

Employment and labour market reforms in the UK: towards a residual safety net?

Learning objectives

- To provide an overview of welfare and labour market policies in the UK
- To highlight the key characteristics of employment and welfare policies
- To examine the impact of political discourse on policy and on different groups in society

Chapter overview

This chapter considers welfare and labour market policies in the UK, with a particular focus on developments since 2010, when the Conservative-Liberal Democrat Coalition government was formed. The purpose of the chapter is to help students understand the main characteristics of welfare and employment policies in the UK. It raises the following key questions. Firstly, have employment and welfare policies become more generous over time, or, on the contrary, more targeted to specific categories, with an accompanying political discourse that ends up stigmatising poverty and unemployment as symptoms of idleness? Secondly, have governments increasingly used benefit sanctions as a way of ‘regulating the poor’ (Piven and Cloward, 1993)?

The chapter proceeds as follows. The first section briefly defines ‘welfare’, namely social assistance benefits, as well as welfare reform (see also Chapter 10). The second section presents the post-1945 British welfare model, based on a commitment to full (mostly male) employment. This is what Garland (2016) refers to as WS 1.0, the welfare state that developed in the era of industrial democracy, when the manufacturing sector provided stable, relatively well paid employment, even to low-skilled workers. The third section analyses the advent of WS 2.0, which corresponds with the unravelling of the post-1945 welfare consensus. The neo-liberal management of the economy is associated with New Right neo-liberal doctrines based on the notion that market mechanisms are intrinsically superior to economic planning and collective ownership. Welfare reform is central to the re-regulation of the labour market on terms that favour employers and businesses. This was the central blueprint of the Thatcher and Major

governments (1979-1997). The fourth section reviews New Labour government policies (1997-2010). It shows how New Labour built upon the Conservative legacy, whilst at the same time trying to implement a social investment approach based on the idea of equality of opportunities and the need, at least rhetorically, to support workers and also those who cannot participate in the market economy (Esping-Andersen, 2002; Morel, Palier and Palme, 2012; Bonoli, 2012). The fifth section explains how the Coalition government's policies dramatically accentuated the neo-liberal, residual trajectory of the employment and welfare systems, using the global economic crisis and the public deficit as a rhetorical device to justify a radical retrenchment project. The sixth section reviews more recent policy developments, post-2015, with the political and economic situation in a state of flux. This was a period of what is referred to as 'austerity fatigue'. The Brexit vote in June 2016 can be seen as one of the symptoms of a backlash against austerity, although it was by no means the only explanatory factor. The chapter concludes with an assessment of the trajectory of the British welfare model.

Introduction: What is welfare, what is welfare reform?

Social assistance schemes, commonly referred to as 'welfare' in the US, and, increasingly, the UK, are one of the pillars of the welfare state. Unlike contributory social insurance benefits, they are funded out of general taxation and are means-tested (Garland, 2016, pp. 47-48). Their main purpose is poverty alleviation. They can be described as conditional or unconditional cash and in kind transfer programmes directed at economically and socially vulnerable populations: the long-term unemployed, ethnic minorities with low skills, single parent families, disabled people, and so on. Examples of social assistance schemes in the UK include: Income Support, means-tested Job Seekers Allowance (JSA), Employment and Support Allowance (ESA), housing benefits, Working Tax Credit, and, since 2012-13, Universal Credit (UC).

The reform of social assistance schemes has been at the center of the recalibration of the welfare state across most OECD countries since the 1990s (OECD, 1994). Active labour market policies are based on the principle that social assistance recipients are expected to participate in work-related activities in exchange for benefit receipt ('work first'), or actually provide some form of unpaid labour in exchange for benefits (the actual definition of 'workfare').

Welfare reform has historically been associated with considerable political controversy (Pierson, 1994, p. 100). However, since the 1990s the traditional distinctions between income maintenance benefits for the unemployed and those for other people of working age have been being progressively abandoned, at least in the UK. Indeed, how to enable the non-working poor to enter or re-enter the world of paid employment has been at the center of welfare reform over the past three decades. We can identify two different views of the causes of welfare dependency, which give rise to different sets of policy prescriptions.

1. Behavioural deficiencies: economic inactivity, underemployment and long-term unemployment (all different phenomena in labour market terms) are seen as the result of a lack of work ethic. The portrayal of the non-working poor as lacking the drive to take up available jobs means that there is an emphasis on churning people into low-paid jobs or maintaining them in a perpetual state of job readiness (Peck, 2001, p. 12). The policy instruments deployed for getting people into jobs rely on a mix of sticks (benefit sanctions in case of non-compliance with work related activities, time-limited benefits, and such like), close monitoring of claimants to ensure that they comply with the requirements, and incentive reinforcement, or carrots, such as in-work credits or income disregards, or transitional and or passport benefits.
2. While work first measures rely on rapid attachment to the labour force with an emphasis on stick and carrots, human capital approaches emphasise the importance of individual barriers to employment, such as a lack of professional skills. The human capital approach holds that there is a fierce competition for jobs at the bottom end of the low waged sector. This can lead to a vicious circle as low-skilled workers can only take up unstable, low-paid employment, leading to a pattern of 'labour market churning', whereby people cycle back and forth between low-paid, low skilled employment and welfare benefits. From this perspective, the lack of relevant skills in a highly selective labour market is seen as the primary cause of long-term unemployment and, increasingly, the widespread experience of economic marginality. There is an emphasis on up-skilling the labour force (Bonoli, 2012) by providing on the job training, basic skills sets (including literary and numeracy), or post-graduate diplomas.

