



WELFARE TO WORK POLICIES IN THE UK¹

THE WORKFARE CONSENSUS

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In the UK the system of unemployment protection has been characterised by the continuous development of means-tested benefits. Whilst health care remains universal, state protection in case of unemployment is now granted as a last resort, with a view of altering beneficiaries' behaviour in order to promote employability and responsibility. Labour market policies, referred to as welfare to work policies, have been based on a supply-side policy paradigm according to which economic inactivity and unemployment are not caused by a lack of demand, but by the individual characteristics of the economically inactive. Interestingly, the recession and the subsequent increase in unemployment, from about 6% prior to the recession to 8% in May 2010, did not shake the faith in this supply side paradigm. As a result, there is a strong cross party consensus in favour of workfare schemes, with only minimal disagreements between the Labour and the Conservative Party. Under the workfare approach, the unemployed and the economically inactive are obliged to work or participate in community or training schemes in return for their benefits.

¹ Although figures relate to the UK (Northern-Ireland, Scotland, England and Wales), the policies and the political processes apply mostly to England and Wales.

The Conservative legacy (1979- May1997)

From 1979 the Conservative party virtually eliminated contributory unemployment insurance and put the unemployed under increased pressure to look for work and accept any kind of work. In 1996, Jobseeker's Allowance (JSA) replaced unemployment insurance. There are two different types of JSA. Contribution-based JSA is available for 6 months and can be renewed once. It is paid to people who have satisfied the National Insurance contribution conditions; income-based JSA is paid to claimants who pass a means test. To qualify via either method, the claimant must be under pensionable age and cannot be in work for more than 6 hours a week but must be capable of starting work immediately and be looking actively for employment. Benefit claimants must sign a Job Seeker Agreement; if a claimant takes down a job offer without good reason, he/she may be denied further payments of JSA. Income-Based Jobseeker Allowances are paid as long as the conditions are met (unlike contributory JSA). Income Support can be attributed in case of unemployment, disability, and lone parenthood. Other benefits are attributed on the grounds of sickness and are more generous than the Jobseekers Allowance (JSA). JSA brought together features of support for the unemployed and social assistance recipients. The Labour party, under the leadership of modernizers such as Peter Mandelson, retracted its initial pledge to abolish JSA. When Labour came to power in June 1997, Tony Blair and Gordon Brown were prepared to implement a more radical workfare programme than the Conservative Party had ever contemplated.

New Labour policies (1997- May 2010)

In 1997 the new government pledged to rebuild the welfare state around work. Idleness was to be eliminated unless the unemployed and/or the inactive have a very compelling reason for not working, such as disability or major care responsibilities. Welfare reform aimed to maximise employment through the combination of supply-side policies, the implementation of a ambitious reform of the tax and benefit system (including Incapacity Benefit) to make work pay, and the establishment of specific labour market programmes (the New Deals). Some New Deals were voluntary (New Deals for Lone Parents, New Deal for Disabled People, New Deal 50 plus), others were compulsory (New Deal for Young People and the long-term unemployed). In October 2008 these separate New Deals have been replaced with the Flexible New Deal (FND). Under FND all JSA claimants face the same conditions which involve intensified job search activity and then a referral to an external provider if a claim reaches 12 months (IFS 2010).

Another area of Labour government intervention was economic inactivity, with a specific concern for disabled people. Whereas there was a consensus that young people and healthy individuals should be required to work, this was not the case for disabled people. There were 2.7 million Incapacity Benefits (IB) recipients in 2000. In 1979, around 700,000 people were claiming IB; by the end of 1997 this number had trebled to 2.6 million. Thus the debate focused on whether IB claimants were genuinely incapable of working, and under which conditions they could be expected to be integrated in the labour market. To increase the numbers leaving incapacity benefits and returning to work, the Department for Work and Pensions proposed the introduction of a new Employment and Support Allowance (ESA) from 2008 to replace Incapacity Benefits. It also introduced a two-tiered system that distinguished between people who are severely disabled and people who are temporarily unfit to work. Claimants of the new benefit, the Employment and Support Allowance (ESA) except those with the most severe disabilities and health conditions, are required to participate in work focused interviews, produce action plans and engage in work-related activities, or see their benefit level reduced. Non-compliance results in benefit being reduced in slices, ultimately to the level of Jobseeker's Allowance. Those with the most severe

conditions receive a higher rate of benefit. The Labour government planned to move all existing recipients of incapacity benefits to ESA or another less generous benefit if they are deemed fit to work by 2014. The current Conservative-Liberal Democrat coalition plans to do the same thing, but by 2012.

Another area of reform was the quasi-privatisation of employment services alongside the recommendations of David Freud, an investment banker who conducted a review of the government's welfare to work policies. All job placement services are now in the process of being privatised with providers being rewarded for the number of people they place into work and the length of time they stay in work. In October 2008 several contracts were frozen as private providers asked for more money in return for their job placement services. However, in the end the Labour government went ahead as planned, and the Conservative-Lib Democrat government coalition is expected to do the same thing, with even more contracting out to the private and the voluntary sector.

Faced with a severe recession in 2008-2009, the Labour government adopted some temporary demand side measures such as the Future Jobs Fund and the Young Person's Guarantee (DWP 2010). The Future Job Funds aims to provide 120,000 new jobs for young people and 50,000 new jobs for the long-term unemployed in areas of high unemployment. The Young Person Guarantee is that, from January 2010, all under 25s who have been unemployed for 6 months will have the chance of a job, work-focused training or a work experience placement.

Tougher workfare measures under the Conservative-Liberal Democrat coalition

With youth unemployment standing at nearly 18% and unemployment at 8%, the economy figured prominently in the election campaign in May 2010. Both Conservative and Labour candidates argued that they had the best plans to get people back to work. In fact, their plans are strikingly similar, except that the Conservatives endorse an even tougher approach to the unemployed the economically inactive. Under the Conservative scheme *Get Britain Working*,

all welfare to work programmes for the unemployed, lone parents and disabled people are to be replaced with one mandatory Work Programme for people on out of work benefits. Moreover, people who refuse 'reasonable' job offers could be faced with benefit sanctions for up to three years. The Conservative party proposed work programme is the toughest of the work/training schemes for young people in the sense that it is mandatory for under 25s who have been unemployed for at least 6 months, compared with 10 months under the Labour plan. The main difference between the two main parties lies in the degree of compulsion and control. Only the Liberal-Democrats maintained the principle of voluntary participation in welfare to work schemes. However, the Conservative-Liberal Democrat coalition government has pledged to implement the Conservative welfare to work agenda in full. In this area at least, there should not be any moderating influence of the Liberal Democrats. Moreover, the appointment of the rightwinger Iain Duncan-Smith, former leader of the Conservative party, as a secretary for Work and Pensions indicates that the new coalition government is prepared, at least for now, to implement a tougher welfare approach than its Labour predecessor.

References

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