Government and 'independent expertise' : think tanks represent a blind spot for critical analysis

Citation for published version:
Heins, E & Pautz, H, *Government and 'independent expertise' : think tanks represent a blind spot for critical analysis*, 2016, Web publication/site, British Politics and Policy; London School of Economics, London.
<http://blogs.lse.ac.uk/politicsandpolicy/52710-2/>

Retrenchment, conditionality and flexibility – UK labour market policies in the era of austerity

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1. Introduction

The United Kingdom (UK) is a typical example of both a liberal market economy (Hall and Soskice, 2001) and liberal welfare state regime (Esping-Andersen, 1990). From the outset it is important to stress that the UK does not fit a framework that distinguishes between an 'industrial logic' and a 'post-industrial logic' when it comes to labour market policies and public unemployment benefits as the industrial logic was never relevant here to begin with and the crisis did not change this.

This is not to say, however, that no change in labour market policies has taken place since the crisis. The following analysis will first examine the impact of the crisis on Britain and then map the changes and continuities in the areas of unemployment benefits, employment protection legislation, active labour market policies, training and human capital formation and needs-based social protection for the unemployed. The year 2010 represents a key turning point in two respects: it was the year in which the full onset of the crisis was felt in Britain, but also when the government changed to a Conservative-dominated coalition with the Liberal Democrats (in 2015 replaced by a Conservative majority government), resulting in a number of significant welfare and labour market reforms.

We argue that since the crisis the pattern of labour market and unemployment policies has changed towards even more flexibility and less income protection despite growing problems of precariousness. Many of the existing programmes that aimed at human capital formation have been redefined either as a work test or turned into an opportunity for employers to undercut existing employment protection legislation and the minimum wage. With the exception of a brief 'Keynesian' moment in which the focus was on fiscal stimulus and one temporary direct labour market programme was introduced, the emphasis has been on 'deficit reduction'. Rather than seeing the crisis as a turning point, a policy path taken since the 1980s was continued. Any 'old industrial logic' of income and job protection – that was never particularly relevant in the British case in any case – has been further undermined over the decades, while any tentative efforts towards social investment–type policies in line with post-industrial logic have been cut back.

2. The UK crisis context

In the United Kingdom the crisis was first and foremost financial in character as British banks have been deeply entangled in the international financing system that was negatively affected by the US subprime mortgage crisis. Due to the importance of the financial sector and the construction industry as well as the strong reliance on credit-fuelled domestic demand – or 'privatised Keynesianism' as Crouch (2011) put it – the British economy was hit severely after the country's housing bubble burst (Farnsworth, 2011; Barnes and Wren, 2012). Fears of a bank run and collapses of major mortgage lenders first emerged in autumn 2007 and were prevented only by major banking bailout packages. Within a year, the financial crisis therefore led to an economic crisis (as expressed in rising unemployment, see Figure 8.1, and decreasing GDP rates, see Figure 8.2).

INSERT FIGURE 8.1 HERE

Figure 8.1 shows an increase in unemployment from under 6 per cent in 2008 to around 8 per cent in 2010/11. While the general trend runs in parallel with Europe-wide unemployment figures, the overall level was lower in the United Kingdom and in contrast to the EU28 figures the UK was one of the few countries in which unemployment rates have declined since 2011. By the end of 2015 it dropped to close to 5 per cent (ONS, 2015b).

However, what looks like a positive labour market development is based on a strong increase in self-employment. In 2014, 4.6 million people (15 per cent of those in work) were self-employed in their main job, a record number in the past four decades. Across the EU, the United Kingdom has had the third largest percentage rise in self-employment since 2009 (ONS, 2014a). Importantly, the average income from self-employment has fallen by 22 per cent, even more than employee incomes, since 2008/2009. Self-employed workers are thus at risk of being less well-paid, but also less secure and unable to obtain social security coverage for illness or maternity.

INSERT FIGURE 8.2 HERE

After a huge contraction of the economy in 2008/09 – the economy shrank by 6 per cent between the first quarter of 2008 and the second quarter in 2009 – and a temporary recovery in 2010/11, the United Kingdom suffered a double-dip recession in 2012 (see Figure 8.2). By the end of 2014, GDP levels were estimated to have been about 3 per cent higher than at the beginning of 2008 (ONS, 2014b).

