

ONE OF THE CONSISTENT GOALS of a series of welfare reforms has been to stimulate job entry. This approach presents moving off benefits and into employment as neutral and beneficial for recipients, employers, the state and wider society.<sup>1</sup> In addition, contracting out the delivery of benefits and employment advice has changed the way in which the state interacts with citizens in need. But what do these changes mean in practice? Can they deliver the promised increase in employment rates, and will this solve child poverty?

#### Work for all?

Recent 'work-first' changes to social security and employment services are significant for people currently out of work and those at risk of losing their job, but they also have wider implications because they redefine the rights and responsibilities between individuals and the state.<sup>2</sup>

Receiving financial support from the state when unemployed or unable to work (because of ill health, disability or caring commitments) is harder now than at any time in the last 60 years. Driven by unequivocal cost-cutting and an ideological drive to tackle 'welfare dependency', eligibility criteria for a range of benefits have been tightened, and claiming benefits is more conditional on actively seeking work – backed by harsh penalties for non-compliance. Furthermore, benefits are paid at low (often inadequate) rates, which are set to devalue over time.<sup>3</sup> Low take-up because of stigma and administrative problems at service level also means that citizens lose out on essential income.

Under the previous government, welfare reform included a mix of enabling and punitive elements. Enabling measures:

- increased the financial rewards of employment – eg, the national minimum wage and working tax credit;
- increased the availability of flexible high-quality affordable childcare – eg, the National Childcare Strategy; *and*
- contributed towards the costs of childcare – eg, child tax credit.

However, there were still problems with the adequacy of wages and tax credits, and the availability and cost of childcare, especially for lone parents. Overall, reforms between 2007 and 2011 substantially increased the obligations on lone parents and ill and disabled people to find paid work, without guaranteeing jobs in local labour markets, job retention support or effective anti-discrimination recruitment and employ-

# Can welfare reform work?

**Since the late 1990s, successive governments have engaged in the process of welfare reform. A cross-party consensus has emerged, which prioritises moving benefit recipients into work and increasing the role of private and voluntary providers in delivering employment services. Sharon Wright outlines the pros and cons of this approach.**

ment practices. Under the coalition government, reform has taken a more punitive turn, masked by disingenuous rhetoric about 'making work pay' and 'no one losing out'.

The timing of the government's decision to take further policies put in place by Labour, alongside the introduction of universal credit to help 'make work pay', is also significant. Policies designed during a period of prosperity (a decade of low unemployment and record high employment) are now being implemented in adverse economic conditions (a global recession and sharp rises in unemployment). This raises even more serious questions about the ability of 'work-first' welfare to work and contracting-out employment services to increase employment, to reduce the number of people claiming benefits, reduce child poverty and save money through greater efficiency.<sup>4</sup>

#### The 'work-first' policy choice

There are a number of policy options available to national governments. In the UK, along with the US and Australia, policy makers have deliberately chosen a 'work-first' approach.<sup>5</sup> This means paying benefits at low levels, with high pressure to move into employment, often at the lower end of the labour market. However, many comparable countries have adopted an alternative 'human capital development' approach.<sup>6</sup> This involves long-term investments in education, training, skills, health, wellbeing and personal development – an approach Labour partially adopted alongside other welfare reform policies, but which is now experiencing significant cuts. Although the government also claims to be concerned with such issues, the policy



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| <b>Key welfare reforms 2007-2011</b>                            |  |
|---|--|
| <b>New Labour government 2007</b>                               |  |
| Welfare Reform Act  | Designed to: <ul style="list-style-type: none"> <li>raise the employment rate to 80 per cent;</li> <li>reduce the numbers claiming incapacity benefits by one million;</li> <li>help one million older workers and 300,000 lone parents into work.</li> </ul>  |
| Freud Report  | Radical proposals for large-scale marketisation of employment services.  |
| <b>2008</b>   |  |
| Employment and support allowance                                | Replaced incapacity benefit and income support 'on grounds of disability'. Introduced a new test of 'limited capability for work'. Increased jobseeking activity, and made it harder to claim benefit.   |
| Lone parents moved from income support to jobseeker's allowance | Increased expectations on lone parents to seek paid employment. Loss of income support when youngest child reaches age 12 (later reduced to 10, then seven).   |
| Flexible New Deal pilots  | Replaced New Deal 18-24, New Deal 25+ and employment zones. Phased support delivered by private and voluntary sector agencies.   |
| <b>2009</b>   |  |
| Welfare Reform Act  | Established structure for future abolition of income support. 'Progression-to-work' conditions for lone parents and partners of unemployed people. Extension of work-related activity for employment and support allowance recipients.   |
| Flexible New Deal national roll-out                             | Replaced New Deal programmes and employment zones.   |
| <b>Conservative-Liberal coalition government 2010</b>           |  |
| Work for Yourself   | Proposed programme to support self-employment.   |
| Work Club   | Proposed network for sharing experiences of unemployment.  |
| Workfare  | Proposed community work scheme for those claiming benefits for two out of the past three years.  |
| <b>2011</b>   |  |
| Welfare Reform Bill   | Will introduce: <ul style="list-style-type: none"> <li>universal credit to replace all means-tested benefits and tax credits for people of working age, with: harsh sanctions of up to three years without benefit; a cap on maximum benefits per family; and new work obligations for partnered mothers;</li> <li>personal independence payment to replace disability living allowance for adults.</li> </ul> |
| Work Programme  | Will replace the Flexible New Deal as the mandatory route for job-search support and training, with tougher sanctions.   |