STOP AND THINK

Which of the behavioural deficiencies and human capital approaches do you find most persuasive? Why is that?

The emphasis on behavioural deficiencies as a root cause of economic inactivity is seen by some as associated with semi-authoritarian schemes designed to maintain a constant supply of cheap, docile labour so as to meet the needs of business. From this perspective, the primary aim of state regulation is not the compensation of distributional injustice or the protection against loss of income due to long-term unemployment. Instead, state intervention aims at maximizing the participation of socially disadvantaged groups in low-paid jobs in the service economy, with no real investment in skills. This represents a form of social policy for the markets, not against the markets. This is the approach that has been consistently endorsed by Conservative governments, from Margaret Thatcher to David Cameron, Theresa May and Boris Johnson.

Unravelling the post-1945 consensus

The post-war welfare settlement in Britain – as in the rest of Western Europe – was characterised by an endorsement of Marshall's philosophy of quasi-unconditional social entitlements (Marshall, 1949). Marshall argued that social rights coincided with the advent of a modern welfare state concerned with the equalisation of conditions and status, as opposed to the strict equalisation of income. A commitment to full employment underpinned the post war welfare consensus, with the Beveridge report (1942) proposing the creation of a national system of universal insurance based on a full employment model (see, for example, Chapter 7). Indeed, the broad labour market insurance principle was central to Beveridge's vision, supplemented by a means-tested safety net (Alcock, 1997, quoted in Harris, 2000, p. 89). As a result, there were both elements of a universal model of welfare and a duty to contribute through insurance payments. The British welfare state was built around the principle of the male breadwinner model. It was the state's duty to secure full employment, at least in normal times. Beveridge also recommended that social assistance should remain locally administered on the basis of need and examination of means (the National Assistance

Act came into force in 1948). The National Assistance Board had a duty to assist persons who were without resources to meet their requirements, or whose resources had to be supplemented to meet their requirements (Harris, 2000, p. 107). Beveridge's vision, like most of his contemporaries, such as the founding father of French Social Security, Pierre Laroque, thought that means-tested social assistance, a subsidiary scheme to national insurance, would naturally disappear over time. However, this did not happen, in Britain nor in France. Indeed, as unemployment benefit was of limited duration (twelve months), many people fell through the social insurance net and therefore claimed social assistance.

In the 1960s, the rediscovery of poverty, coupled with problems of low take up of national assistance and stigma, was a contributing factor to the creation in 1966 of the Supplementary Benefit Scheme, administered by the Supplementary Benefit Commission (SBC). Instead of strengthening the insurance principle that had been at the heart of Beveridge's vision, the Labour government of Harold Wilson chose to expand national assistance. This represented a historical point of departure that would prove very difficult to reverse. In 1971, Britain was one of the first European countries to offer financial assistance to low-income families in work, in the form of family income supplement, renamed Family Credit in 1988. FIS was the predecessor of the Working Family Tax credit (WFTC), and enabled the state to top up low wages without putting additional pressures on employers. During this period, Britain was sometimes known as the 'sick man of Europe', due to a combination of stagflation (low economic growth, high unemployment and high inflation), declining levels of productivity, and endemic debt problems (Griggs, 2014, p. 234). In 1976, the country's financial situation forced the Labour government to borrow almost £4 billion from the International Monetary Fund, following which a programme of austerity was implemented. As unemployment continued to increase, the post-war welfare consensus began to unravel.

The Conservative governments, 1979-97, and WS 2.0

In the 1970s, as noted throughout this book, the sustainability and the legitimacy of the welfare state came under attack, on both the left and right. But it was the neo-liberal New Right that won the battle of hearts and minds, taking Britain into the era of WS 2.0 (Garland, 2016). Although they were not formally part of the policy making process,

neo-liberal think tanks such as the Adam Smith Institute and the Institute of Economic Affairs became a major source of inspiration for government thinking (Grant, 2000, p. 3). These groups shared major ideological and political affinities with the New Right, which explains their increased influence to the detriment of traditional 'vested interests'. From 1979 onwards, the Conservative government of Margaret Thatcher pursued a strategy of labour market deregulation and actively helped business in keeping wages low, not only to avoid inflationary pressures, but also to maintain the profitability of British capital (Daguerre, 2007, p.61).

