

Localise

WP2. UK National Report.

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1. Introduction – National Socioeconomic Context

This section outlines the current characteristics the UK economy using a variety of statistical measures. It addresses the two aims set out in the structure of the national reports for Work Package 2 (WP2):

- Employment and unemployment rates for different socio-economic groups
- Historical evolution and formative moment of employment and social cohesion policies until approximately 2000.

Key Points:

- Significant increase in the proportion of women in the labour market
- Little change in the proportion of economically inactive over the previous 30 years

1.1 Headline Change in the UK Economy 1971-2011

The UK economy has undergone a series of important changes in recent decades. Notable among these are: a growth in the size of the labour force as the population has increased; an increase in the proportion of women in the labour market; a reduction in the size of the manufacturing sector and a relative increase in different parts of the services sector; recessions in each recent decade including the current economic crisis which included the recent recession of 2008-09 (ONS, 2011)¹. These events are important to understanding current employment and unemployment rates for different socio-economic groups. Other key points regarding the UK economy are:

- Between 1971 and 2011, an upward trend in the proportion of women in employment and a reduction in employment rates for men. Employment rates for women rose from 53% in 1971 to 66% in 2011. Male employment rates reached 92% in 1971 and fell to 76% in 2011.

¹ Social Trends 41. Office for National Statistics 2011. Available at <http://www.ons.gov.uk/ons/rel/social-trends-rd/social-trends/2011/index.html>

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- The gap between employment rates for women with and without dependent children has been narrowing over the last 15 years. The gap in employment rates has fallen from 5.8% in 1996 to 0.8% in 2010.
- Between 1992 and 2011 the age group with the largest increase in employment rates was the 50-64 year olds. The largest decrease was in the 16-17 year age group. Many within this group have stayed on in education rather than enter the labour market.
- The decrease in employment caused by the current economic downturn has led to a decrease in the number of full-time posts and an increase in part-time employment².
- The current economic downturn has so far led to lower levels of unemployment than was experienced during other recessions. Unemployment increased from 5.2% in 2008 to 7.7% in 2011.
- Analysis of social trends suggests that there has been little change in the proportion of the working age population who are economically active. This figure varies between 22% and 26%. The proportion of women who were economically inactive decreased considerably from 44.5% in 1971 to 29% in 2011. Male inactivity rates increased from 5% in 1971 to 17% in 2011. Women were more likely than men to be economically inactive mainly because they were looking after the family or home in 2011 (35% compared to 6%).
- There are also long-term demographic changes occurring, with an ageing population structure and a long-term decline in the number of young people in or entering the labour market. This is particularly the case in some parts of the UK, including Scotland, where the number of 15-29 year olds in Scotland has been in long-term decline: the numbers aged 15-29 in 1927 1,369,915 (28% of population); 1952 – 1,258,378 (25% of pop.); 1977 – 1,186,595 (23% of pop); 2002 – 938,223 (18% of pop.); 2027 – 770,661 (15% of pop.); 1977-2002 a fall of 21%; with the decline projected to decline 2002-27 8%; (with a total decline over 1977-2027 of 35%). However, during 1977-2002 there was a growth in the working population (15-64 years) of +2%; while projections for 2002-2027 were a fall in total working

²The period 2008-09 represented a formal recession (ONS) although the period since has continued to represent a downturn in the economy.

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age population of 12.5% (these forecasts are continuously updated, but the overall pattern remains similar)³.

1.2 Economic Activity and Inactivity

Current data on the state of the UK economy suggest that we are still in a period of difficulty with high unemployment. The unemployment rate for the three months to August 2011 was 8.1%, an increase of 0.4% on the previous quarter. This represents 2.57 million people out of work (excluding those inactive, such as on long-term sickness, students, discouraged workers etc.). This was the highest number of people out of work for about 15 years. Significantly, the number of young people out of work is higher than it has been for almost two decades (ONS, 2011). The unemployment rate for people aged 16 to 24 increased by 74,000 in the three months to August 2011. This means that almost a million young people (991,000) are out of work, the highest it has been since 1992. Figure 1 shows how the employment rate for this age group has remained relatively stable throughout the previous two years with no overall increase in the proportion of young people becoming employed.

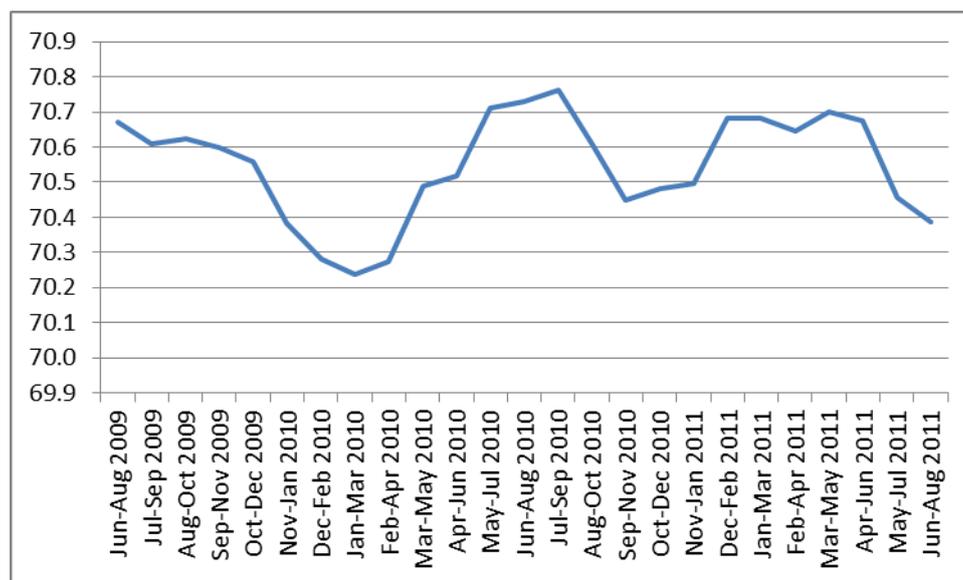


Fig 1.1 Employment rate for those aged 16-24, seasonally adjusted (%)

³ GRO(S) and McQuaid (2006) Ageing, Globalisation, and Regional Development presentation at RSA, London

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The employment rate for men of working age (16-64) was down 0.6% on the previous quarter to 75.4%. The rate for women in the same quarter was 65.4%, down 0.1% on the previous quarter. The total number of people in employment was 29.10 million in the same quarter. The public sector experienced a reduction of about 100,000 in the number of people employed down to around 6 million while the number of people employed in the private sector increased by 41,000 to 23 million (ONS 2011). Regionally, the UK presents a more complex picture with the East and South East of England having the highest employment rates at 74.5%. The North East of England has the lowest employment rates at 65%. Unemployment was highest in the North East and lowest in the South East at 5.8% (ONS, 2011⁴). Inactivity rates were highest in the North East (26.5%) and lowest in the East (20%).

Over the previous three decades, economic activity and inactivity rates in the UK have remained relatively stable. The proportion of those in employment has remained between 74% and 78%. Rates of economic inactivity have varied between 22% and 26%. Variation in rates of unemployment reflect periods of recession in the mid 1980s, early 1990s and most recently an increase since 2008. In 2010, the UK had the seventh highest employment rate of the EU27. The UK was 5.5% above the EU27 average (ONS 2011)⁵. In comparison with the EU27 countries, the UK has seen less variation in the previous 4 years employment rates than other member states. Employment rates reached a high of 72% in Q4 2007 and a low of 69% in Q1. This compares to Ireland which saw a high of 70% in Q3 2007 and a low of 59% in Q4 2010. From a European perspective, the UK has therefore experienced less variation in employment rates as a result of the current downturn.

⁴ Regional Labour Market Statistical Bulletin. October 2011. Available at:
http://www.ons.gov.uk/ons/dcp171778_237891.pdf

⁵ Labour Market. Social Trends 41. Office for National Statistics. 2011

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1.3 Socio-Economic Groups

1.3.1 Gender and the Labour Market

This section explores variation in employment and unemployment across differing socio-economic groups⁶. Changes to the role of women within the labour market and income disparities between men and women are an important part of illustrating changes to the UK labour market in recent decades. However, it is also clear that age and caring responsibilities are also factors that may be used to understand the income and occupational position of individuals within the labour market.