- There is a lack of sustainable employment opportunities in local labour markets.<sup>11</sup> Seventy per cent of jobseeker's allowance claims are repeat claims as a result of involuntary job loss, and job exit rates are of particular concern for lone parents, whose movement into paid employment is often unsustainable.<sup>12</sup>
- People continue to experience poverty. In one in three cases, a job does not mean escaping poverty and half of all children experiencing poverty live with a working parent.<sup>13</sup>

There are particular concerns that a 'work-first' approach may be unsuitable for benefit recipients who are not immediately 'job ready' because they face acute or multiple disadvantages.<sup>14</sup>

### 'Work first' and child poverty

One of the stated aims of welfare reform was to reduce child poverty,<sup>15</sup> but there are serious concerns that a 'work-first' strategy is unlikely to deliver.<sup>16</sup> Initial success in lowering child poverty rates between 1999 and 2007<sup>17</sup> then stalled before child poverty fell to its lowest level in 25 years in 2011, thanks to policies put in place during Labour's final year in office. However, cuts to benefits and tax credits will lead to a sharp rise in child poverty.<sup>18</sup> And while compelling people to accept jobs regardless of their quality, suitability or sustainability can result in fewer benefit claimants in the short term,<sup>19</sup> this strategy will not sustain long-term reductions in child poverty. In-work poverty has risen steadily to its highest level for 30 years,<sup>20</sup> and poverty is set to continue as a common experience for people receiving benefits.

For insecure paid employment to reduce child poverty, the 'work-first' strategy needs to be accompanied by protective measures, such as:

- high universal child benefits that do not fluctuate when parents move in and out of work;
- above-poverty minimum wages;
- additional tax allowances or tax credits;
- above-poverty benefit rates for when the labour market does not offer secure work.<sup>21</sup>

However, it is unlikely that universal credit will compensate for the increase in child poverty generated by wide-ranging cuts in support. Meanwhile, cut-backs in help with childcare costs and job losses render paid work an increasingly problematic route out of poverty for lone parents.

details of universal credit and the Work Programme reveal inadequate payment levels and support limited to low-cost jobseeking information and advice. A genuine 'human capital development' approach would ensure above-poverty income along with effective support mechanisms for *before* job loss, *during* benefit receipt and *after* regaining employment.<sup>7</sup>

There is ongoing debate about which strategy is more effective in the short and long term. The main risks of a 'work-first' approach include:

- It is ineffective in adverse economic conditions,<sup>8</sup> when jobs do not exist locally for everyone who needs one.<sup>9</sup>
- Large proportions of benefit recipients end up 'cycling' or 'churning' between unemployment and temporary low-paid jobs.<sup>10</sup>

## The value of paid work

Policy makers present paid work as beneficial for health and wellbeing, as well as morally right. While there is no denying the symbolic importance of employment, it is simplistic to assume that all jobs are equally fulfilling, rewarding or empowering. In fact, work can be demeaning, exploitative and damaging to health. Inadequate wages are subsidised heavily by tax credits – meaning that moving into employment does not necessarily involve any less ‘dependence’ on financial support from the state.

Since the 1990s, low-paid, low-quality and precarious employment has grown in the deregulated UK labour market. Many workers are left in insecure jobs, with less power than they would have had previously to protect against unreasonable employers’ demands.<sup>22</sup> Deep labour market inequalities still exist, meaning that groups such as women, ill and disabled people (including those with mental health difficulties), and black and minority ethnic groups are disadvantaged and discriminated against in recruitment, pay and conditions.<sup>23</sup> But while it is evident that these factors can cause labour market exclusion and lead to benefit receipt, policy solutions misdiagnose the problem as individual motivational failings.