The immediate response to the crisis by the Labour government led by PM Gordon Brown represented a short 'Keynesianist' revival (Clegg, 2010; Farnsworth, 2011). The pre-budget report of November 2008 included a number of short-term stimulus packages (HM Treasury, 2008) which added to the public debt that had already increased significantly due to the rescue measures for several UK banks (see Figure 8.3). Importantly, with the exception of the Future Jobs Fund (see below), the stimulus measures were not aimed at keeping up employment directly, but consisted of fiscal measures such as a lowering of the VAT rate and other tax rate changes.

INSERT FIGURE 8.3 HERE

As the following analysis of different labour market policy instruments will show, this 'Keynesianist' moment was very short-lived. After the general elections in May 2010, a coalition government was formed between the Conservatives and Liberal Democrats that put so-called 'austerity' in economic and social policy firmly on the agenda.

3. Unemployment benefits: Jobseeker's Allowance

Labour market policies based on an industrial logic – that is, serving an income replacement function for labour market 'insiders' – had been eroded long before the onset of the crisis. In fact, it could be argued that unemployment benefits were never really 'insider oriented' as they always primarily fulfilled a poverty alleviation rather than an income replacement function due to the low level of benefits. Although Beveridge had originally envisaged that the post-war British welfare state should be based on a reciprocal principle, the link between national insurance contributions and benefits had been weakened over time. Apart from a period in the 1960s and 1970s when earnings-related supplements were available, unemployment benefit levels have been flat-rate and contribution-based benefits converged with needs-based assistance (Clasen, 2005).

Already decades before the crisis the focus of unemployment benefits shifted towards targeted and means-tested welfare and tighter controls (Sinfield, 2013). When we compare the expenditure on contribution-based benefits with those on means-tested benefits we see how irrelevant the former is (Figure 8.4). In 1996–1997 they made up 10 per cent of total social security spending, but only 5 per cent in 2014–2015 (Hills, 2015; 26). The decline in contribution-based benefits over time is partly a result of the changed character of unemployment (from relatively short durations on average to more long-term unemployment) but also of the tightening of contributory and other requirements (Clasen, 2009).

INSERT FIGURE 8.4 HERE

Tellingly, unemployment benefits were renamed Jobseeker's Allowance (JSA) in 1996 to emphasise the function of seeking new employment rather than offering income support for those who have lost their work and subsequent governments have not done anything to alter this (Slater, 2012: 956). JSA is separated into two components, a contribution-based and an income-based part, but paid at the same basic level. The distinction between contribution-based and means-tested benefits is thus mainly an administrative matter, but has little relevance in public perception. Contribution-based JSA can be claimed for a maximum of six months by those who meet the eligibility requirements of having worked for a minimum of 26 weeks in the two years before claiming benefits and having paid sufficient National Insurance contributions. The flat-rate benefit in 2016/17 was £73.10 per week, with a lower rate for under-25s (£57.90).

Although the rates have been increased over the years, the general trend regarding this type of labour market policy is slow retrenchment in the form of 'policy drift' that had already started under previous governments before the crisis. While benefits received by disabled people and pensioners (which are protected by a triple lock that makes sure that pensions will increase by whatever is highest – inflation, wages or 2.5 per cent) increased from 2013 to 2015 in line with consumer-price inflation (2.7 per cent), benefits and tax credits for working age people were increased by only 1 per cent. This typically lower-than inflation increase is part of the government's professed aim to 'ensure the overall affordability of the welfare system' (HM Treasury, 2012: para 1.155). Despite the lack of strong automatic stabilisers that maintain demand during economic downturns in the UK welfare system, there was no attempt to increase income support for the unemployed in response to the crisis (Clegg, 2010). Working age benefits unrelated to having children already fell under the Labour government, despite the effects of the economic crisis (Hills, 2015: 23). However, it is important to recognise the existence of 'functional equivalents'. Higher-income and short-term unemployed can often rely on private unemployment insurance in the form of mortgage protection plans (Clasen, 2007), as well as non-statutory redundancy payments (Clasen, 2009). If we thus want to speak of an insider/outsider problem, then this refers not to the effects of public benefits, as in other European countries, but to wider inequalities in types of employment: executives and other high-income employees often receive very generous 'golden handshakes', while other types of employees receive little or no redundancy pay at all.

4. Employment protection legislation

Overall, the United Kingdom is characterised by a very flexible labour market with the most lax employment protection among OECD countries before and after the crisis (Venn, 2009). Importantly, employment protection legislation in the United Kingdom was used not to support collective bargaining, but to reduce its relevance, as it was seen as a hindrance to 'flexibility' (Clasen, 2009: 82). After the crisis, minor improvements in protecting employee rights introduced under the Employment Act 2002 were reversed again and the OECD EPL index for regular workers decreased in 2013 to the pre-2000 value of 1.03 (OECD 2013).