Employment outcomes vary by social and economic group. A key development in the UK economy in the previous decade has been the increase in economic activity of women with an associated decrease in the gender pay gap since 1975⁷. However the decrease in the gender pay gap has not been uniform. It has persisted in the pay gap experienced by older female workers. Gender disparities are also evident for young lone mothers with dependent children who are more likely to be unemployed than couples with children. Young lone mothers in the UK have the lowest employment rate and lone parents with dependent children are more likely to be unemployed than couples with dependent children (ONS 2011⁸). These differences appear to lessen as the dependent child reaches the age of 10. Women with dependent children over 10 are no less likely to be in work than women with no dependent children. The current downturn has led to an increase in the number of women out of work. As of September 2011, there were 1.06 million women out of work, the highest figure since April 1988. However, this rise in unemployment was disproportionately weighted towards the young in the labour market with the rise in unemployment occurring mainly among people aged 18 to 24. The number of unemployed people in this age group rose by 77,000

⁶ See also: McQuaid, R., Egdell, V. and E. Hollywood (2010) *The impact of reduced public services spending on vulnerable groups - review of UK and international evidence* for Scottish Government Social Inclusion Division, July <http://www.napier.ac.uk/randkt/rktcentres/eri/projects/Pages/Impactofreducedpublicservices.aspx>;

McQuaid, R., Hollywood, E. and J. Canduela (2010) *Employment Inequalities in an Economic Downturn* – report for the Equality Commission Northern Ireland <http://www.equalityni.org/archive/pdf/EconDownturnFinalFullReport260910.pdf>

⁷ Labour Market Social Trends 39. Office for National Statistics. 2010

⁸ Labour Market. Social Trends 41. Office for National Statistics. 2011

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over the quarter to July 2011 (ONS 2011)⁹. The issue of unemployment among young people is an important one within the UK economy and will be addressed below. For women, the three months to July 2011 saw an increase of 84,000 in the number taking full-time positions and a comparable fall of 83,000 in the number of women working part-time. Across both genders, the number of employees and self-employed people working part-time because they could not find full-time employment increased by 70,000 on the quarter to reach 1.28 million. This represents the highest number of part-time employees since comparable records began in 1992.

A further important element of socio-economic change within the UK labour market has been the increase in the proportion of men that have become economically inactive over the previous 3 decades although this trend may be reversing. Conversely the percentage of women who are economically inactive has fallen over the same period. In 1979, 87% of women were economically inactive, but by 2009 that figure had fallen to 61%. In 1979, 40% of women aged 25 and upwards were economically inactive compared to a rate of under 5% for men¹⁰. Since then the rate of economic activity for men has fallen dramatically and has occurred alongside an increase in activity rates among women.

Reasons for this variation in rates of economic activity are apparent from table 1.3, 'reasons for economic inactivity by sex'. Between 1994 and 2011 there was a fall of almost 13% in the proportion of women who cite 'looking after the family/home' as the prime reason for economic inactivity. In the same period, the proportion of those who remained in education also increased as indicated by an increase of 7.3% of young women claiming to be a student as their reason for economic inactivity. The percentage of women citing retirement (4.9%) and long-term sickness (2.6%) as reasons for economic inactivity also increased in the period 1994 to 2011. For men, there was a 5.6% increase in those reporting being a student as their principal reason for not being economically active. The proportion of men reporting long-term sickness as their main reason for being inactive fell by 6.4% between 1994 and 2011. Despite this fall in the number of men reporting illness as their primary reason for being economically inactive, the number of men in the UK labour market that are inactive and not seeking employment continues to outweigh those that are unemployed. There were almost

⁹ Labour Market Statistics, September 2011.,

¹⁰ Gregg, P., Wandsworth, J., The UK Labour Market and the 2008 – 2009 Recession. June 2010. Available at: eprints.lse.ac.uk/28758/1/op025.pdf

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twice as many inactive men as there were unemployed men in the fourth quarter of 2009¹¹. During the period after 2008-09, rates of male inactivity did not fall but instead are seen to rise steadily over the previous three decades. Figure 1.4 shows that inactivity rates for males of all ages are higher in 2010 than in 1975. This compares with a steady decline in female inactivity rates across all age groups.

‘Policy changes on pensions and incapacity benefits has arrested the inflow of sickness related inactivity recently, but the overall level of inactivity among men has been persistently high for twenty years. The net result is that inactivity among men is, at best, static and remains 3 times higher than the rates observed in the 1970s. Indeed more than half of the fall in the male unemployment rate from 1993 to 2008 can be accounted for by rising inactivity, though much of that rise in inactivity took place in the 1990s’. (Gregg & Wandsworth, 2010¹²)

High rates of economic inactivity do not necessarily indicate problems within the labour market. In some cases certain population groups are unable to participate in the economy for reasons such as childcare, caring responsibilities, sickness, disability or education. Nevertheless, the decade on decade rise in rates of male inactivity is an increasing problem within the UK economy. Welfare policies to address the issue are discussed in section 3.

1.3.2 Youth Unemployment

Youth unemployment has been increasing in the UK. The unemployment rate for 16-24 year olds was 20.8% of the economically active population in the three months to July 2011 (ONS 2011)¹³. This represented a 1.6% point increase on the previous quarter. There were 973,000 unemployed 16 to 24 year olds in the three months to July 2011. This continued rise in unemployment rates for this

¹¹ Gregg, P., Wandsworth, J., The UK Labour Market and the 2008 – 2009 Recession. June 2010. Available at: eprints.lse.ac.uk/28758/1/op025.pdf

¹² Gregg, P., Wandsworth, J., The UK Labour Market and the 2008 – 2009 Recession. June 2010. Available at: eprints.lse.ac.uk/28758/1/op025.pdf

¹³ Labour Market Statistics, September 2011. Office for National Statistics.

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group is at odds with falls in unemployment in other age-groups since 2008-09 and represents a significant problem within the UK economy and a loss of opportunity for thousands of young people. UK youth unemployment exhibits several characteristics. Rates of youth unemployment are high relative to older workers; unemployment rates are highest amongst the youngest; unemployment is highly seasonal; and crucially rates of unemployment started rising before 2008-09. One in five 16 to 24 year olds are neither working nor in education or training. This represents 1.4 million young people. In the UK, the problem is so serious that this group have acquired their own moniker and are known as the NEET group of young people or 'not in employment, education or training'. Those in the 16-18 age group with higher rates of inactivity than their older peers may be shopping around for work while they gain experience or taking short spells of employment as they improve their skills and experience (DWP 2011)¹⁴. However, for many young people in the 16-18 age range, this lack of work experience and skills can make them less attractive to employers vulnerable within a competitive labour market where there is weak labour demand. Figure 1.2 shows the deterioration in the employment rate of young people since 1992. Over that period employment rates have fallen from almost 70% to less than 35%.

Another important development among this age group is the increase in the numbers of young people staying on in further and higher education. During previous recessions, the number of young people choosing to postpone entry into the labour market has risen as staying on rates in post-school education have increased. Since 2008 there appears to be an increase in the number of young people staying on in education at a time when entry into the labour market would have been difficult with fewer jobs and greater competition from those already seeking work. Policy ideas implemented to address high rates of unemployment and inactivity in the young are discussed in section 3.

¹⁴ Youth Unemployment Support Measures. Department for Work and Pensions, 2011. Available at: <http://www.dwp.gov.uk/docs/eia-youth-employment-support.pdf>

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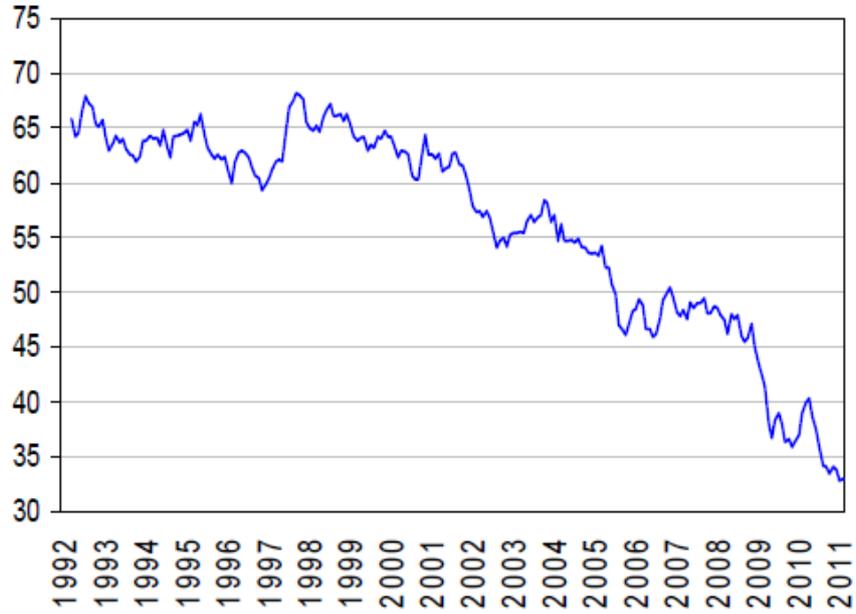


Figure 1.2 Under 18s employment rate if not in full-time education. Source DWP, 2011.