A low-wage equilibrium meant that replacement rates of social assistance benefits, which gradually replaced contributory-based unemployment benefits, had to be kept at a minimum to avoid poverty traps and work disincentives. It is in this specific economic context that policies to 'make work pay' became increasingly appealing to policymakers. Political dynamics changed, too. Whereas the trades unions had previously been important players in labour market policies, in the 1980s the power relationship changed dramatically to the detriment of the unions. The government showed a clear preference for employer-led schemes and compulsion, in accordance with the ideology of the New Right. By the mid-1980s, the primary aim of employment policy was to produce a better disciplined, cheaper work force (Marsh, 1992, p. 174). The Conservatives expanded training programmes for youths and the long term unemployed (the Youth Training Scheme and Community Programme). Participants in labour market programmes were offered low-paid jobs that were heavily subsidised by the government. This work first approach, which was essentially based on cheap employability measures and rapid placement in the labour market, reflected the interests of employers. The government also sent strong messages to its new electoral base, arguing that it was committed to eradicating idleness and laziness. Youths were a primary target. The Thatcher government introduced a number of piecemeal reforms reducing specific entitlements to board and lodging allowances, single payments to meet categories of exceptional need, conditions of entitlement for school leavers and students, non-householders' contributions, and various aspects of housing benefits. (Harris, 1988, p. 501). These reforms illustrate the logic of targeting heterogeneous groups, which culminated in raising the minimum age entitlement to Income Support from 16 to 18 in the Social Security Act 1988 (Harris, 1988, p. 505).

The Conservatives also launched an attack on welfare recipients. Policy-makers stressed issues of welfare dependency. One incoming Secretary of State for Social Security, John Moore, in his first speech (1988), declared: 'welfare recipients need to be moved away from dependence and into independence' (quoted by Timmins, 1996, p. 448). Moreover, the fight against welfare fraud became a dominant theme. The Conservatives used a populist rhetoric that enhanced the divisions between the 'hard working majority' and the 'work-shy'. The Conservatives hoped to stigmatise benefit claimants, which would make the introduction of stricter conditionality regimes and benefit cuts much easier to implement if they were perceived to be targeted at a undeserving minority which had little or nothing in common with the rest of the population. A further step towards compulsion was taken in 1989, when new rules stipulated that all benefit claimants had to provide evidence that they were actively seeking employment (Clasen, 2005, p. 79). Moreover, insurance-based support was gradually eroded, until its quasi- complete elimination in 1996. National Insurance unemployment benefit was replaced by Jobseeker's Allowance (JSA) in 1996. This benefit was time-limited for 6 months (renewable once), and conditional on following an approved programme of job-seeking activities. There are two different types of JSA. Contribution-based JSA is paid to people who have satisfied the National Insurance contribution conditions; income-based JSA is paid to claimants who pass a means test. To qualify via either method, the claimant must be under pensionable age and cannot be in work for more than 6 hours a week, but must be looking actively for employment and be capable of starting work immediately. They also must have a current agreement with the Employment Service (now Jobcentre Plus).

By the end of the 1990s, a cross-party consensus had emerged in favour of supply-side policies coupled with a stricter benefit regime (Clasen 2005; Peck 2001). When Labour came to power in June 1997, Tony Blair and Gordon Brown were prepared to implement a much more radical workfare programme than the Conservative Party could ever have contemplated. Moreover, Tony Blair endorsed the populist rhetoric against the 'workshy' for fear that Labour could be portrayed by the tabloid press as 'soft on welfare recipients'. In this sense, there was a strong continuity between New Labour and Conservative rhetoric (Daguerre, 2007).

New Labour, 1997-2010

In 1997, the Labour Party was dominated by modernisers, most notably Tony Blair, Gordon Brown and Peter Mandelson, but also others, such as David and Ed Miliband. Advocates of the 'Third Way' (see Chapter 9) such as Anthony Giddens, Richard Layard and Paul Gregg, were also important intellectual influences. The modernisers embraced the flexible labour market approach of the Thatcher and Major governments. However, they were also keen to promote social inclusion, and advocated a social investment/human capital approach based on the need to upskill the working age population, and to support vulnerable groups into making the transition into paid work, on social justice grounds (Griggs, 2014, p. 237).

STOP AND THINK

Given their desire to modernise and to some extent increase public expenditure on parts of the welfare state, such as education and the NHS, why might New Labour have placed so much emphasis on getting people into work?

The need to develop people's employability through a balance of sticks (benefit sanctions in case of non-compliance with programme requirements) and carrots (work incentives) featured prominently on the legislative agenda from 1997 (Daguerre, 2007 and 2015). The denunciation of welfare fraud remained part of the new rhetoric. The Green Paper, *A New Contract for Welfare*, stated that 'fraud costs the taxpayer an estimated £4 billion every year – enough to give every family with children an extra £10 a week' (DSS, 1998, p. 12). It was also argued that disability benefits were being used as a substitute for unemployment benefits. Finally, rising social security expenditure was attributed to the high level of worklessness among people who were not registered as jobseekers, i.e. disabled and chronically sick people and lone parents. In this context, encouraging unregistered unemployed people to get back into the labour market was portrayed as the main way to solve the issue whilst targeting scarce public resources on those most in *genuine* need of help.

The aim of welfare reform was during this period was to maximise employment through the combination of supply-side policies, the implementation of an ambitious reform of

the tax and benefit system (including Incapacity Benefit) to make 'work pay', and the establishment of specific labour market programmes for the young and the long-term unemployed (the New Deals). The government stressed activation as the centrepiece of its policy for unemployed people, 'work for those who can, security for those who cannot' (DSS, 1998, pp. 1 and 23).