Since 2010 the Conservative-led coalition/Conservative government have removed or reduced 1,900 substantive regulations to support employers by removing 'bureaucratic burdens' (UK Government, 2013). The government presented employment protection legislation reform as a necessary response to the global crisis and to maintain Britain's competitiveness. Consequently, many employment protection legislation reforms affect workers' rights. For example, one major reform to employment tribunal legislation means that employees now have to wait longer and participate in mediation before approaching a tribunal, employers are no longer required to provide supporting evidence for the applicant's case and it is now more difficult for employees to access Legal Aid to support a case (TUC, 2014). In addition, since 2013 employees have had to pay an upfront fee of up to £1,200, which considerably raises the stakes for low-income workers (Phillips, 2013). Redressing cases before an employment tribunal has thus become financially risky for employees.

The government claims that the changes to employment tribunals will save businesses £40 million per year (UK Government, 2013). The number of tribunals has been reduced and as a result of the changes it is suspected that many employers may find it easier to break employment laws without being held accountable through the tribunal system (TUC, 2012; Law Society Scotland, 2014). For example, cases have come to light in which redundant workers were rehired by the same company to do the same job for less pay or on less secure contracts (Malik, 2014; Meikle, 2014). There are also claims that regular employees are being replaced by people put on unpaid mandatory work placements by the benefit agency (HOC, 2012).

Many of the recent changes to employment protection legislation also reduce the security and rights of temporary employees. Many employment rights – such as the right not to be unfairly dismissed or the right to redundancy pay – rely on the legal definition of 'employee'. Since 2010 there has been an increase in employment contracts using the term 'worker' rather than 'employee'. In general, workers are entitled to the same rights as employees; protection from unlawful deductions, the national minimum wage, holiday pay and working time regulations regarding rest breaks, the 48-hour week and its opt-out clause. They are also entitled to statutory maternity, paternity and adoption pay. 'Workers', however, do not automatically have the right to maternity, paternity or adoption leave, the right to request flexible working or time off for emergencies. They also do not have the automatic right to protection from unfair dismissal, a minimum notice period to terminate their employment or the right to statutory redundancy pay. Furthermore, the government has increased the qualifying period of continuous employment for unfair dismissal claims to two years (Pullan, 2013).

On the whole, much employment has become more flexible and less protected since the crisis. There has been a significant increase not only in low paid self-employment, but also in the number of contracts with no stated working hours. These so-called 'zero-hour contracts' are a prime example of the increase in flexible labour arrangements as they require individuals to be ready for work but with no certainty about how many hours of work (and thus income) there will be from week to week. In 2008 there were approximately 143,000 zero-hour workers in the United Kingdom (CIPD, 2013); by the end of 2014 there were nearly 700,000 (2.3 per cent of all people in employment) (ONS, 2015a).

Zero-hour workers are extremely vulnerable to poverty or exploitation by employers as they can – like all workers – be refused benefits for voluntarily leaving a job. It is therefore difficult for zero-hour workers to leave employment when the hours are reduced. Despite these tensions, in the six months leading up to April 2013, 27 per cent of Jobcentre Plus advertised vacancies had no guaranteed income (HOC Scottish Affairs Committee, 2013; 42). Not only do these entail a precarious position with regard to employment legislation, but these staff earned an average of £9 an hour, compared with £15 an hour for other employees (Pennycook, et al., 2013). About 25 per cent of workers on zero-hours contracts are full-time students, but 70 per cent are in permanent jobs. A total of 26 per cent stated that they would like to work longer hours (Pullan, 2013; Work Foundation 2013).

The government's recent employment protection legislation reforms are part of a much larger policy reform process that seek to increase the flexibility of workers, reduce employment protection and legislation, and consequently, for many people, affect the relationship between employment and welfare provision. Even without substantial formal changes to employment protection legislation and despite a very low-protection starting point, retrenchment has taken place as employment is now even less protected than before the crisis and more and more people are being moved into very precarious jobs.

5. Active labour market policies (ALMP)

The Labour government initiated large-scale activation reforms after 1997, introducing a suite of 'New Deal' welfare-to-work programmes and, in 2000, creating Jobcentre Plus to act as a 'one stop shop', coordinating activities between benefit claims, activation and support programmes. These welfare-to-work programmes also reached out to a range of working-age groups outside the labour market and were often administered as part of a new 'quasi-market' system (Finn, 2011; Griggs et al., 2014).