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2. Institutional Context

Key Points:

- A liberal welfare system that seeks a rapid return to the labour market for the unemployed.
- Widespread use of the private and voluntary sector in the delivery of welfare to work programmes.

2.1 Aims and Context

This section of the paper focusses on the institutional context and policy development in the development of welfare provision in the UK. Several key developments are discussed in this section. The development of advanced bureaucracies allowed governments to manage large, complex welfare systems and apply uniform rules and regulations. Disciplinary techniques allowed the development of enforcement measures that could improve compliance with national systems and provide greater uniformity across welfare systems. The new systems of welfare distribution also reflected the emergence of a new social rights and responsibilities agenda that sought to link the uptake of welfare with a corresponding responsibility to find work or training so as to minimize the duration of their dependency on welfare. Those who did not subscribe to this contract were liable to face sanctions. The welfare system aimed to develop incentives for individuals to seek work or training and encouraged individuals to live and work in a way that reduced their dependency on the state. The emergence of a professional bureaucracy to administer the welfare system was a precursor to the emergence of a highly centralized social security system whereby the distribution of welfare payments place under the guidance of a single government department; the Department for Work and Pensions.

2.2 Institutional Context of Reform to UK Welfare

The UK welfare state has, in common with other modern European and North American welfare systems, faced various pressures. The literature identifies several areas including: globalisation and the pressure on wages created by the flow of labour across borders; shifts in the labour market including the decline of traditional male dominated professions; population ageing; changes to

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family structures; changes to gender roles within the household and labour market¹⁵. Relatively high-wage economies such as the UK face pressure from low wage economies to constrain wages and stem job losses to low wage areas. Population ageing brings higher pension costs and greater health and social care spending. As discussed in section 1, the movement of large number of women into the labour market has reshaped family structures and gender roles.

The general effect of these changes has been to put pressure on central governments to constrain expenditure on welfare at a time when population ageing and, recently, decreasing tax revenue and increasing welfare expenditure caused by the recession, have placed the pressure on welfare spending. This must be coupled with a trend towards lower productivity in the developed world associated with the shift from manufacturing to a service sector economy which produces lower growth rates and further constrains the amount available to spend on welfare (Taylor-Gooby et al, 2004)¹⁶. To this end, the welfare state has been conceptualised 'as a burden on the productive growth-enhancing economy. Conflict between welfare spending and economic growth becomes the basic issue in public policy making, and the politics of welfare are seen as a struggle between defenders of current spending levels and governments pursuing retrenchment (or at least cost-containment) fought out in different national institutional terrains' Taylor-Gooby: 575: 2004)¹⁷.

From these pressures emerge new forms of economic and social risk to the individual. In a post-industrial welfare state, risks are defined as the threat to the loss of stable employment and the management of the work-life balance. The UK welfare state has sought to adjust to these new forms of social risk by implementing policies to reduce unemployment, particularly among the younger low-skilled and to provide support for women with childcare responsibilities to enter the labour market. The new world of post-industrial social risks presents welfare as a mechanism to enable participation in the labour market. Welfare is not to be viewed as a burden on the wealth producing economy but rather as an efficient and effective job-matching mechanism that provides

¹⁵ Scharpf, F. and Schmidt, V. (eds.) (2000). *Welfare and Work in the Open Economy: Diverse Responses to Common Challenges*, Oxford: Oxford University Press.

¹⁶ Taylor-Gooby P., Larsen T., Kananen J., Market means and welfare ends: The UK welfare state experiment. *Journal of Social Policy* (2004), **33**:573: 592 Cambridge University Press

¹⁷ Taylor-Gooby P., Larsen T., Kananen J., Market means and welfare ends: The UK welfare state experiment. *Journal of Social Policy* (2004), **33**:573: 592 Cambridge University Press

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personalised support to individuals seeking a return to the labour market. Central to this approach is the idea of welfare as enabling individual independence through labour market entry rather than long-term dependence on welfare payments. Understanding this change of approach to the management of social risks is vital to understanding the principles that underpin UK welfare policy development such as the New Deal provision.

The New Labour governing party in the late 1990s, argued that unless Britain could improve its global economic performance there was little hope of achieving lasting prosperity¹⁸. To achieve this end would require a welfare programme that advanced the interests of social groups that had, for many years, been excluded from the labour market by a welfare state that did not provide the type of personalised support required by this group to address their complex barriers to employment. Such groups included: those in poverty; single parents; the disabled; the elderly. Redistribution based welfare would, New Labour argued, only produce short-term benefits and ultimately leave those groups marginalised within society as wages and living standards increased for those in the labour market. Only by providing support and incentives for people to help themselves move into employment would greater national prosperity be achieved. This would require redefining the core assumptions underpinning social democratic governance. There is a substantial body of literature outlining these reforms (Anderson, et al, 2002¹⁹, Sykes et al, 2001²⁰, Liebfried et al, 2005²¹) but in the UK context they may be summarised under headings of: changes to work; changes to welfare; changes to citizenship.

¹⁸ Jessop B., From Thatcherism to New Labour: Neo-liberalism, workfarism and labour market regulation. University of Lancashire. Discussion paper. Available at: <http://www.lancs.ac.uk/fass/sociology/papers/jessop-from-thatcherism-to-new-labour.pdf>

¹⁹ Andersen, Jørgen Goulo; Clasen, Jochen; Van Oorschot, Wim; Halvorsen, Knut (2002): *Europe's new state of welfare: unemployment, employment policies and citizenship*. Bristol: Policy Press.

²⁰ Sykes, Robert; Palier, Bruno; Prior, Pauline (2001): *Globalisation and European Welfare States*. Basingstoke: Palgrave.

²¹ Liebfried, Stephan; Zürn, Michael (2005): *Transformations and the state*. Cambridge, Cambridge: University Press.

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Changes to work under the new institutional context for welfare focussed on four areas. Labour market deregulation created greater flexibility for employers to respond more quickly to market conditions. Creating new work based training and qualifications to increase skills within the labour market and thereby improve competitiveness and access to higher paid jobs for more workers. Training opportunities were linked to New Deal packages to up skill low-skilled workers, particularly the young. A skilled workforce was perceived to be vital to individual and national prosperity. Skills gave workers value to employers and increased employment opportunities and earning potential. Incentives were made available for the unemployed to enter the labour market: as discussed above, work was made more financially attractive than welfare through a system of in-work tax credits and other in-work payments. Incentives were also coupled with enforcement mechanisms that applied financial sanctions to those who did not engage in job search or training opportunities. In contrast to the old welfare model of dependency, the uptake of benefits was increasingly made conditional on satisfying standards of conduct likely to lead to employment. This is a useful point at which to discuss changes to citizenship under the new welfare paradigm.

As was hinted in the previous paragraph, the new welfare paradigm placed greater responsibility on the individual to minimise the duration of their unemployment to ensure that society did not have to shoulder the cost of their inactivity. This approach has been termed the 'responsibilization strategy' (Garland, 2001²²) and has emerged as a tenet of social policy in fields such as housing, criminal justice and welfare. The roots of this approach can be traced to the principles of the 'Third Way' and a philosophy outlined by Anthony Giddens. Giddens argued for a new social contract based on a link between rights and responsibilities. The contract stated that there was to be 'no rights without responsibilities.' 'Those who profit from social goods should use them responsibly and give something back to the wider social community in return' (Giddens, 2000: 53²³). Soon after, the government minister with responsibility for welfare and pensions, Alistair Darling, said in a speech

there is no unconditional right to benefit ... It's not only possible, but entirely desirable that we should look at making sure the social security system and the benefits system are

²² Garland, D. (2001), *Culture of Control: Crime and Social Order in Contemporary Society*, Oxford: Oxford University Press.

²³ Giddens A., (2000), *The Third Way and its Critics*, Cambridge: Polity Press.

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matched by responsibility ... It is right that we should ask ourselves if there is a role for the benefits system as part of the wider system in asserting the values we hold and asserting the kind of behaviour that we want to see. (Address to the Parliamentary Press Gallery, reported in the *Independent*, 16 May 2002)

Here then the principles of the third way and the new social contract are being infused into social policy. The rollout of this agenda to groups considered more vulnerable and at a greater distance from the labour market was given momentum by the perceived health benefits of work and public support for such moves. The rights and responsibilities agenda has been underpinned by evidence that work has physical and mental benefits and that being unemployed has negative effects on health (Waddell & Kim Burton, 2006²⁴). Political support for the rights and responsibilities agenda has been buttressed by public opinion being 'generally comfortable with the idea that receipt of benefits from the state should be linked with responsibilities' (Williams et al, 1999: 1²⁵) and by the influential Freud report. Commissioned by the 1997-2010 Labour government to review the UK Welfare to Work agenda, the Freud report proposed the delivery of welfare services through contracts with public, private and voluntary sector organisations. Organisations would be paid by results thereby creating a quasi-market for the delivery of welfare services. Contractor's performance was to be measured and rewarded by the number and duration of jobs sustained as a result of engagement with the contractor. The report, among others, concluded by recommending 'stronger conditionality' for those already on incapacity benefits (Freud, 2007: 9²⁶).