Under the new welfare contract, each individual had a duty to take advantage of their human potential and to take up available opportunities. The rapid integration of the unemployed into paid work was made possible by the changing conditions in the labour market, namely the development of part-time, flexible work (see Chapter 2), which provided opportunities for reforming the social security system along the lines of a demanding conditionality regime centred on active job search backed up by benefit sanctions. Labour also endeavoured to make work pay through the introduction of the National Minimum Wage and the expansion of in work tax credits, which became more generous in 2003. Over time, Labour gradually extended work search requirements to categories of the working age population who had in the past been exempted from such requirements – essentially lone parents and people with health conditions. The expansion was achieved in stages through the implementation of various New Deals (Driver, 2009; see also Trickey and Walker, 2001).

Between 2001 and 2010, the Labour governments aimed at integrating all working age claimants into the labour market, with benefit entitlement becoming increasingly conditional on participating in work-related activities. A partial overhaul of the benefit system resulted in the extension of work related activities to new categories of claimants who had been previously exempted from work related activities. The New Deal gradually involved the implementation of a more stringent regime of work-related activities for Incapacity Benefit (IB) claimants and single parents. In 2006, the Green Paper, *Empowering People to Work* (DWP, 2006), set out the government's aspiration of achieving an employment rate of 80% of the working age population with the targets of a reduction by one million in the number of claimants of incapacity benefit and helping 300,000 single parents into work. The Green Paper proposed the introduction of a new employment and support allowance (ESA) from 2008 to replace incapacity benefit. It also proposed a two-tier system that distinguished between severely

disabled and temporarily unfit to work individuals. New benefit claimants, except those with the most severe disabilities and health conditions, would be required to participate in work focused interviews, produce action plans and engage in work-related activities, or see their benefit level reduced. Non-compliance would result in benefit being reduced in slices, ultimately to the level of JSA.

Following the Green Paper, the Welfare Reform Act 2007 restricted the coverage of income support and IB in order to submit the vast majority of claimants to the more stringent conditionality rules that had traditionally applied to JSA. Many of the people who had been previously considered to be outside the labour market and exempt from work requirements (including people with an illness, disability, or caring responsibility, especially lone parents) were to be treated as part of the economically active population. A work capability assessment (WCA) was used to determine eligibility for ESA. A claimant could have three outcomes: if she/he was found fit for work, the ESA claim closed and the claimant was moved to JSA (or could appeal the decision); if the claimant was found to have limited capacity for work, he/she was placed in the Work Related Activity Group (WRAG); finally, if the claimant was found to have limited capacity to work, and in addition limited capability for work-related activity, he/she would be placed in the support group and receive benefits on an unconditional basis (OECD, 2014).

The Welfare Reform Act 2009 realised the vision of the Gregg report (Gregg, 2008), according to which conditionality should be extended to the vast majority of the working age population so that virtually no one should be able to claim benefits without taking active steps to address their barriers to work. The Act was intended to make the sanctions system more consistent, automatic and escalating: missing a mandatory appointment resulted in a benefit sanction of no less than one full week, and subsequent failures in two week sanctions. The official government view was that there were plenty of jobs in all parts of the country, and that it was the responsibility of the unemployed to take up these opportunities, a message that was reinforced by Secretaries of State for Work and Pensions Will Hutton (2005-2007) and James Purnell (2007-2008).

It is worth emphasising that increased conditionality was nevertheless accompanied by a genuine attempt to support disabled people and single parents into paid employment, mainly through tax credits, but also thanks to a mild social investment approach based on the coordination of various training schemes. However, despite some coordination efforts and attempts to foster 'employment engagement', investment in training and human capital remained patchy. Instead, efforts focused on making work pay through the expansion of tax credits.

The government of Gordon Brown did initiate a short-term Keynesian revival in 2009-10 as a response to the financial crisis. For a short while, the government rediscovered the fight against unemployment as a political priority, as unemployment rose from under 6% in 2008 to about 8% in 2010/2011 (Heins and Bennett, 2018, pp. 226). For the first time in years, the Labour government acknowledged that unemployment was also a demand-side issue, that there were not enough jobs around, and decided to step in with the creation of a Young People Guarantee (YPG). The YPG was introduced in the 2009 budget and established a temporary aided jobs scheme for young people aged 18-24, in the form of a Future Jobs Fund (FJF). The FJF became operational in January 2010 and operated until March 2011 (Heins and Bennett, 2018, p. 235). It was scrapped by the Coalition government in 2011, which also replaced the Flexible New Deal with a privatised scheme, the Work Programme.

The Coalition government 2010-2015: the politics of radical austerity

The financial crisis was a great exogenous shock and posed a tremendous challenge to the welfare state. As unemployment rose and economic activity contracted, tax revenues dwindled. The Labour government borrowed more money from the financial markets to mitigate the social and economic impact of the financial crisis, although this accentuated the deficit. This allowed the Conservative Party to portray the Brown government as financially irresponsible, and not to be trusted with the public purse. Although at the 2010 general election no party gained a clear majority, the Conservatives were able to form a coalition government with the Liberal Democrats, with David Cameron as PM, George Osborne, a deficit hawk, as Chancellor of the Exchequer, and Nick Clegg as Deputy PM. Ian Duncan Smith, a former leader of the Conservative Party, became Secretary of State for Work and Pensions. In the same way

as the Conservative government of Margaret Thatcher had used the sustainability and legitimacy crisis of the British welfare state to promote monetarist policies based on the idea of sound home finances, from 2010, the Chancellor, George Osborne, used the economic crisis as a political opportunity to recalibrate the British social security system along radical retrenchment goals (Gamble, 2015).