While some of the New Deal programmes incorporated training, wage subsidy and job creation options, on the whole this was a work-first, supply-side approach to move individuals into the labour market as quickly as possible. Such programmes were introduced during times of better labour market performance and provided support for individuals struggling to enter the labour market. The early welfare-to-work programmes were also voluntary for most out-of-work groups, although participation became increasingly mandatory for the young unemployed and for some long-term unemployed (Finn, 2011). For particularly deprived areas, the government also introduced place-based programmes involving more support options than the national schemes. For example, the Employment Zone (EZ) initiatives were aimed at the long-term unemployed in unemployment 'hot spots'. For people not finding work through the New Deal programmes, the government introduced the 'Step Up' programme, in which participants were mandated onto 12 month national minimum wage employment placements (Finn, 2003; Dar and McGuinness, 2014).

Most of the New Deal and local programmes were merged into the 'Flexible New Deal' in 2008. This welfare-to-work programme became mandatory for more categories of claimants and contracted providers and Jobcentre Plus (to an extent) complemented mainstream provision with special support programmes. However, on the whole the government did not amend ALMP programmes in response to the crisis; instead, reforms were in line with strategies devised pre-crisis (Slater, 2012; McKnight 2015).

Expenditure on ALMP even under the Labour government had increased only modestly (Clasen, 2009). The Conservative-Liberal Democrat coalition government then abolished most place-based funds, cancelled existing activation programmes and increased the 'marketization' of activation programmes by making them even more target-based than they were before. The biggest change has been the introduction of the 'Work Programme' in 2010 to replace the 'Flexible New Deal'. Participation is now mandatory for most groups of claimants, including long-term health benefit claimants and lone parents, who previously had been seen as having 'legitimate' reasons for being out of work.

While the previous Labour government planned a similar large scale welfare-to-work programme reform ('Flexible New Deal' phase 2), the Coalition's changes have since led to a number of changes to the services offered to jobseekers. First, the Work Programme is delivered predominately by private-sector organisations and contracts follow a 'black-box' approach whereby providers design and include whatever services and training they consider suitable for jobseekers (Bennett, 2011; Mirza-Davies, 2014). The government therefore no longer outlines specific training and human investment requirements and most Work Programme providers do not offer accredited training for jobseekers. Second, the amalgamation of programmes has led to a decoupling of locally provided, publicly funded training provision from the mainstream welfare-to-work activity that some jobseekers previously accessed to supplement mainstream welfare-to-work support (Bennett and Clegg, 2013). Finally, alongside the Work Programme the government introduced new conditionality measures and toughened the sanctioning regime. In this way, the Work Programme not only lacks funding for and political interest in social investment initiatives, but it is also embedded within a more punitive system.

The government has introduced a swathe of programmes that require jobseekers to undertake particular tasks and Jobcentre Plus may sanction those who do not comply. On top of a renewed Jobseeker's Agreement, which sets out what a claimant has agreed to do to find work, some individuals may be mandated to take part in the new 'Help to Work' scheme that entails either visiting the job centre daily or taking up 'community work placements' comprising work-related activity for the benefit of the community for up to 30 weeks (CAB, 2015; McKnight, 2015). There is also a separate 'Work Experience Programme' that is voluntary to join, but becomes compulsory once the claimant has accepted a place offer. The Mandatory Work Activity Scheme, introduced in 2010 and delivered by private organisations, provides (unpaid) work or work-related activity for up to 30 hours a week over a four-week period. Overall, these new measures seek to 'correct' job-seeking behaviour and, in some cases, adopt a 'work for your benefit' approach (Dar and McGuinness, 2014). A final notable change is that the Jobcentre Plus portfolio of services for jobseekers has been reduced as part of the general cuts across the public service. Due to recent reforms to benefit administration, such as an increase in conditionality, Jobcentre Plus has become a benefit administrator only, emphasising its controlling rather than supportive function.

Overall, we see an increased turn towards mandatory 'workfare' in the provision of national activation programmes. Supplementary 'enabling' social-investment type policies delivered through Jobcentre Plus are being cut back or left out of contract requirements to reduce costs. This is particularly the case in England, as we will highlight in the next section.

6. Training and human capital formation

Leaving training mainly to employers, the United Kingdom has never had a strong public tradition in this policy area. In the early 1980s a range of programmes – including job creation schemes – were introduced to address rising unemployment, but after a short expansionary phase these were scaled back again in the late 1980s and the focus shifted from training for adult unemployed to providing work incentives and subsidising work experience for the long-term unemployed (Clasen, 2009).