²⁴ Waddell, G., Kim Burton, K., Is work good for your health and well-being? The Stationary Office. September 2006.

²⁵ Williams, T., Hill, M., Davies, R., Department of Social Security. *Attitudes to the welfare state and the response to reform*. Research Report 88. 1999

²⁶ Freud, D., Reducing dependency, increasing opportunity: options for the future of welfare to work. An independent report to the Department for Work and Pensions. 2007.

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3. Main Reforms

This section outlines significant reforms to welfare and employment policies that have occurred in recent times within the UK. It outlines the principles that underpinned the introduction of the New Deal packages and provides an introduction to reforms to ill-health benefits. The review then moves on to an analysis of the way in which reform to employment policy is linked to the wider 'rights and responsibilities agenda'.

Key Points:

- Welfare programmes for the unemployed provide advice that is tailored to specific social groups to reflect their employment and training needs.
- Historically the UK has had a large number of people on ill-health benefits. Recent reforms aim to reduce these numbers.

3.1 New Deal and Activation

A defining feature of New Labour's welfare reform has been the implementation of policies designed to activate the welfare system. For the individual claiming benefits who was capable of undertaking some form of work, activation meant greater support and compulsion to find employment. 'New Deal' programmes introduced a range of welfare measures targeted at specific demographic and social groups. The New Deal programme introduced in 1998 had 6 distinct elements each targeting a different client group: New Deal for Young People; New Deal 25+; New Deal for Lone Parents; New Deal for the Disabled; New Deal 50+; New Deal for Musicians.

The main New Deal priority was the New Deal for Young People (NDYP). Although intended to account for only 9% of the New Deal caseload, it consumed 77% of the budget of £3.4 billion. The cost of getting young people into work was higher due to the additional time taken to work with this group and a range of training and financial incentives put in place. The cost of NDYP was approximately £7,000 per young person and by January 2002, 753,600 people had participated. Activation programmes were coupled with programmes that sought to make work a more financially appealing option than unemployment and welfare payments. A key element of the 'make work pay'

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policies were working tax credits introduced in 1999. Initially targeted at working families with children, these in-work benefits were extended to working people without children, disabled people and those over 50. Tax credits are paid directly to the recipient and provide a minimum income guarantee for individuals or couples with children and in work. These benefits were set at rates significantly higher than previous means tested benefits so as to improve incentives to move into employment and improve levels of social inclusion in society. Tax credits went some way to addressing the problem identified by the OECD²⁷ that the UK had a large low-wage sector and that existing means tested welfare undermined work incentives. The use of tax credits in conjunction with a series of reforms to activate welfare policies sought to reduce the number of those in poverty by making work financially attractive. These reforms recognised that low-skilled individuals who could expect to enter low-paid jobs had little incentive to move off benefits if work did not make them substantially better off. Tax credits were a way to ensure that work, not welfare, would be the mechanism by which people would move out of poverty.

The New Deal agenda also carried a 'moral agenda' (Walker et al, 2003: 7). The unemployed attached to New Deal programmes were subject to compulsory job search activities. Compulsion was enforced by the threat of sanctions to benefit payments. For the then Prime Minister, this new approach represented a departure from previous welfare practices that "encouraged dependency, lowered self-esteem and denied opportunity and responsibility in almost equal measure" (source).

The New Deal approach represented a move away from the passive dissemination of welfare to the implementation of measures that were designed to be preventative. The new welfare system would provide people with the training and skills necessary to retain employment. A government paper published in 1998 argued that 'welfare is not only about acting after events have occurred . . . the welfare system should be proactive, preventing poverty by ensuring that people have the right education, training and support'. (DSS, 1998). This approach was also seen to represent a move away from the use of welfare as an income distribution measure. Welfare policies were to become more focussed on reducing expenditure on welfare rather than using welfare as a means to divert resources. Government expenditure priorities focused on popular areas of health and education. Large welfare expenditure had become an obstacle to aims in these areas. Labour did not come to power with a clear set of welfare policies (Rawnsley, 2001), but instead 'the strategic direction was

²⁷ The Battle Against Exclusion. (1988) Organisation for Economic Co-operation and Development. Paris, OECD.

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more or less clear: to reduce expenditure on welfare so as to divert resources to electorally more popular areas of education and health’.

These changes represented a shift in the function of the welfare and benefits systems for those in or potentially in the labour force towards a mechanism to promote flexible and efficient labour markets. Unemployment was increasingly seen to impede personal development and erode the workplace skills necessary to re-enter the labour market. The reconfiguration of the welfare state under New Labour would enforce the idea that welfare services should provide personalised back to work support for the unemployed. New Deal programmes were the outcome of this approach as they tailored employment and training support to the needs of specific groups. The goal was to create a ‘modern’ welfare state that could provide a post-industrial economy with the skills required to compete in a global marketplace. Work and participation in this marketplace was now viewed as the most effective method for tackling poverty. The use of welfare as a tool for redistributing society’s wealth to the poorest was increasingly no longer seen as the most effective poverty alleviation measure. Individuals were supported to enter the labour market and develop the skills and income required to move themselves out of poverty.

3.2 Reforms to Address Ill-Health Benefits

The large number of people claiming sickness benefits in the UK has forced the issue high up the political agenda. There is deep unease with public and political circles at the high numbers of people who have been claiming sickness benefits for long periods of time and in doing so effectively removing themselves from the labour market. The government minister with responsibility for welfare in the new coalition government, Iain Duncan Smith, has stated made reform in this area a political priority. In a speech delivered shortly after the coalition government came to power in May 2010, the minister emphasised the cost to the taxpayer of a high sickness benefit caseload and the personal cost to those on sickness benefits.

We are committed to tackling the huge numbers of people languishing on Incapacity Benefits. We currently have some two and a half million people claiming inactive benefits – a figure which has remained stubbornly high, costing the taxpayer £7.2 billion. Despite many of these people wanting to work, people can spend years on Incapacity Benefit without ever being required to have an assessment...Our society should be capable of tailoring support to get people into work...This is why we are starting the process of migrating 1.5 million of

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those on Incapacity Benefit on to Employment Support Allowance and simultaneously providing intensive, personalised support to help them make that transition back into work. Iain Duncan Smith, Secretary of State for Work and Pensions. (Speech delivered on 30th June 2010²⁸).

2.61 million people in the UK were claiming ill-health benefits in May 2010. The proportion of people in the UK on sickness related benefits is almost three times the 1.5% average across the OECD (OECD 2010²⁹). In 2002 the Labour Government published a Green Paper entitled 'Pathways to Work: Helping People into Employment' (DWP, 2002³⁰). The paper argued that work was central to individual wellbeing and that 'with the right support, there is no health-related reason why most could not get back to work' (DWP 2002: 4³¹). Under Pathways, those on sickness benefits were assumed to be capable of work if given access to the right support. These reforms are an extension of the principle of rights and responsibilities advocated under the 'Third Way' philosophy. Individuals are entitled to a high level of support but are also expected to assume responsibility for their presumed return to the labour market³². As was evident in jobseeker benefits, reforms to ill-health benefits also gave public employment officials the power to impose financial sanctions on those who were not fulfilling their duties as recipients of welfare money³³.

The number of people claiming incapacity benefit (IB) has risen dramatically over the previous three decades. In the late 1970s the number of people claiming IB stood at 700,000. By the mid-1990s this

²⁸ Available at: <http://www.dwp.gov.uk/newsroom/ministers-speeches/2010/30-06-10.shtml>

²⁹ Organisation for Economic Development, 2010

³⁰ Department for Work and Pensions. Pathways to work: helping people into employment: the Government's response and action plan. 2002

³¹ Department for Work and Pensions. Pathways to work: helping people into employment: the Government's response and action plan. 2002

³² It should be noted that those with the most severe health conditions were not expected to seek work. Those in this group would, subject to a medical examination, receive long-term financial support through the welfare system.