The Coalition government accentuated the residual character of the British (and especially the English) welfare state. The representation of life on welfare as a lifestyle choice, fundamentally different from that of the general population, was the main moral justification provided for implementing a much stricter benefit sanction regime. In a speech to the Conservative Party conference in October 2012, George Osborne laid out his ambition of finding £10 billion of welfare savings ‘while delivering the most radical reform of our welfare system for generations with a Universal Credit so work always pays. Because it’s not just about the money - it comes back to fairness and enterprise. For how can we justify the incomes of those out of work rising faster than the incomes of those in work?’ (Osborne, 2012). The Coalition enjoyed widespread popular support in relation to its welfare to work policies, especially the benefit cap and the stricter conditionality regime backed by tougher financial sanctions. Indeed, public attitudes towards the unemployed have considerably hardened over time, with most people now ‘firmly believing that JSA claimants could get a job if they really wanted one’ (Deeming, 2015, p. 880). In this context, the Coalition was able to portray harsher benefit sanctions as essentially ‘fair’.

The Centre for Social Justice (CSJ), the think tank founded in 2004 by former Conservative leader Iain Duncan Smith, was also a leading influence on Conservative thinking. The CSJ was commissioned by David Cameron in 2006 to examine the causes of poverty in the UK. The report, *Breakdown Britain* (2006), was hailed as evidence-based and identified five ‘pathways to poverty’: family breakdown, educational failure, economic dependence, indebtedness and addiction. The document primarily gave a contemporary twist to the notion of an underclass culture based on drug/and alcohol addiction, the breakdown of marriage and family relationships, the rise of fatherless families and the lack of male role models for young people (see Controversy and Debate on *Breakdown Britain*).

CONTROVERSY AND DEBATE

Breakdown Britain?

The Commission on Social Justice report, *Breakdown Britain*, stated:

We reject the comfortable mantra that policy can or should be wholly morally neutral on the grounds that this is unworkable in practice...The failure to form a durable bond between a mother and father often leads to welfare dependency. This report makes clear the extent to which families suffer financially after family breakdown... Family breakdown is both contributor to and a consequence of poverty and most other social problems (CSJ, 2006, pp. 29-32).

Should government policy be 'morally neutral' on family breakdown and its consequences? To what extent, and for what reasons, do you agree or disagree with the statement above?

In effect, the argument reverted to a traditional Conservative moral underclass discourse that attributed poverty and unemployment largely to individual and moral failings. Poverty and unemployment were portrayed as being caused by individual behaviour, such as alcohol and drug addiction, chaotic lifestyles, and lack of purpose (dissolution). The structural causes of poverty, such as lack of available jobs in the aftermath of the recession, were overlooked or marginalised. Moral arguments regarding intergenerational culture of worklessness were also embraced with a renewed vigour, as pointed out by Shildrick et al. (2012, p. 9).

The Coalition government's welfare policies were spelled out in the 2010 Green Paper, *21st Century Welfare*, and the White Paper, *Universal Credit: Welfare that Works* (DWP, 2010a and 2010b). The most radical reform consisted in the unification of several means-tested benefits (Income Support, Employment and Support Allowance, JSA and Housing Benefit) and tax credits (Working Tax Credit and Housing Benefit) in order to simplify a complex and confusing system and ensure that work always pays through the introduction of Universal Credit (UC) (Patrick, 2014, p. 61; see also Chapter 10). In this respect, the Coalition followed the 1997-2010 Labour administrations' attempts to

simplify the welfare system, when Labour established the Benefit Simplification Unit in 2006 (Harris, 2013, pp. 18-19).

UC involves in-work conditionality, with the requirement for claimants to attain an 'earning threshold' set at the level of effort it is reasonable for an individual to undertake. Working age adults are subject to conditionality until they work full time (35 hours) at National Minimum Wage. If someone is earning below the conditionality cut-off point they will be expected to 'look for work, more work or better paid work'. Exceptions to this are made for those with caring responsibilities and those with health conditions (Tarr and Finn, 2012). Universal Credit was introduced in stages, starting with the most simple cases (single unemployed claimants), gradually followed by more complex cases (essentially couples and families), although its full implementation has been consistently delayed by problems with the system.

Other changes in the tax and benefit system included the introduction of a cap of £26,000 per year on the total amount of benefits that working age people and their families can receive (excluding those on certain disability benefits or working enough hours to qualify for Working Tax Credit). Crucially, tax credits, a central component of making work pay under New Labour, were also made less generous through various means, notably the abolition of the 'baby element' of Child Tax Credit (Hills, 2015, pp. 16-17). The decisions to freeze major out of work benefits, to cut and freeze tax credits and to restrict access to disability benefits, represented fundamental, cumulative changes to the tax and benefit system.