As outlined above, most UK activation and employment programmes implemented since the economic crises are 'work first' and mandatory in nature. An exception to this was the 'Young Person's Guarantee' (YPG). The YPG was introduced in the 2009 Budget and involved the creation of temporary, full-time (25 hours per week) jobs undertaking work of 'social benefit'. All young people (aged 18–24) unemployed for 12 months or longer would be guaranteed a job, the opportunity of work experience or work-focused training. The YPG was formally introduced in January 2010 and operated until March 2011 (Harari 2009).

A notable part of the YPG was the Future Jobs Fund (FJF), a £1 billion fund to provide up to 150,000 guaranteed jobs. As an explicit crisis measure, the FJF was a temporary job creation scheme designed in response to concerns about the long-term effects of rising youth unemployment. The Labour government thus acknowledged that for some people unemployment was a demand-side issue requiring job creation policy responses. The DWP therefore provided funding to subsidise temporary paid jobs lasting six months for young people and those living in disadvantaged areas. Long-term unemployed young people were also offered a number of other options: sectoral routes, which involved training in specific sectors (those with growing employment) with employer support, participation on a Community Task Force (which involved work experience placements), work-focused training, assistance with self-employment or provision through the New Deal for Young People in specific areas (DWP, 2012). However, within the context of a growing punitive discourse from the Conservative Party in opposition, the Labour government later announced that all those in the 18–24 age bracket unemployed for over 10 months were *required* to participate in one of the options offered under the YPG (Harari, 2009). In the event of failure to do so, participation in a Community Task Force became mandatory, with the possibility of benefit sanctions (DWP, 2012). In 2010 the new government extended the fund by one year, to provide an additional 200,000 jobs at an extra cost of £300 million, but then abolished it, citing high costs. By the close of the programme in 2011, 105,220 temporary employment positions were filled (Fishwick *et al*, 2011), 85 per cent of which were in the 18–24 age group (DWP, 2012).

Excluding the FJF, the government did not introduce notable training and human development initiatives. On the contrary, driven by the austerity agenda, funding and resources for this policy area have since been reduced. For example, large-scale reductions to public service spending included a 20 per cent reduction in the further education budget for adults during the spending review period of 2014–2015 (HM Treasury, 2010). However, mapping changes in this policy area is not straightforward. The governance structure of adult learning and training programmes is complex and involves a range of central government departments, devolved administrations, government agencies and ad hoc initiatives. This is a historical arrangement and has changed little since 2010. Support for the unemployed, including training and skills as part of the work-first activation agenda, is the remit of the DWP in England, Scotland and Wales and the responsibility of the Department for Social Development (benefits) and the Department for Employment and Learning (training and skills) in Northern Ireland, whereas training, education and skills policies are arranged independently from the provision of ALMP for the unemployed. Efforts by the previous Labour government to link adult training services provided through the Skills Funding Agency and local colleges under the remit of the Department for Business, Innovation & Skills (BIS) with the activities of Jobcentre Plus under the remit of the DWP have not been followed through by the coalition government (Goerne and Clegg, 2013).

The fragmented picture is further complicated as training provision and lifelong learning are devolved in Scotland, Wales and Northern Ireland. There is no room to cover all the initiatives and programmes before and after the crisis throughout the United Kingdom so here we focus only on England.

Since 2010 there has been a large increase in programmes that involve mandating benefit recipients and young people into 'work experience' positions or schemes that involve working for an employer. However, most do not pay the statutory minimum wage and participants are not legally classed as 'employees'. For young people this includes the new 'Sector Based Work Academies', the 'Young People's Work Experience Programme' and a new 'Traineeships' scheme. The government have portrayed these three initiatives as 'skills development and human investment' schemes, despite the limited certified training provision and low (if any) pay scales. The coalition government did not share the previous policy ambitions regarding social investment through state-funded skills and training. Instead, the new strategy highlighted the 'shared responsibility' for skills, with employers and learners being asked to contribute to the costs (CESI, 2014). Specific loans are offered to fund learning and training administered through private banks that must be paid back by learners once they achieve a specific wage level (Mirza-Davies, 2014: 5). Supplementary training programmes previously offered by Jobcentre Plus have been replaced by mandatory work activities outlined in the previous section and 'flexible' funding at the discretion of local Jobcentre Plus offices (CAB, 2015).