³³ Qualitative research exploring the pathways to work sanctions regime. Department for Work and Pensions. Research Report. No 475. DWP. Available at: <http://research.dwp.gov.uk/asd/asd5/rports2007-2008/rrep475.pdf>

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figure had surged to 2.6 million. The majority of people who begin an IB claim have not been working prior to that claim. A quarter of those who begin an IB claim have recently finished claiming Jobseekers Allowance. A third of those who begin an IB claim have not worked in the previous two years and slightly less than a half (43%) have received an out-of-work benefit in the previous two years. A minority of those who enter onto IB, 17%, are working in the period preceding their claim for IB. Generally therefore, IB is not a type of benefit from which those in employment enter onto after a medical event that prevents them from working. Those who enter onto IB do so by 'graduating' from periods of unemployment and contribution based benefit claims. They enter onto IB with poor work histories.

The increase in the number of people claiming IB, can be 'largely explained' (DWP 2006: 25³⁴) by the increasing duration of IB claims. Being on long-term IB significantly reduces the likelihood that an individual will return to work in the short-term. Although 60% of people who started to claim IB stopped doing so with a year, for those 40% who continued to claim IB for more than 1 year, 29% will still be receiving benefits after 8 years (DWP 2006³⁵).

Recognising the increase in the IB role, in 2002 the then Government published a Green Paper entitled 'Pathways to Work: Helping People into Employment' (DWP, 2002³⁶). The paper argued that work was central to individual wellbeing and that for 'almost all' (DWP, 2002) of the 700,000 people who move onto IB each year their health condition is sufficiently moderate as to not be a barrier to employment.

The slide into long-term dependency on IB is a significant problem. Long-term dependency increases the distance of the individual from the labour market through the erosion of skills; negatively affects family income; and represents a cost to public finances through the loss of tax revenue and

³⁴ Department for Work and Pensions. A new deal for welfare: Empowering people to work. Consultation report. June 2006.

³⁵ Department for Work and Pensions. A new deal for welfare: Empowering people to work. Consultation report. June 2006.

³⁶ Department for Work and Pensions. Pathways to work: helping people into employment: the Government's response and action plan. 2002

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expenditure on benefit payments. Furthermore long-term unemployment has a negative effect on the health of the individual thereby increasing the likelihood that they will remain unemployed.

The increase in long-term IB dependency that significantly explains the rise in IB caseload rates over the previous 3 decades was partly due to an IB system whereby long-term claimants were neither expected to seek work nor were they offered any support in their attempts to return to work. Throughout the 1980s and 1990s, those who entered IB would have received very little support should they seek to return to work. Furthermore there were few expectations on those claimants to take steps to minimise the duration of their stay on IB. IB was effectively compensation for the illness and as such did not carry any expectations of future work. A closer examination of the conditions reported by those on IB, reveals a substantial proportion of people whose conditions are considered to be sufficiently moderate that they could, with support, be expected to return to work. Those who have spent less than 2 years on IB, report three main conditions. 35% receive IB due to mental / behavioural disorders such as depression or anxiety. 22% have musculo-skeletal conditions such as back, neck pain or arthritis. 11% have a circulatory or respiratory disorder (DWP 2002³⁷).

Pathways to Work was first piloted across seven Jobcentre Plus Districts in two phases from 2003 to 2004. In 2005, there was mandatory entry onto IB for those with a claim of less than 2 years and in 2006 those with claims of up to 6 years were also entitled to enter onto Pathways to Work. As of April 2008, the components of Pathways to Work have been made available to all IB claimants. 40% of provision is made through Jobcentre Plus with the remainder occurring through contractual arrangements with private and third-sector providers. Pathways to Work is aimed at new entrants although existing claimants have voluntary access to the programme. IB claimants, in common with unemployment benefit recipients, are now subject to WFIs performed by specially trained Incapacity Benefit Personal Advisors. Personal Advisors have responsibility for diagnosing issues that may obstruct benefit claimants returning to work. Those making a new claim for IB attend a Work Focused Interview with a Personal Advisor. During these interviews, PA's seek to agree with claimants a course of action that will move the individual closer to the labour market and provide assistance with the identification of relevant employment vacancies. PA's help customers identify

³⁷ Department for Work and Pensions. Pathways to work: helping people into employment: the Government's response and action plan. 2002

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future goals and provide support to enable their fulfilment. IB claimants are expected to attend 6 WFIs at monthly intervals.

The main aspects of the Pathways to Work reforms are:

- Mandatory Work Focussed Interviews shortly 8 weeks after making a first claim for IB
- A Personal Capability Assessment (PCA) by a GP to provide Benefits Agency Decision Makers with objective medical information on the condition of a claimant. The PCA ought to take place within 12 weeks of a claim being made.
- At the first WFI a Screening Tool is applied by the PA to decide if the claimant is suitable to continue on Pathways. The Screening Tool scores claimants responses to questions and estimates the probability of the claimant still being on benefits in 12 months time without mandatory participation in Pathways. Those who are most likely to remain on IB after 12 months are entered into a mandatory Pathways programme.
- In all Pathways districts, claimants have access to the Choices package. In addition to help for those on New Deal for Disabled People, the package also includes the Condition Management Programme (CMP). The CMP is a partnership between Jobcentre Plus and local health providers (both the NHS and private providers) to deliver a range of cognitive therapies to IB claimants to enable them to better manage their condition. IB claimants also have access to a 'Return to Work' credit whereby those who leave IB and enter employment, and if their gross annual earnings are below £15,000, are entitled to £40 per week in addition to their wages.

Measures to ensure that individuals are supported in the management of their condition so that they can return to the labour market are a core feature of changes to the way in which sickness benefits are to be administered. In common with the broader move to the activation welfare policies, the Pathways to Work reforms are bringing about a move away from the passive distribution of benefit payments. They seek to ensure that new claims for sickness benefits are viewed as a temporary support measure during which most individuals will be expected to return to work. The receipt of benefits becomes conditional on the fulfilment of certain activities designed to ensure a rapid progression back into the labour market.

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3.3 Reforms to Address Youth Unemployment

As with reform to sickness benefits, levels of youth unemployment have attracted considerable political and public attention in the UK. As outlined in section 1.3.2, youth unemployment in the UK was rising even before the 2008-09 recession. Almost 21% of 18-24 year olds are economically inactive (ONS 2011³⁸). The government has stated that support for young people is a priority and has instituted several reforms in partnership with education, enterprise and the voluntary sector. Reforms will:

Provide job search support for 16-17 year olds on Jobseekers Allowance by making Jobcentre Plus adviser support available to these claimants. Additional adviser contact will ensure that a young person claiming Jobseekers Allowance will now have access to adviser support, better quality regular interventions focused on getting back into work or training and access to departmental contracted provision.

- Advisers will have an additional hour of adviser's time to be used at the front end of the claim and the equivalent to an extra five minutes adviser time for each week on benefit.
- Current adviser support is limited for 16/17 year olds who claim Jobseekers Allowance. The new approach will give flexible and personalised approach to Adviser interviews for the first time. This includes spending more time at the start of the claim to enable the adviser to make an in-depth diagnosis of the young person's background /needs. It will give the adviser time to consider the increased options of provision that will be available for this group (e.g. work experience, work clubs and local provision via Innovation Fund) to help them into education, training or work with training.
- The extra time may also be used to help signpost the young person to other organisations - for example, following the phasing-out of connexions; the young person may need help in identifying the local careers advice provider.
- The additional one hour interview time should be seen as time bank that advisers can use flexibly towards the start of a new claim. The additional five minutes is intended to be used to support the aims outlined above and to enable the adviser to review how the young person is progressing, to review any provision the young person attended, to see if any further support is required etc.

³⁸ Labour Market Statistics, September 2011. Office for National Statistics.

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- Fortnightly Reviews remain a key feature, but more frequent attendance can be required where this is deemed appropriate for example, where more regular follow-up of activity is required. We expect this new approach to be both more challenging and supportive of individuals' activity.
- In the same way that Fortnightly Reviews are mandatory, additional flexible interviews will be mandatory and, subject to regulations, sanctions may be applied if the customer does not attend – subject to good cause. These measures only relate to 16 and 17 year olds on Jobseekers Allowance and therefore it is not likely to have an impact on young people with childcare responsibilities as they are unlikely to have children. If there are small numbers of young people in this position then as the policy states restrictions can be made on the Job Seekers Agreement thus it is unlikely that they would be discriminated against. Any disabled young person on Jobseekers Allowance would be treated the same as any adult -18 plus restrictions on their Jobseekers Agreement would be taken into account and reasonable adjustments could be made.
- Currently, Jobcentre Plus has a responsibility to refer any 16-17 year olds who make a claim to benefit to the Local Authority Youth Service. The main focus for advisers dealing with 16/17 year old benefit claimants has been to establish benefit payment to avoid severe hardship and to refer the customer to the careers service or Connexions.
- From Autumn 2011, Jobcentre Plus' specialist Advisers who deal with 16-17 year olds claiming Jobseekers Allowance will, in liaison with the local authorities, offer work-related advice and guidance to 16 and 17 year old NEETS. The service offered by local authorities will vary; therefore Advisers will require a good knowledge of what is on offer in their local area.
- Jobcentre Plus will require extra resource for external relationship managers to build partnerships with local services for 16-17 year old young people NEET to enable Jobcentre Plus to map and support local arrangements.
- There is early access to Work Programme places for vulnerable 18-year-old people. Young people aged between 18 and 24 years already have priority access to the Work Programme after nine months. The most disadvantaged young people will enter the Work Programme earlier after three months of unemployment. The Government has expanded early entry to

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include any young people who are 18 years old and who made a claim for Jobseeker's Allowance while they were 16 or 17 years old (DWP 2011)³⁹.

