proportion of jobseekers in the sample that were from ethnic minorities or that were disabled was very low and these

groupings were therefore not used further in the analysis. The low percentage of ethnic minorities in the sample reflects the population of the two TTWAs.

Table 1. Jobseeker Sample Characteristics

Jobseeker Characteristic	Number of Jobseekers	Percentage
Found employment	70	41.4%
Female	49	29.0%
Single	48	28.4%
Has dependent children	31	18.3%
Owner Occupier	47	27.8%
Resident in Bathgate TTWA	46	27.2%
Lone parent	8	5.1%
Belong to ethnic minority	3	1.8%
Disabled	2	1.2%

V Employment Success Rate of Jobseekers

Table 2 shows the percentage of unemployed jobseekers who were successful in finding a job in each category. The variables are grouped into demographic, human capital, search channels used, financial status and TTWA. This shows that manual workers are less likely to find employment than non-manual workers, whereas females, those with dependent children, owner occupiers, those prepared to accept part-time or temporary employment, those with access to private transport and those resident in the Bathgate TTWA are more likely to find employment than jobseekers without these attributes.

Table 2. Success Rate of Jobseekers

Attribute	% of jobseekers who found a job
Female (Male)	46.9% (39.2%)
Single (Married)	35.7% (54.5%) **
Has dependent children (No dependent children)	45.2% (40.6%)
Manual workers (Non manual)	30.6% (52.4%) ***
Prepared to take part-time job (Not prepared)	43.1% (40.2%)
Prepared to take temporary job (Not prepared)	44.2% (37.8%)
Access to private transport (no access)	55.0% (37.8%) ***
Resident in Bathgate TTWA (Edinburgh TTWA)	54.3% (40.2%) **

*** Significant at 1% level; ** Significant at 5% level

The finding that female jobseekers were more likely to find employment may be due to the structural shift in vacancies from traditional manufacturing in which many, especially older males are experienced, towards a communication and service based economy in which females are more strongly represented. This may also explain the

significantly (1% level) lower success rate among manual jobseekers. The finding that single jobseekers (significant at 5% level) and those who have no dependent children are less successful in obtaining employment than those who are married and have dependants runs counter to the household responsibility hypothesis (see for example Turner and Niemeier, 1997) which links employment problems with commitments to a partner and/or family. No variable was included to measure specifically whether the jobseeker was a lone parent due to the low numbers (5.1%) that fell into this category. Jobseekers willing to undertake part-time or temporary employment are more likely to find a job than those who are not, indicating that a flexible attitude to employment contracts may be beneficial to the job search process.

The results for the two TTWA's are surprising, with jobseekers resident in the Bathgate TTWA significantly (5% level) more likely to find employment than those in the Edinburgh TTWA, despite the higher rate of unemployment in the former. This may indicate that the extent of qualitative skill mismatch is higher in the Edinburgh TTWA (Adams *et al.* 1999). The results for access to private transport show that jobseekers with this attribute are significantly (1% level) more successful in finding a job than those without, possibly indicating that the flexibility of private transport may facilitate search over a wider area and also allow a wider range of options to be considered, resulting in a higher success rate. Table 3 compares quantitative attributes of successful and unsuccessful jobseekers. The mean age of successful jobseekers was slightly lower than that for unsuccessful jobseekers, which indicates that despite the difficulties faced by the young, older jobseekers may face discrimination when applying for jobs. Older workers are also more likely to have been unemployed for longer and therefore would experience a greater discouraged worker effect.

Table 3. Jobseeker Attributes

Attribute	Successful jobseeker sample mean values	Unsuccessful jobseeker sample mean values
Age	33.16	35.20
Educational qualification level	2.40	2.21
Professional qualification level	0.83	0.55
Length unemployed (weeks)	5.47	16.66
Personal skills quality	0.46	-0.24
No. of job applications in last 6 months	23.14	28.90
Average time searching job centres	82.17	104.74
Av. time searching employment agencies	10.00	7.78
Average time searching press	145.36	139.64
Average time searching by word of mouth	50.43	54.95
Average time on speculative applications	52.75	41.06
Reservation wage	162.71	155.91
Total household income	110.83	91.67
Stated maximum travel to work time	1.83	1.87
Number of buses to CBD	56.73	75.33
Accessibility to centres of employment	15.16	14.57