Human capital building is now taking place primarily through apprenticeships. Well before the crisis, in 2000, the Labour government revived the traditional apprenticeship scheme under which apprentices could access part-time education and training, were employed by a particular firm and received a small weekly wage. The 'Modern Apprenticeship' scheme targeted all young people and offered employers financial assistance if they took on apprentices. In addition, a pre-apprenticeship scheme, Entry to Employment, was introduced for individuals with low educational attainment who might not normally be able to access an apprenticeship place. In 2005/2006 alone the government spent £920 million on apprenticeships and £181 million on the Entry to Employment programme. However, these figures are comparatively low in comparison with other labour market tools. Apprenticeship starts represented just 1 per cent of the working age population between 2005 and 2010, rising to 2 per cent in 2010–2012/13 and reverting to 1 per cent in 2013/2014.

Despite the lower number of apprenticeship starts in 2013/2014 and 2014/2015 compared with previous years, apprenticeships continue to play a central role post-2010. There are nearly three times as many apprenticeship starts in 2014/15 than ten years earlier. However, through a number of reforms the human investment and skills training aspect of apprenticeships has been diluted. Programme-led apprenticeships, delivered mainly by further education colleges, have been discontinued (Hodgson and Spours, 2011) and in their place employers are encouraged to take responsibility for the design of apprenticeships. Post-2010, the majority of people starting apprenticeships work in the low-paid service sector rather than the traditional manufacturing sector (Mirza-Davies, 2015: 1), raising questions about the long-term outcomes of recent apprenticeships. There has also been a threefold increase in the number of apprenticeship starts by people aged 25 and over between 2009/10 and 2013/14 (ibid: 5), nursing suspicions that these are not serving the aim of human capital building, but simply constitute a cheap hiring option for employers.

Available figures on apprenticeships indeed give reasons for concern. Data from 2010/2011 show that 'workplace skills training for adults has fallen by 275,400 places, suggesting that employers have simply shifted their workers onto apprenticeships to continue getting government funding' (Lanning, 2012). There is also significant variance regarding the quality and pay of apprenticeship places; for example, 56 per cent of engineering apprentices receive off-the-job training compared with only 24 per cent of retail apprentices; apprentices in construction are earning 32 per cent more than their counterparts in other sectors (DfE and BIS, 2013; 17). The lack of definition and variable training and pay rates can be used by employers to circumvent the statutory minimum wage requirements as the minimum hourly rate for apprentices is lower than for regular jobs. Alongside the reforms to the apprenticeship schemes, the government also introduced a separate 'Traineeship' programme as a supposed pre-step to the apprenticeship scheme. While it provides funding and support to employers, trainees are exempt from receiving the already low apprentice minimum wage. In practice, therefore, apprenticeships are often exploited by employers as a way to undermine the minimum wage, while focusing less on human capital formation.

As a consequence of the retrenchment of these types of policies in England and their continuation under devolved governments, we find increasing regional differences, including the centrality of social investment ideas.

7. Needs-based social protection for the unemployed

While we will focus on means-tested unemployment benefits in this section, it is important to bear in mind that the non-contributory support system for unemployed in the United Kingdom is complex and consists of a vast array of further means-tested benefits and allowances. Means-tested JSA amounts to the same flat-rate payments as contributory JSA, with an additional rate for couples. It can be claimed by anyone of working age and out of work who was employed over the past two years but was exempt from paying National Insurance contributions due to low wages; as well as by those who have exhausted their six months of contribution-based JSA or who have not worked over the past two years. A limit is set for private savings and a partner must work less than 24 hours per week on average. Claimants themselves must not work more than 16 hours per week on average.

This income-based JSA is linked to activation. The New Deals since the late 1990s have expanded the definition of a 'working-age adult' to include previous 'outsiders', such as lone parents, the disabled or people from difficult backgrounds, each with different expectations regarding their activation efforts (Griggs et al., 2014). This emphasis on 'work as the best route out of poverty' is closely linked to a 'make work pay agenda' that offers wage subsidies in the form of child and working tax credits as an incentive to work instead of benefit increases in order to tackle so-called 'welfare dependency' (Wiggan, 2012; Deeming and Smyth, 2014).