3.4 Reforms to Childcare

Child poverty is a key issue in the policy strategies of both UK and Scottish Governments⁴⁰. The strategy to reduce child poverty has focused primarily on increasing employment and maximising in-work income, while improving the availability, affordability and quality of childcare to help parents into employment have become increasingly important (Penn and Randal, 2005)⁴¹. Prior to the 1998 UK National Childcare Strategy (DfEE, 1998), childcare was largely seen as a private family matter, since then childcare has become a central part of the 'welfare to work' employment policy agenda (Penn and Randal, 2005).

To meet the aims of the UK National Childcare Strategy, local authorities were given the task of convening partnerships – following the trend in local service provision and governance from the previous Conservative government (Penn and Randal, 2005) – and producing local childcare plans. The Early Years and Development Partnerships (EYDCs) were created and they were responsible for overseeing delivery of the government's pledge, with discretion over the allocation of funds but little over the terms of allocation (Penn and Randal, 2005).

Initiatives such as Sure Start and Neighbourhood Nurseries were launched to tackle childcare availability. The Sure Start programme started in 1999 and, with the establishment of a network of children centres, was consolidated in 2004. Those centres offered early education and childcare and support for parents including advice on parenting and help to get paid employment (Langan, 2010).

³⁹ Youth Employment Support Measures Equality Impact Assessment. Department for Work and Pensions. August 2011. Available at: <http://www.dwp.gov.uk/docs/eia-youth-employment-support.pdf>

⁴⁰ Local Government and Communities Committee (2009) *Report on Child Poverty in Scotland*. Edinburgh: Scottish Parliament (www.scottish.parliament.uk/S3/committees/lgc/reports-09/lgr09-10-vol1.htm)

⁴¹ For a discussion of some related issues see: McQuaid, R., Fuentès, V. and A. Richard (2010) *How can parents escape from recurrent poverty?* Report for the Joseph Rowntree Foundation: York. Published by Polity Press: Bristol <http://www.jrf.org.uk/publications/how-parents-escape-recurrent-poverty>

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To help with the affordability of childcare the government focused mainly on demand-side solutions (Penn and Randal, 2005), introducing the Working Families Tax Credit in 1998 to support families with children while in work and contribute towards childcare costs. This was replaced with the childcare element of the Working Tax Credit⁴² and Child Tax Credit⁴³ in 2002. The introduction of free 3 and 4-year-old part-time pre-school education had the same aim. Supply-side funding opportunities were also made available, for example through the New Opportunity Funding for out-of-school schemes. The UK government in 1999 launched its framework of Nationally Accredited Qualifications in Early Years Education, Childcare and Playwork (Penn and Randal, 2005) in order to address the quality of childcare.

In terms of Active Labour Market Policies, the key mechanism for increasing employment among parents and increasing opportunities through developing employment-related skills was the New Deal for Lone Parents (NDLP) programme (see section 3.1 for more information in New Deal programmes), administered through Job Centre Plus⁴⁴. Parents of children under 12 years-old did not have an obligation to participate in the NDLP, although recently the age of children at which it is compulsory for parents to take part in ALMPs has steadily reduced in recent years (so that parents with children over 5 will receive Job Seekers Allowance and will also need to make contact with the Job Centre Plus from an earlier age of their youngest child).

In Scotland, the Scottish Executive, through the 1998 Green Paper *Meeting the Childcare Challenge: A Childcare Strategy for Scotland*, recognised the need for accessible and affordable childcare as part of its strategy for supporting families. In Scotland, Childcare Partnerships were set up in each local authority area and Childcare Strategy Funding was given to the local authority. It became the responsibility of local authorities in conjunction with the Childcare Partnerships to allocate the

⁴² To qualify for the childcare element of the Working Tax Credits those responsible for child/ren have to be in paid employment for at least 16 hours a week; the claim can start as soon as the person starts paying childcare costs (only for the amounts that are actually paid by the person). The tax credit can pay up to a maximum of 80 per cent of the childcare costs (the amount is means-tested), with a maximum of £140 a week for one child and £240 a week for two or more children (Directgov website accessed 15 May 2010).

⁴³ People responsible for any children under the age of 16 (or under 20 if they're in full-time education or approved training) may be able to claim Child Tax Credit to help with the cost of looking after them (Directgov website accessed 15 May 2010).

⁴⁴ The national Public Employment Service.

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funding to meet local childcare needs in their area. In addition to this funding, the Scottish Executive made additional funding available for more flexible childcare.

From 2004-8 the Scottish Government instituted a large scale intervention to support disadvantaged parents regarding childcare and employment policy. This is described in the following case study.

Case Study – The Working for Families Fund

The Working for Families Fund (WFF) was established to invest in new initiatives to help disadvantaged parents to move towards, into or continue in paid employment education or training⁴⁵. The aim of the WFF programme was to improve the employability of parents who faced barriers to participating in the labour market. From the start of the programme it was recognised that clients needed support in both terms of both sustainable childcare solutions and the provision and access to other relevant employability-related services.

The WFF focused on disadvantaged parents: lone parents; parents on low incomes; and those with other stresses (e.g. disability, mental health, substance abuse); was a voluntary on the part of clients; and went beyond what the NDLP offered in a number of ways.

WFF was innovative in developing integrated employability and childcare support services on a large scale. 'Key Workers' were the main support and point of contact with clients and referred them to appropriate services. There were two main elements to the programme. Clients were helped to identify and access childcare solutions: they were provided with information, advice, financial assistance if necessary, and in some cases childcare places were ring-fenced for WFF clients. The second element of the WFF was to support clients to improve their employability by establishing goals and producing a personal action plan and by linking them to a number of services, such as: personal development courses, careers advice, money and debt advice, transport support, education providers, etc.

Funding was channelled through mostly Economic Development departments with the day to day project management driven forward by a Coordinator. Steering groups comprising of key partners were established to support the development and implementation of the fund.

The development of the programme in each local authority largely depended on local needs and existing services, and followed consultations and mapping exercises. WFF was designed to complement, not duplicate or replace, existing services and to work with local childcare partnerships and childcare department (usually Education and Social Work) and employment and employability-focused partnerships to fill gaps in provision for the WFF client groups. In many areas, WFF

⁴⁵ McQuaid R.W., Bond, S. and V. Fuertes (2009) *Working for Families Fund Evaluation (2004-08)*, Scottish Government, Edinburgh <http://www.scotland.gov.uk/Publications/2009/04/20092521/0>

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developed and expanded employability related services (such as short pre-vocational training, helping clients to obtain driving licences, etc.) and childcare provision (crèches for employability courses; increasing the number of childminders with the double effect of providing WFF clients with paid employment and increasing the childcare provision) in order to fill the identified gaps in provision. The Working for Families Fund represented an important attempt to develop innovative, targeted solutions to the barriers to work faced by people with families.

Delivery of individual projects was largely via social economy organisations (national or local), depending on the available expertise and capacity of these locally.

The programme funding allocation was £50m; twenty local authorities were selected to implement it; it covered a total of 79% of Scotland's population; and by 2008 over 25,000 disadvantage people had registered.

WFF Evaluation reports can be found on the Scottish Government website at:

<http://www.scotland.gov.uk/Publications/2009/04/20092521/2>

3.5 Reforms to Housing

There are some particular initiatives which seek, for instance, to support young homeless people move into employment, through a range of assistance such as training, advice and access to more suitable housing). For example, the Aberdeen Foyer project seeks to meet the needs of people aged 16-25 as they move towards social and economic independence. Housing Benefit (a welfare payment, e.g. in the form of rent payments) are also made to eligible job seekers by the UK government.

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4. Analysis of governance and integration policies

This chapter provides an overview of the meaning of governance in the UK context. It outlines how the UK has retained a high level of centralised control over social policy matters whilst also devolving power to national and local governmental bodies. In this context governance is enacted in a dynamic and fluid political environment where different interests seek to have their views represented and their interests met.

Key Points:

- UK governance structures are multi-layered reflecting devolved political power.
- Central government seeking greater local involvement in policy making to address criticism that policies are not reflecting local needs.