Interpreting the extent to which paid work may be beneficial for ill or disabled people and lone parents is difficult. The degree to which it may offer an escape from poverty or opportunities for self-development depends on the quality of the job and the availability of support – eg, appropriate childcare or flexible working hours for those with intermittent or acute health conditions. The value of work to each individual also depends on the sacrifices needed to sustain it (eg, in relation to family obligations and care), which are fundamental to human life but largely unacknowledged by policy makers. Involuntary job loss, relationship breakdown and the onset of ill health or disability are risks that are also difficult to predict and protect against.

## Creating a ‘welfare market’

The second part of the context for understanding welfare reform is the recent creation of a ‘welfare market’. For more than a decade, the UK government has increased its efforts to contract out advice and job-matching services for benefit recipients. A decisive moment came in 2006, when investment banker David Freud was commissioned to conduct a non-expert review of welfare-to-work programmes and recommend changes that were reputedly intended to increase the employment rate. Plans for a large-

scale privatisation<sup>24</sup> of advice services for benefit recipients were far-reaching and contentious.<sup>25</sup> Successive governments have been enthusiastic in their adoption of these market-based reforms, despite the lack of evidence that they work. Experience in Australia, Denmark, the Netherlands and the UK has shown that contracting out employment services results in:<sup>26</sup>

- little improvement in job outcomes compared with public services;
- very little innovation;
- widespread and persistent problems of ‘creaming’ and ‘parking’, which disadvantage the hardest to help; *and*
- high costs of administering the system.

Paradoxically, increased faith in market mechanisms has come at a time when the foundations of the economy have been shaken by market failure in global finance, casting even greater doubt over the ability of competitive forces to deliver improvements in wellbeing for vulnerable citizens.

The Work Programme will extend the role of employment service providers. Large multinationals will be allowed to dominate the provision of information and advice for benefit recipients at the expense of independent advice services. The system allows private profit to be gained by companies who claim generous outcome payments for offering limited assistance to people finding themselves jobs. From a user perspective, this is likely to increase complexity and fragmentation, blur lines of accountability and create confusion about the basis on which information and advice is given – whether it is voluntary or mandatory, or whether it can be trusted to be in the best interest of the user.

Meanwhile, the emphasis on cost-cutting ensures that benefit levels remain below poverty levels and will decline in real terms in the years to come. The strategy suppresses the value of tax credits and keeps wages inadequately low. This perverse situation takes ‘live’ money away from families in need, who could exchange it for essential goods and services that: promote wellbeing; empower social, economic and political participation; support education and skills, vitalise communities, and support local businesses. Instead, the strategy takes this money, renames it ‘welfare savings’ and converts it into job-outcome payments, which can be stored as private profit – in effect ‘dead’ money – held ultimately by a small number of wealthy shareholders. Taxpayers’ money that would other-

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wise be in circulation in communities that need it, sustaining the UK economy, is lost to the personal indulgence of those who make their fortunes from the misfortune of disadvantaged people.

### Conclusion

'Work-first' policies of affluence are being implemented in a time of austerity.

The language of 'worklessness' has demonised benefit recipients. These processes of stigmatisation and de-legitimation have widespread impact because they mark a decline in dignity and respect for fellow citizens and unnecessarily worsen the psychological costs of involuntary life events. Overall, welfare reform has resulted in gaps in provision, especially for those in precarious living situations. It is likely that hardship will result for many who have acute needs in many aspects of their lives.

The government's reforms are based on the assumption that benefit recipients should move into employment, regardless of the existence, quality or sustainability of jobs. The prioritisation of extensive cost-cutting, regardless of the human suffering that might result, constitutes compassionless policy making. Neither the Work Programme nor universal credit are capable of eradicating child poverty. Instead, they assume, without evidence, that benefit recipients lack the motivation to work. Significant moral and ethical questions exist over the ability of large multi-national private employment agencies to profit financially when disadvantaged people find themselves jobs.

Current policies do little to address the enduring inequalities that place disadvantaged people in precarious labour market situations. There is an acute and urgent need for policies that:

- prevent in-work poverty;
- support job retention, especially for those with ill health;
- address the genuine difficulties involved in assessing accurately capability for work, especially in relation to ill health and disability;
- create adequate incomes, regardless of employment status, to ensure that no child experiences poverty;
- ensure free independent advice on citizens' rights;
- guarantee affordable, flexible and high-quality childcare;
- remove compulsion for those whose wellbeing is detrimentally affected by it. ■

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