STOP AND THINK

Why do you think that policy-makers were so concerned to introduce a cap on benefits to which families are entitled?

The Coalition government also built upon previous Labour policies by extending work search requirements to other groups of benefit claimants who had been subjected in the past to moderate work search requirements, namely single parents on Income Support (IS) and people with health conditions who had been either on Incapacity Benefits (IB) or, in some cases, IS on the grounds of disability. IB is traditionally

determined within a framework of rules and without a specific limit on budgets. Two sets of rules determine the eligibility: a test of incapacity to work and an assessment of benefit eligibility, based either on national insurance contributions or on means-testing. The Work Capability Assessment (WCA) devised in 2007-2008 led to a reduction in the range of conditions that enabled people to qualify for IB. It restricted eligibility criteria for IB receipt and introduced a kind of employability test (Gulland, 2013, p. 71–73). The Coalition government wanted to accelerate the migration of IB claimants onto ESA, and initially aimed to move 1.5 million IB claimants onto ESA between 2010 and 2014 (Patrick, 2014, p. 60). However, they were unable to meet this target, partly because a higher than expected volume of IB claimants were found incapable of some form of work-related activities, and also because the screening process carried out by the private company, ATOS, resulted in a high number of appeals from claimants who had been found fit for work: 40% of new claimants found fit for work appealed, with almost 40% of those appeals being successful (Hood and Philips, 2015, p. 25).

The Coalition government also subjected more lone parents to the requirements of JSA by moving them off Income Support. The reform, known as Lone Parent Obligations (LPO), started in 2008, under Labour, and as a result lone parents whose youngest child was aged 12 were subjected to work search requirement. The age condition was reduced to 12 from November 2008, to 10 from October 2009, to 7 from October 2010 and to 5 from May 2012 (Hood and Phillips, 2015, p. 28).

Ministers were confident that they could pass sweeping conditionality and benefit sanctions for welfare claimants without much parliamentary opposition. The main legislative change was the Welfare Reform Act 2012. The Act re-packaged several income maintenance schemes (ESA, income-based Jobseeker's Allowance (JSA), Income Support (IS), Housing Benefit, Child Tax Credits, Working Tax Credits) into one single benefit, Universal Credit (UC). While there was a broad consensus around the idea of simplification and unification of various schemes into one, benefit cuts and tougher eligibility requirements were more controversial. Other changes included the introduction of benefit caps for working age claimants, and the devolution of aid of last resort to local authorities under a new localism and devolution agenda (Meers, 2017). The reforms had three main objectives: first, a dramatic reduction in welfare spending;

second, the promotion of participation in paid employment; and third, the simplification of the benefit and sanctions system under a new, more demanding contract between social assistance claimants and the state.

Under the Work Programme (WP), private providers could decide to place people in work-related activities such as work experience placements. The Work Programme was, in most cases, a mandatory programme: individuals aged 18-24 are referred to the programme after the 9-month point of their claim, while those 25 and over are placed on to the programme after claiming JSA for 12 months. The WP was emblematic of the government's strategy of opening up the public sector to the market. Prime contractors (generally from the private sector) were appointed to deliver in localities (contract areas) on the basis of plans and strategies that were generally negotiated directly between the contractor and DWP. The WP extended the contracting model and delivery and the role of private providers in the delivery of previous welfare to work programmes (Crighton, Turok and Leleux, 2009; Finn, 2011). Providers were funded on a payments by results basis structured in relation to initial attachment to the programme, job outcomes and job sustainability, with additional payments made for higher performing contractors.

Although the drive towards the adoption of a more stringent sanctions regime had started well before 2010, there was a significant qualitative and quantitative difference between the benefit sanction regime prior to 2010 and the policy framework post-2012. Notably, the length of sanction periods was extended, with the minimum increasing from one week to four weeks and the maximum from 26 weeks to three years. Higher job search expectations were also imposed on benefit recipients through regulations. Under the pre-2012 regime, JSA claimants could extend the period during which they could restrict their job search to work their normal occupation at a similar level of pay from three months to six months. The DWP also made full use of its regulatory powers to strengthen conditionality and benefit sanctions for JSA claimants. Increased conditionality has been associated with additional administrative discretion and self-regulation through the introduction of a claimant commitment. The claimant commitment was part of the 'cultural transformation' introduced by UC, whereby jobseekers had to account more clearly for their efforts to find work and are given a

weekly timetable of tasks to complete. The claimant commitment details the consequences in terms of benefit sanctions if claimants fail to comply with their responsibilities (Daguerre, 2015).

All in all, the Coalition clearly delivered on its promise to roll out an extremely demanding conditionality regime. Post-2011, JSA sanctions increased from a low of 3.5 per cent in April 2012 to 5.8 per cent in December 2013. Benefit sanctions for all benefits reached a peak in 2013, with 1.1 million for all benefit categories, including ESA and Income Support (Webster, 2015). But there has been a marked downward trend since the 2013 peak, mainly because adverse decisions for ESA recipients have been successfully challenged in the tribunal system (*The Guardian*, 2018).