4.1 Governance and Social Policy

In the field of social policy, governance frequently refers to the co-ordination of a variety of public – private interactions (Daly 2003)⁴⁶. Distinct from the term ‘government’ that refers to a hierarchical method of control, governance implies a network form of control under which a diverse collection of agents are involved in the exercise of power. In the context of the national reports, it is useful to differentiate two contrasting definitions of governance in the field of welfare and employment policy. The first definition refers to the way in which local, regional and national governments adapt strategies to deal with social issues in response to what are usually referred to as a process of modernisation such as globalisation and demographic challenges. Some general characteristics of governance are highlighted by van Berkel (2007)⁴⁷

- a redefinition of the social issues mentioned before in terms of a lack of participation (mainly, though not exclusively, in the labour market) rather than a lack of income;

⁴⁶ Daly, M. Governance and Social Policy. Journal of Social Policy (2003), 32 : pp 113-128 2003 Cambridge University Press

⁴⁷ Rik van Berkel, Vando Borghi, (2007) "New modes of governance in activation policies", International Journal of Sociology and Social Policy, Vol. 27 Iss: 7/8, pp.277 - 286

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- a greater emphasis on citizens' individual responsibilities and obligations in preventing social problems or solving them;
- an enlargement of the target groups of activation, including sick people, the handicapped, older people, highly vulnerable groups, single parents;
- an integration of income protection schemes and labour-market or activation programmes, where entitlements to the former are made dependent on participation in the latter;
- an individualisation of social interventions aimed at promoting participation

Another definition of governance focusses on the idea that the EU has through its exercise of political authority instituted a new form of governance that extends beyond political space to form a new form of network organization and has developed new forms of democracy. This leads to the idea of multi-level governance where policy making spans a number of levels (Marks et al, 1996)⁴⁸.

In the context of governance in the UK, there are four key areas that frame discussion. Firstly, if Governance 'invokes an analysis of the state and the public sphere more broadly' (Daly, 2003: 119)⁴⁹ then there is a need to consider the extent to which governance is associated with changes in the role of the state. In the UK context, political power is diffuse. Aspects of political power are retained by devolved administrations. The devolution of power to national and local governments has raised questions of sovereignty and representation for civil society. The devolution of power to the Scottish Government and the Welsh and Northern Ireland assemblies challenges what is it to be a representative democracy where there is growing diversity and an expectation that the needs of different interests and identifies are realised. Policies on employment, social services, welfare, housing and health are delivered by local, national and regional governments with different challenges for the way in which policies and governance are delivered.

Despite the creation of devolved government within the UK there continues to be criticism that key aspects of social policy such as the design and deliver of welfare benefits to the unemployed are the result of an overly centralised system of government (Hall et al, 2001)⁵⁰. To address this matter the

⁴⁸ Marks, G., L. Hooghe and K. Blank (1996), 'European integration from the 1980s: State-centric v multi-level governance', *The Journal of Common Market Studies*, 34: 3, 341–78.

⁴⁹ Daly, M. Governance and Social Policy. *Journal of Social Policy* (2003), 32 : pp 113-128 2003 Cambridge University Press

⁵⁰ Burgess, P., Hall, S., Mawson, J., Pearce, G., Devolved approaches to local governance: policy and practice in neighbourhood management. Joseph Rowntree Foundation. 2001. Available at: <http://goo.gl/k5LSV>

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UK government has introduced programmes that seek to encourage local communities to identify issues within their locality that they consider a priority for local government. The Modernising Local Government programme and the National Strategy for neighbourhood renewal introduced in the early part of this century aim to place the citizen at the core of policy development and to improve local democracy. These programmes aimed to achieve ‘a citizen-focused holistic approach to policy development and delivery and to reinvigorate local democracy’ (Burgess et al, 2001: vii)⁵¹. The UK government has emphasised the importance of a community led approach in which local citizens are engaged in decision through devolved government and community planning. Greater involvement in decision making was perceived to be necessary to address criticism regarding the separateness of policy making from the needs of citizens. Criticism has focussed on local government being: too remote and not meeting the needs of local citizens and communities; dominated by professionals and departmental priorities and spending programmes; a failure to actively involve citizens in their role as consumers of services and in decisions affecting their quality of life (Burgess et al, 2001. xi)⁵².

4.2 The Governance of Social and Employment Policy

Local government in the UK is weaker than in most other countries in Western Europe. Local authorities do not have financial autonomy, their roles and responsibilities are not codified, and the UK parliament being sovereign being able to ‘create, restructure or abolish other tiers of government at will’ (Martin, 2010, p.338)⁵³.

In the post-war consensus period (1945-1979) local government was a major player in building the welfare state as a provider of services (Daly and Davis, 2008; Martin, 2010) which included, amongst

⁵¹ Burgess, P., Hall, S., Mawson, J., Pearce, G., Devolved approaches to local governance: policy and practice in neighbourhood management. Joseph Rowntree Foundation. 2001. Available at: <http://goo.gl/k5LSV>

⁵² Burgess, P., Hall, S., Mawson, J., Pearce, G., Devolved approaches to local governance: policy and practice in neighbourhood management. Joseph Rowntree Foundation. 2001. Available at: <http://goo.gl/k5LSV>

⁵³ Martin, S., 2010. From New Public Management to Networked Community Governance? Strategic Local Public Service Networks in England. In Osborne, S., ed. 2010. *The New Public Governance?* Oxon: Routledge. Ch. 19

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many other services, education, housing, transport, social assistance, waste and refuse collection, etc.

A combination of economic crises and increasing cost of welfare provision meant that at the end of 1960s and through all the 1970s the principle of local authorities as direct providers of services was being questioned (Martin, 2010)⁵⁴. Budgets were squeezed and the internal management of local authorities was reviewed.

With the Conservative government elected in 1979, local authorities' role was changed to be one of enabler of services rather than a provider. Principles of New Public Management (NPM) were introduced, which according to Pollit and Bouckaert (2000 cited in Martin, 2010) center in four strategies: controls on public spending; private-sector management practices (including working conditions, performance management, etc); marketisation of public services through competition (specifically compulsory competitive tendering); and minimisation of the state through privatisation and contracting out. Control over services were centralised and provision was outsourced.

The New Labour administration that came to power in 1997 used the language of partnership between the central and local governments, but never went back to give local authorities the role they had prior to the 1980s nevertheless unlike their Conservative predecessors they wanted not to bypass local government but to redefine it. Budgets to local authorities increased and although CCT was abolished, many of the NPM principles were maintained including marketization in many areas. The government imposed a modernisation agenda in local government whose main characteristic was top-down performance monitoring. It also introduced the principle of 'join up' services, which local government led via partnerships, would aimed to increase horizontal coordination between local agencies including public agencies, the private companies, community groups and voluntary organisation (Martin, 2010). According to Martin (2010) this model became to be known as "networked community governance".

⁵⁴ Martin, S., 2010. From New Public Management to Networked Community Governance? Strategic Local Public Service Networks in England. In Osborne, S., ed. 2010. *The New Public Governance?* Oxon: Routledge. Ch. 19

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According to Jessop (cited in Bode, 2006, p.346)⁵⁵ there was a 'shift from government to governance... in all scales', a quasi-market governance in the provision of social assistance, with a 'contract culture' and a 'business jargon' (Bode, 2006). Social welfare provision is increasingly view as (co)produced in a multifaceted process of inter-organizational exchange, the latter 'involving . . . the market . . . but also civil society actors' (Kooiman, 2003 cited in Bode, 2006).

The current UK coalition government has launched the Work Programme⁵⁶ for labour market activation. There is a set number of WPs nationally, divided in a number of areas; the contracts to deliver WP will be given to at least two providers by area (with the intention to provide competition and thus according to the government efficiency and effectiveness). Payments to providers will be according to three establish outcomes: attachment fee, job outcome, and sustainment payments. The government will not specify of service delivery but a minimum level of service expected will be established. It is expected that prime providers will work with a range of sub-contractors and local partners to deliver services.

⁵⁵ Bode, I., 2006. Disorganized welfare mixes: voluntary agencies and new governance regimes in Western Europe. *Journal of European Social Policy*, 16(4), p.346–359.