The mean levels of both educational and professional qualifications is higher for successful jobseekers, implying that skilled workers are more successful in obtaining employment, possibly due to a greater demand for skilled labour although the extent of this depends on other jobseeker attributes. The length unemployed, measured in weeks from initial unemployment to date of interview, was significantly (1% level) shorter for successful jobseekers, implying that the long term unemployed are at a disadvantage when it comes to finding work. This may be due to a real lack of employability, a lack of employability as perceived by potential employers or the result of a discouraged worker effect where the unemployed person loses the impetus to search for employment. The personal skills quality index was a self-assessment based on a series of questions designed to evaluate personal transferable skills. Successful jobseekers exhibited a higher quality index, indicating a higher level of personal transferable skills, or possibly a greater self-confidence on the part of these jobseekers.

Examining the type of search channels used, successful jobseekers spent more time searching through job agencies, the press and speculative applications, implying that these may be the more effective search channels, although the average time spent searching through agencies was very low. Successful jobseekers on average made fewer applications overall than unsuccessful jobseekers which may indicate a more focused job search amongst the former. The time spent by jobseekers on searching by word of mouth was substantial and in contrast to findings by Nevin (1998), this was not one of the more successful methods. It is not surprising that the unsuccessful jobseekers spent more time searching in job centres as this is usually seen as the least active method of search and may only be used to coincide with signing for benefits.

Successful jobseekers expressed a higher mean reservation wage. This may seem counterintuitive, as it would limit the opportunities that they would be prepared to consider. However, a higher reservation wage may be consistent with higher levels of actual or perceived human capital and therefore be associated with a higher success rate. Higher levels of total household income while unemployed were expected to reduce the incentive to find employment and thereby reduce the success rate, therefore the finding that successful jobseekers had a higher mean income was surprising. This may be explained by the acquisition of higher levels of redundancy payments and/or savings from a more skilled, highly paid previous job.

Of the spatial variables examined in Table 3, only one, the number of buses to the CBD during morning rush-hour showed a noticeable difference between successful and unsuccessful jobseekers, although the lower bus provision for the successful group was unexpected. A superior bus service should enable and encourage jobseekers to both look for and travel to work. Changing spatial employment patterns mean that more employment opportunities now occur outside the CBD, hence this variable is not a comprehensive measure. However, the measure of accessibility, constructed from a number of centres of employment including many suburban and peripheral areas, showed virtually no difference between the two groups, indicating that accessibility to employment in any location may not be a major factor. This is reinforced by the finding that the maximum time which jobseekers were prepared to spend travelling to work was similar for both groups.

Although it appears from the above findings that older jobseekers experience more difficulty in finding employment, it could be that the extent of the difficulty faced by the oldest and youngest jobseekers is not revealed by a simple age statistic, as both extremes of age may have lower success rates. To test this the sample was split into jobseekers aged under 25, 25-50 and over 50, the results are shown in Table 4.

Table 4 Success Rate by Age Band

Age band	% of jobseekers who found a job
Under 25	51.4%
25-50	61.1%
Over 50	62.5%

The data reveals that jobseekers in the under 25 age band are less successful in finding employment than the other categories, a clear indication that a focus on this group in the New Deal is well founded.

VI Social Exclusion and Jobsearch Success

As stated previously, one aspect of the New Deal and welfare to work policies in general is to target the unemployed in deprived areas. The unemployed resident in these areas may face particular problems resulting from the low overall level of employment demand and the dependency culture which can prevail in deprived areas. Residents of postcode areas seen by employers to be particularly deprived can also face discrimination when searching for work. Postcodes in both TTWAs were split into quartiles based upon the index of multiple deprivation (1990 figures) published for the former Lothian Region.

Table 5. Success Rate by Local Area Deprivation

Postcode sector deprivation	% of jobseekers who found a job
1 st quartile (most deprived)	42.9%
2 nd quartile	30.9%
3 rd quartile	48.3%
4 th quartile	45.5%

The results in Table 5 show that while residents in the more prosperous 3rd and 4th quartile areas are more likely to be successful in job search overall than those in the less prosperous 1st and 2nd quartiles, those in the most deprived 1st quartile areas do not appear to be less likely to find employment than those in other areas. In fact jobseekers in the 2nd quartile are less successful than their 1st quartile counterparts. In addition the chi-square statistic for deprivation was not significant. There is therefore no evidence here of a direct relationship between local area deprivation and employment success. This suggests that the spatial focus in the New Deal is likely to be less important in achieving the policy aims than the focus on target groups of unemployed persons, irrespective of place of residence.