At the 2015 general election, the Conservative Party manifesto singled out young people aged 18-21 for stronger work requirements, with the suppression of JSA and the introduction of a time-limited youth allowance (six months), 'after which young people will have to take an apprenticeship, a traineeship or do daily community work for their benefits' (Conservative Party, 2015, p. 18). The justification for requiring young people to work for their benefits was framed in terms of fairness to the taxpayer: '...it is not fair – on taxpayers, or on young people themselves – that 18-21 year-olds with no work experience should slip straight into a life on benefits without first contributing to their community' (Conservative Party, 2015, p. 18). Indeed, as made clear earlier in this chapter, cuts to social security payments for young unemployed people have been one of the key ideological characteristics of the Conservative Party's social policies since 1980.

From 2015, the Conservative government resumed with renewed fervour a policy of residual welfarism. The summer 2015 budget stated that 'To prevent young people slipping straight into a life on benefits, from April 2017 the Budget will also remove the automatic entitlement to housing support for new claims in Universal Credit from 18-21 year olds who are out of work. This will ensure young people in the benefits system face the same choices as young people who work and who may not be able to afford to leave home' (HM Treasury, 2015, p. 41).

Other measures announced in the Summer 2015 budget included cutting the rate of Employment and Support Allowance for new claimants in the Work Related Activity Group to the lower jobseeker allowance rate, in order to promote full employment (the objective is to remove any financial incentive to claim sickness benefits over jobseeker's allowance), cuts to tax credits through reducing the level of earnings at which a household's tax credits and Universal Credit award starts to be withdrawn for every extra pound earned, and removal of tax credits for non-disabled claimants without children (HM Treasury, 2015, p. 37). However, although Ian Duncan Smith (IDS) continued to be Secretary of State for Work and Pensions, not all was well with Conservative social policy.

The post 2015 welfare reform landscape: austerity fatigue kicks in

When Ian Duncan Smith took over the reins of the Department for Work and Pensions in May 2010, he was a man with a mission: the rolling out of UC, based on the 2009 Centre for Social Justice report, *Dynamic Benefits* (Centre for Social Justice, 2009). As we have seen, the simplification of the benefit system and the idea of making work pay had been floating around since 2005, but Labour ministers, and crucially The Treasury, had ditched it because the operational challenges were thought to be insurmountable (Timmins, 2016). Although there had been cross-partisan support for UC, in practice a host of serious design and operational flaws had plagued the implementation of UC, which resulted in no less than seven resets after the policy was first rolled out in 2013. In November 2018, 1.4 million households were receiving the benefit, with a total of 8 million people expected to receive it with the full roll out, planned by 2023.

STOP AND THINK

Do you think that the programme of 'austerity' from 2010 ultimately strengthened or weakened the Coalition and Conservative governments' arguments for welfare reform?

Although the initial intention had been to support low-income people to make the transition into paid employment by enabling them to take on mini-jobs and expand their hours, it became more punitive than was originally intended, partially as a result of chronic underfunding. In addition, as a result of public expenditure cuts, DWP staffing had been reduced by about 40,000, almost a third of its total workforce, further

undermining the capacity of the department to implement an extremely ambitious, complex and far-reaching reform. In the words of Nicholas Timmins, everything that could possibly go wrong went wrong (Timmins, 2016). But the DWP was also implementing other reforms that were not going well, in particular the migration of the vast majority of IB claimants onto the much more parsimonious ESA regime, the reform of housing benefits, and the benefit caps, which delivered less savings than the Treasury had planned for. In short, there was criticism from a wide range of stakeholders that the DWP had been trying to ignore (NAO, 2015; Hudson-Sharp, Munro-Lott and Rolfe, 2018).

Despite these problems, the Conservative leadership was determined to press ahead, and the Welfare Reform Bill 2015-2016 was designed to implement the programme of cuts that had been prefigured by the Conservative manifesto. The Labour deputy leader, Harriet Harman recommended that the Party should abstain in the vote in Parliament. In contrast, the Chancellor, George Osborne (2015), writing in *The Guardian*, called for 'progressive Labour MPs' to support the bill, praising the modernising efforts accomplished by former New Labour ministers such as John Hutton, David Blunkett, Frank Field and James Purnell, in a move that was bound to accentuate the split between the Left and the Right of the Labour party. This indicated the confidence of an emboldened Conservative leadership. In fact, Osborne's apparently friendly appeal made it probably more difficult for Harriet Harman to sustain the abstention line. However, the mood inside the Labour Party had changed, as reflected by the election of 'hard left' Jeremy Corbyn as the leader in September 2015. The first signs that austerity fatigue had started to kick in became apparent when the House of Lords rejected the £4 billion of additional cuts to tax credits, prompting the Chancellor to abandon the cuts (Timmins, 2016, p. 55).

On 16 March 2016, Ian Duncan Smith stood down as Secretary of State, issuing a resignation letter that stated, 'Too often my team and I have been pressured in the immediate run up to a budget or fiscal event to deliver yet more reductions to the working age benefit bill' (BBC News, 2016). In fact, he had been forced to accept benefit cuts in order to finance Universal Credit (Timmins, 2016). However, the disability

benefits cuts to the tune of £4 billion pounds had been a 'compromise too far' (*The Guardian*, March 2016).