⁵⁶ <http://www.dwp.gov.uk/docs/work-prog-prospectus-v2.pdf>

4.3 National Dimensions of Integrated Policies

UK	Activation		Vertical (territorialisation)		Horizontal (coordination/integration)	
	Of individuals	Of living expenses	Multilevel coordination	Decentralization	Public/public coordination	Public/private coordination
<p>Policy goals</p> <p>What for?</p>	Benefits, in general, form part of a contract in which the individual have rights but also responsibilities under a 'welfare to work' principle.	Benefits should be oriented towards 'welfare to work' and the contractual principle.	Main rules come from central government (e.g. DWP); UK and Scottish government can pursue separate policies; Competences of LA determined by Scottish government and (for England) UK government.	Work Programme mean devolution of employment services for long-term unemployed to companies. WFF in Scotland largely devolved to LA.	DWP and Treasure; Community Planning Partnership (CPP) co-ordinate local and national policy at local level.	Through PPP and PFI; Through service agreements such as Work Programme; CPP and local strategic work with private sector.
<p>Policy Instruments</p>	New Deal; Pathways to Work; Work Programme;	Welfare benefits, including housings and childcare	Budget for employment and welfare services primarily from UK	Work Programme (including	Greater coming together of welfare support (welfare	Contractual.

With what?	Top up benefits: Tax Credits.	benefits, tax credits; Benefit penalties for not compliance.	government; For skills primarily from Scottish government since 1999; In Scotland some skills and employment services co-ordinated by Scottish government.	training for long-term unemployed); WFF now part of Fairer Scotland Fund.	benefits) with support from Tax Credits; Greater separation of skills support since 1999 (skills now part of Scottish government)	
Actors Who?	Department for Work and Pensions (DWP); Employment Services (Jobcentre Plus) responsible for benefits and enabler of partnerships; Prime contractors of Work Programme and local partners (including private, public and third sector)	DWP; Local Authorities (LA) for housing benefits (e.g. for homeless job seekers); Inland Revenue for tax credits	Mainly DWP.	Work Programme prime contractors and their local partners.		Prime Work Programme contractors and some local bodies (e.g. Business in the Community)

Appendix 1

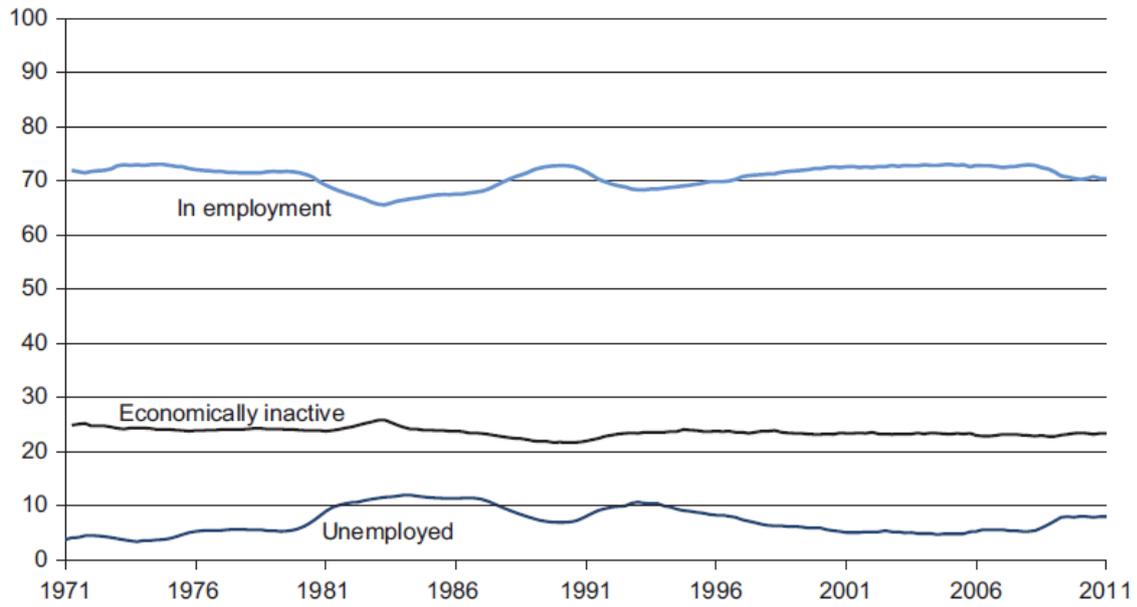


Figure 1.2 UK Economic activity and inactivity rates 1971 – 2011.

Source: Labour Force Survey, Office for National Statistics.

United Kingdom		Percentages				
	1994	1999	2004	2009	2010	2011
Men						
Students	27.7	25.0	28.0	32.9	34.4	33.3
Looking after family/home	4.7	6.0	6.1	6.2	6.3	5.7
Temporary sick	3.8	2.9	3.1	2.5	2.6	2.2
Long-term sick	39.9	42.8	37.7	34.6	32.5	33.5
Discouraged	3.4	1.6	0.7	1.0	1.2	1.5
Retired	11.1	12.1	12.9	13.2	13.3	13.5
Other	9.4	9.5	11.4	9.5	9.6	10.2
Does not want a job	68.2	67.9	71.0	72.1	69.8	70.1
Wants a job	31.8	32.1	29.0	27.9	30.2	29.9
Women						
Students	11.9	12.5	14.1	17.7	18.8	19.2
Looking after family/home	48.1	40.8	38.7	35.9	35.6	35.4
Temporary sick	1.9	1.9	1.7	1.6	1.5	1.5
Long-term sick	14.6	19.3	19.1	17.8	17.9	17.2
Discouraged	1.4	0.7	0.3	0.5	0.5	0.5
Retired	13.4	15.8	16.7	18.5	18.1	18.3
Other	8.7	9.0	9.4	8.0	7.7	7.8
Does not want a job	75.3	75.7	78.7	78.5	77.2	77.1
Wants a job	24.7	24.3	21.3	21.5	22.8	22.9

Figure 1.3. Reasons for economic inactivity by sex.

Source: Labour Force Survey, Office for National Statistics.



Figure 1.4: Inactivity rates by age and gender.

Source: Labour Force Survey.

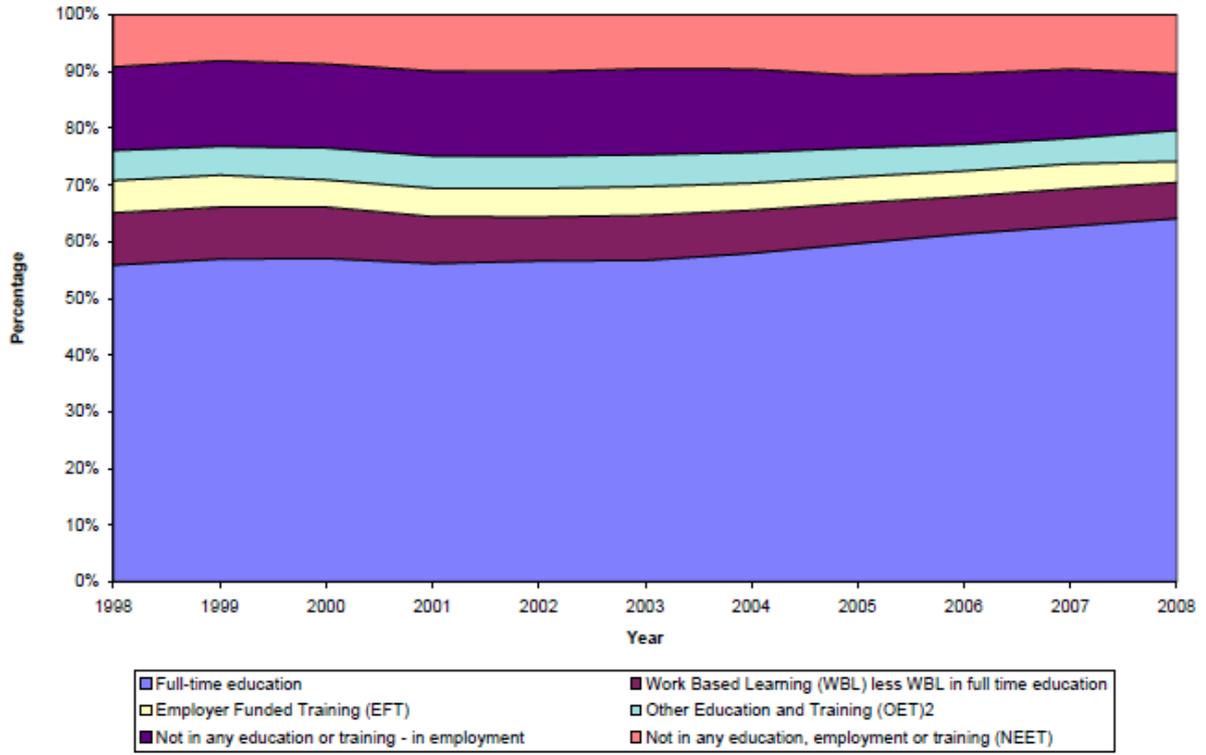


Figure 1.5 Participation of 16-18 year olds in education and training, England 1998-2008.

Source: Department for Education. 2009