The consensus on the issue of 'welfare dependency' as well as the focus on supply-side labour market policies had emerged in the 1990s (Clasen, 2005), but the discursive problematisation was increased by the Conservative-led government. As already mentioned, since 2010 benefit increases have been below inflation. In addition, a weekly benefit cap has been introduced that prescribes a maximum amount that can be received when claiming a number of combined benefit, allowances and tax credit types. This cap is set at £500 for couples with or without children and single parents and at £350 for individuals without children or not living with their children. Furthermore, the eligibility criteria for receiving income-based JSA were tightened and the plan is to replace it with the so-called 'Universal Credit' that is gradually rolled out across Great Britain. The term 'universal' refers to the fact that it combines various different low-income household benefits; it is still means-tested and subject to sanctions.

Under the Welfare Reform Act 2012, claimants can now find their benefits suspended for up to three years if conditions are not met. Even single parents or lead carers in a couple with a child aged one to four have to partake in 'worked-focused interviews' to keep in touch with the labour market.

INSERT FIGURE 8.5 HERE

Nearly 15 million sanctions have been issued against recipients of JSA since 2000, half of which have been in the six years since 2010. A total of 47 per cent (nearly 4 million) have been implemented (Figure 8.5). June 2010 to July 2014 was the peak period for JSA sanctions, with an average of 136,500 referred and over 640,000 sanctions applied each month during this period. More recently, sanction levels have dropped, mainly due to other agencies better supporting appeals and making job seekers more aware of their rights and claimant commitments.

The reforms also entail that less recognition is afforded to special needs, with the exception of the severely disabled. Regarding disabled claimants, so-called work capability assessments have become stricter and many were denied access to better benefits for health-related claims (Employment Support Allowance, ESA). Disabled ESA claimants are now exposed to increased conditionality and sanctioning (Figure 8.6). Despite a recent fall in total referrals and an improvement in appeals processes, since the introduction of the new regime in 2012 on average over 1,900 sanctions were applied each month to people in receipt of ESA.

INSERT FIGURE 8.6 HERE

8. Discussion

Overall, it is difficult to classify the United Kingdom in terms of its labour market pattern according to the framework suggested in this book, given that so much is mingled together under needs-based assistance, activation and social investment – particularly because activation can have two sides, the incentivising 'carrot' and the punitive' stick'. Morel *et al.* (2012) distinguish between different 'worlds' and Bonoli (2009) between different 'varieties' of social investment regimes, while Deeming and Smyth (2014) differentiate between the Nordic 'heavy' (where 'old' social spending on protection is coupled with 'new' social spending on prevention through human capital building, see Kvist, 2015) and the Liberal 'light' social investment strategies (which combines a focus on productive human capital investment with low social protection). Already before the crisis, the United Kingdom's social investment strategy clearly corresponded to a Liberal light model.

This does not mean that there have been no changes. A key characteristic of the UK welfare provision since the 1990s is a work-first orientation as unemployment benefits and active labour market policies have become more closely linked than previously (Clasen, 2009). There is a clear tendency for the aim of employment growth to be promoted at the expense of, rather than as a complement to, the aim of social protection (Deeming and Smyth, 2014). The principle of conditionality, stipulating that entitlement to welfare benefits should be dependent on satisfying certain compulsory conditions, has been creeping steadily into employment policy in Britain since the Thatcher era (Peck, 2001). A main aim was not only to reduce unemployment, but to tackle the wider problem of 'worklessness' (Wiggan, 2012) and to widen the categories of people to be 'activated'. This activation had over time less to do with enabling social investment and took on an increasingly punitive character.

Under the Labour governments until 2010 we could still discern active labour market programmes and human capital investment that represented a 'social investment type' (Bonoli, 2009) as new training programmes and strategies were devised to promote employability and to increase the job-readiness of unemployed workers (Paz-Fuchs, 2008; Lindsay et al., 2007). However, already then the residualisation of public welfare benefits and a trend towards a rather punitive workfare state that attempts to enforce work for all had begun (Deeming, 2014). This can be illustrated with two DWP commissioned reviews of UK welfare-to-work policies: the so-called Freud report was published under the title 'Reducing dependency, increasing opportunity: options for the future of welfare to work' (Freud, 2007). At the beginning of the recession another review of conditionality in the welfare system recommended a new regime of 'personalized conditionality' with the objective of moving as many working-age benefit recipients as possible into work in order to 'avoid long-term benefit receipt and protect the taxpayer' (Gregg, 2008: 10). Social attitude surveys correspondingly indicate a longer-term hardening of attitudes towards redistribution and welfare (Park et al, 2012).