The type of accommodation in which the jobseeker is resident was also examined for influence on the likelihood of obtaining employment. Table 6 shows that in general tenants were less likely to be successful in obtaining employment than owner occupiers, with other (private landlord) tenants faring worst.

Table 6. Job Search Success Rate by Accommodation Type

Accommodation Type	% of jobseekers who found a job
Owner occupier	41.9%
Council tenant	35.7%
Other tenant	31.0%
Living with family	52.4%

The chi-square statistic for accommodation type however was not significant. It is possible, therefore that other social and lifestyle factors such as parental pressure and advice, different social contacts and marital status explain the higher success rate of jobsearch success for this group.

VII Jobseeker Success and the New Deal

We turn now to an examination of how the above findings relate to specific elements of the New Deal. Although this study is limited to a sample of unemployed jobseekers from a relatively small geographical area, the findings in relation to current policy are nonetheless interesting. From the analysis above it is a straightforward matter to construct a ‘stylised’ profile of the successful jobseeker and hence to compare this with the policy’s target groups. From the data reported above the chances that an unemployed jobseeker will be successful in finding a job are higher if the jobseeker is:

A married female with dependent children, has a post-secondary education, good transferable skills, aged between 25 and 50, has been unemployed for less than six weeks, has access to private transport and is willing to take temporary or part-time employment, even if seeking full-time employment.

This ‘profile’ can be compared with the one below. The chances that an unemployed jobseeker will be unsuccessful in finding a job are higher if the jobseeker is:

A single male, has limited or no post-secondary education and poor transferable skills, aged under 25, has been unemployed for more than six weeks, is dependent on public transport and is less willing to take temporary or part-time employment.

One variable which emerges as having a strong association with employment success rate is the length of time that the jobseeker has been unemployed. The New Deal does single out the long term unemployed and the work experience element in particular is designed to increase both the employability and confidence of this group. The results of the survey reinforce the importance of this emphasis.

The New Deal target group of the young unemployed is also justified by the results of the survey. The under 25 age group were shown to be the group least likely to find

employment in Table 4. However, this does not imply that young jobseekers are the only age group in need of assistance, the older jobseekers also face difficulties when they are long term unemployed. The results of this survey cannot isolate any distinct disadvantage faced by older jobseekers, and indeed indicates a possible advantage for the central age grouping of between 25 and 50. Hence the New Deal policy of targeting the under 25 age group appears justified on this evidence.

The findings of the survey are rather ambiguous in relation to the targeting of disadvantaged communities. Table 5 reveals that in general, jobseekers from less prosperous areas are less likely to find employment, but those from the most deprived areas actually had a higher success rate than those from less deprived areas. Nor could we detect any significant difference in job search success related to accommodation type. This suggests any attempt in the New Deal to explicitly focus on spatially defined areas may well be ill conceived since job search success, on the evidence presented here, is largely to do with the 'person' and not where he/she happens to live. To help overcome problems of social exclusion the focus must remain on the individual jobseeker rather than the implicit or even explicit creation of stereotypical categories of jobseekers based upon area of residence.

Evidence in the survey for problems faced by lone parents is also inconclusive. The low numbers of lone parents in the sample (as with disabled and ethnic minority jobseekers) did not allow these groups to be isolated as meaningful variables. However, Table 2 does show that married jobseekers and those with dependant children, although not necessarily those with both attributes, have a greater success rate. Hence it is possible that being married with children may increase a jobseekers chances of finding employment, placing this group at a relative advantage to lone parents. The study therefore loosely supports the targeting of lone parents in the New Deal.

CONCLUSIONS

The findings of this study broadly support the target groupings in the New Deal, and in particular reinforce the need for specific help for the under 25 age group and the long term unemployed. There is little evidence however to support the targeting of unemployed people in the more deprived areas. New initiatives such as the New Deal for the over 50s are supported by the findings. Further research examining samples with higher proportions (possibly fixed quota) of lone parents, ethnic minorities and disabled jobseekers would enhance the findings made here and provide a further insight into the appropriateness of current UK government employment initiatives.

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