Following the referendum on the UK's membership of the European Union in June 2016, David Cameron immediately resigned. His successor, Theresa May, dismissed George Osborne, who was promptly replaced by Philip Hammond, another fiscal hawk. Hammond was just as determined to pursue benefit cuts as his predecessor, but it was difficult to ignore the argument that the country's mood had changed. In addition, leadership at the DWP changed. Damien Green succeeded Stephen Crabb for a year, then when the Conservative Party lost their majority at the May 2017 election, David Gauke, a moderate Conservative with sound Treasury credentials took over for another year, followed by Esther McVey (January to November 2018). McVey was extremely unpopular with disability campaigners, in particular, and she resigned from the Cabinet following disagreements over Brexit. Finally, Amber Rudd became Secretary of State for Work and Pensions in November 2018, and made a series of conciliatory statements and announcements. For instance, she announced that the three year benefit sanctions was counterproductive and was going to be reduced to a maximum of six months (Wright, 2019). At the time of writing, with Boris Johnson having become Prime Minister, and the outlook on Brexit still unclear, welfare to work policies were very much in flux. However, Amber Rudd remained in her post, perhaps to help ensure some form of continuity given the instability of the Work and Pensions portfolio.

Conclusion

There has been an ongoing debate in British academic circles as to whether the Coalition government's approach had at its core a radical retrenchment agenda designed to shrink the size of government in general and social spending in particular (Ellison, 2015, p. 44), or whether it simply accelerated the tightening of the screw that had already taken place under New Labour, between 1997 and 2010 (for a review, see McEnhill and Taylor-Gooby, 2018). From the mid-1980s onwards, the UK social security system has become increasingly residual in nature, with the language of contracts pervading most areas of welfare, as evidenced by the creation of jobseeker allowance. And, although there is merit in the continuity argument, with some evidence that the Coalition did build on previous Labour policies, it is nevertheless clear that ministers

resurrected a moral underclass discourse, according to which the poor are to blame for their plight.

To a large extent, welfare reforms post 2010 have strengthened a predominantly work-first logic where the focus is on strict job search, the key element of which is to increase labour supply. This approach is associated with radical retrenchment efforts advocated by neo-liberals in the United States and the United Kingdom. As Peck (2001), and, more recently, Wiggan (2015) have argued, the primary aim of active labour market policies is to ensure that non-core workers engage with the labour market as effectively as possible, entrenching a particular Anglo-American labour-intensive growth model based on household consumption and the constant mobilization of a lower-paid and more flexible workforce in the service economy. Work-first labour market programs occupy an important function in Anglo-American capitalism: they serve to undermine labour power, defined as the capacity to refuse undesirable employment (Wiggan, 2015, p. 376; Raffass, 2017).

In sum, the workfare consensus, by casting a permanent shadow on the moral character of the unemployed and the economically inactive, sets them apart from the British citizenry. The erosion of social rights represents a long-term trend that precedes the advent of the Coalition government in 2010-2015. However, the cumulative impact of the post-2010 reforms of the tax and benefit systems by Coalition and Conservative governments represents a third-order change that clearly anchors the UK social security system in a residual, liberal welfare category, with a very deregulated labour market, limited employment protection and extremely uneven enforcement of existing regulations. The historically low unemployment and economic inactivity rates reinforce the perception, at least in current government circles, that the UK employment and labour market policy is safe and sound compared to other advanced nations.

Summary

This chapter has illustrated that any examination of welfare and labour market policies needs to take account of:

the moral and ideological arguments that are used by governments to underpin their approaches;

the relationships between labour market policy, welfare reform and other area of social and public policy;
the development of 'active labour market' policy from the 1980s;
the ways in which allegations about the moral character of some groups can be used to differentiate them from 'mainstream' society.

Discussion and review

What are the advantages to governments of full employment? Should governments seek to work towards full employment for their working age populations?
Should citizens of working age be expected to work in return for benefits? What might be the benefits and problems associated with such an approach?
At what age should 'working age' commence? What entitlements to state support should be available to young unemployed people?

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Further reading

Valuable historical perspectives on employment and welfare can be found in Rodney Lowe's *The Welfare State in Britain since 1945* (Palgrave, Basingstoke, 2005). More recent discussion of the system of social security support is available in Jane Millar and Roy Sainsbury's *Understanding Social Security* (Policy Press, Bristol, 2018).

Think tanks, such as the Work Foundation, the Institute for Fiscal Studies, the Institute for Public Policy Research and Policy Exchange publish useful commentaries and research on employment and welfare policy. Parliamentary Committees, such as the House of Commons Work and Pensions Committee, undertake inquiries into aspects of employment and welfare reform. As the chapter has made clear, in recent years the Centre for Social Justice has provided ideas underpinning many aspects of welfare reform.

Useful websites

Although government departments are frequently restructured and merged, they play a central role in policy development and implementation, and information can be found at:

www.gov.uk/government/organisations.

Similarly, many think tanks are active in this field, including:

<https://www.centreforsocialjustice.org.uk/> - the Centre for Social Justice

<https://www.ippr.org/> - the Institute for Public Policy Research

<https://www.resolutionfoundation.org/> - the Resolution Foundation