Despite the weakness of automatic stabilisers in the liberal British welfare state and the clear structural character of unemployment during the global crisis, this route of welfare-to-work, which mainly blames the workless individual for not trying hard enough or not having the 'right attitude' to find work, was continued. The retrenchment of income protection for various working-age benefit claimants has even accelerated through not protecting the real value of unemployment benefits, the introduction of a benefit cap as well as increased conditionality. Under the Work Programme now even mandatory unpaid labour can be stipulated as a condition for continued benefit receipt for the long-term unemployed. At the same time, the ALMP reforms and the reduction and amalgamation of Jobcentre Plus managed training and employment support means that human capital development initiatives have been drastically reduced. There is now even less 'carrot' and even more 'stick'. The term of 'social investment' is not even used in England anymore, although it is important to recognise differences in Scotland, Wales and Northern Ireland because training is a devolved responsibility.

Furthermore, an increase in the low-income self-employed and zero-hour workers point to an increasing flexibilisation and precarisation of large parts of the labour market. Various developments in the use of nominally 'human capital forming' initiatives such as apprenticeships signify a large-scale replacement of at least somewhat secure jobs falling under standard minimum wage regulation by jobs that even undermine the already low standards of the British labour market regime.

While the United Kingdom's headline employment figures may not demonstrate that the crisis created a large labour market problem, when combined with changes to employment protection legislation, the rise of precarious work and the lack of welfare support for such workers, it is clear that deep-seated labour market transitions are taking place. Instead of the crisis being an instigator of path reversal towards strengthening either protection or social investment, the dominant logic of a low security welfare state has been maintained and the groups being affected by the harsh realities of living in a liberal welfare state have increased. Rather than speaking of 'insiders and outsiders' in relation to the public benefit system, it would be more apt to conclude that UK working age-adults are increasingly all becoming unprotected outsiders as both existing welfare rights and support to find decent employment are cut back. If we want to use the insider/outsider terminology, then this is best applied in relation to the corporate sphere, in which some individuals depending on their skills, sector or company are able to negotiate 'golden handshakes' and other attractive redundancy packages.

Table 8.1 gives an overview of the policy areas that have experienced retrenchment or expansion and assesses whether the nature of activation policies has shifted towards enabling or more punitive forms.

INSERT TABLE 8.1 HERE

Labour market policies that are typically classified as protecting incomes and jobs have never followed a replacement principle in the UK social security system but merely fulfil a poverty alleviation function. The low benefit levels were further reduced through non-indexation to wages or prices while employment protection was further deregulated. We furthermore see a clear increase in conditionality (complemented by harsher sanctions) and a reduction in social investment (in England). Needs-based social protection has always been the main policy focus due to the means-tested and low-benefit approach of the British welfare state. However, also here we see a retrenchment as there is a renewed discourse on 'deservingness' that implies delegitimising unconditional public support for parents with young children, some disabled and chronically ill people, with work being the preferred route over welfare.

9. Conclusion

The financial pressures and increased risk of unemployment created by EU austerity have led to even less protection and increased retrenchment of labour market and unemployment policies in Britain. While the crisis in the United Kingdom is mainly a banking and private debt crisis, the main focus of the UK government has been on deficit reduction and this has led to widespread public sector and budget cuts, including labour market programmes and support for jobseekers, an increase in sanctions and new conditionality for a wider range of working-age adults.

While a recalibration of policies from an industrial logic to a post-industrial logic is typically connected to some 'modernising compromises' (Bonoli, 2003) and trade-offs between policies, the non-existence of 'insider' benefits makes any package deals difficult if not impossible. The fact that there is no strong advocacy for social investment or protection due to the weakness of trade unions adds to this problem. There is also no substitute for the residual protection provided through statutory EPL or JSA in the form of collective agreements.

It is difficult to disentangle the effects of the crisis from the effects of a changing government ideology, beginning with the Thatcher governments from 1979 onwards. The Labour governments after 1997 introduced some measures that acted as carrots rather than sticks but they also tightened the benefits regime for several types of 'workless' working-age adults. However, while there was then at least some attempt to create 'equality of opportunity' and to support jobseekers with training and employment experience, under the Conservative-led coalition from 2010 and then the Conservative government from 2015 labour market policies have become overly punitive with discourses attacking a 'something for nothing' or 'welfare dependency' culture. The government has used the crisis as an opportunity to argue that 'there is no alternative' to deficit reduction and cutting back the welfare state. Instead of seeing enabling active labour market and human capital formation policies as a social investment, these are regarded as a cost factor and now mainly serve the functions of a work test. Employment protection legislation, wider social protection measures and minimum wages have been eroded or undermined for the sake of 'employer-friendliness' and supply-side economic policies.

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