

Work Package 5 – the national arena for combating poverty**National report: UK**

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Abbreviations

ALMP	Active Labour Market Policy
BIS	Department for Business, Innovation and Skills
CPP	Community Planning Partnership (Scotland)
CTC	Child Tax Credit
DWP	Department for Work and Pension
ESA	Employment Support Allowance
ESF	European Social Fund
FND	Flexible New Deal
JC+	Jobcentre Plus
JSA-I	Income-based Jobseekers Allowance
MIP	Minimum Income Protection
NHS	National Health Service
NMW	National Minimum Wage
NRP	National Reform Programme reports
NSR	National Social Report
SDS	Skills Development Scotland
SFA	Skills Funding Agency
SNP	Scottish National Party
TfW	Training for Work
WBLA	Work Based Learning for Adults
WFTC	Working Families Tax Credit
WTC	Working Tax Credit

Foreword

Reducing poverty and social exclusion is one of the main challenges for ensuring social cohesion in Europe. The research project COPE – ‘Combating Poverty in Europe: Re-organising Active Inclusion through Participatory and Integrated Modes of Multilevel Governance’ – analyses trends in poverty and social exclusion in Europe, and examines the dynamics of minimum income protection policies that potentially help alleviate the risk of poverty in Europe. A particular focus is on the situation of single parents, long-term unemployed and the working poor, who face particular risks of poverty and social exclusion. To what extent have minimum income policies functioned as last resort social security for these three groups, and in what sense can ‘active inclusion’ policies credited with protecting them from poverty and social exclusion?

Co-financed by the European Commission in the 7th Framework Programme, the COPE project unites researchers and stakeholders from six European countries, the UK, Italy, Poland, Sweden, and Norway. Having started in February 2012, COPE runs over a three-year period. COPE’s method is comparative – analysing developments in five European countries (Poland, Germany, UK, Sweden and Italy). Its focus is inherently multi-level, looking in turn at developments at European, national and local level.

The present report is part of COPE’s effort to uncover the dynamics of national level policy reforms in the area ‘active inclusion’, namely reforms affecting national policies that specify the adequacy of minimum income benefits, the provision of employment services, as well as the organisation of access to social services. It focuses particularly on the three groups; single parents, long-term unemployed persons, as well as the working poor.

The present report is complemented by national case studies covering developments in the other four countries. It feeds into a comparative report on similarities and differences in the development of minimum income protection across Europe, to be published later in 2013.

Introduction

This report traces the main developments in the area of Minimum Income Protection (MIP) for key groups of working-age people in the UK over the period of the last five years, providing additional historical background information where necessary. For the purpose of this report, MIP is defined as a benefit of last resort, which is paid subject to passing a means-test. For the unemployed, single-parents and the working poor British MIP currently includes means-tested unemployment benefit (so-called ‘income based Jobseekers Allowance’, JSA-I), means-tested benefits for single parents (so-called Income Support), as well as in-work-benefits (so-called ‘working tax credits’ and ‘child tax credits’, WTC and CTC). On top of these nationally administered benefits, locally administered benefits such as housing and council tax benefits, as well as ‘passport benefits’ – often in-kind-benefits such as free school meals, free bus passes for benefit claimants, etc. – also fall within the remit of this report.

While benefit transfers constitute the core of these various MIP schemes, this report will not only look at conditions and levels of transfers, but pay special attention to the question of services. As proposed by the ‘Active Inclusion’ concept promoted by the European Commission (EC, 2007, 2008; EAPN, 2011), MIP systems in Europe face three kinds of challenges. First of all, they have to provide adequate levels of benefits. Second, they have to find ways how to connect the provision of transfer payments with the provision of Active Labour Market Policies (ALMP). And third, they have to break down the barriers between ‘traditional’ ALMP on the one hand and social services on the other hand in order to achieve the better articulation of benefits, employment services and social services. This report will cover developments in all three areas: adequacy of benefits, provision of ALMP, and articulation of benefits, ALMP and social services.

MIP for working-age people in the UK is currently being transformed on a scale unseen since the inception of the modern British welfare state after World War II. Already during the 2000s, the system of means-tested benefits underwent major changes. To begin with, the importance of means-testing within the overall architecture of British working-age social security has continuously grown. This can be attributed, on the one hand, to various structural drivers – such as a decrease in the protective capacity of insurance-based benefits, a decline in the inclusiveness of labour markets, as well as transformations in family structures resulting in the rising relevance of single parenthood. On the other hand, these structural drivers worked in tandem with long-evolving political preferences – for example, a general preference for means-testing present within the British social protection system despite Beveridge’s own intentions (Lund, 1986), as well as a gradually rising appreciation for financially supporting working-age people in work (through a system of means-tested in-work-benefits) rather than out-of-work.

Not only has the overall share of means-tested benefits grown over time, so has the fragmentation of the benefit system. During the 2000s, therefore, ‘simplification’ emerged as a key theme in the debate on social security reform. This has resulted in ‘risk-reategorisation’ and ‘benefit homogenisation’ (Clasen and Clegg, 2011), shifting the boundaries between (previously) separate means-tested benefit categories for different risks like unemployment, incapacity or single parenthood. Apart from simplification being seen as a goal in itself, it has effectively been part of a wider ‘activation’-strategy. Through ‘risk-reategorisation’ and ‘benefit homogenisation’, conditions of benefit receipt have been re-

defined, often leading to an increase in conditionality for most working-age claimant groups (previously) outside ‘regular’ unemployment benefits.

Activation – in the UK policy debate usually referred to as ‘welfare to work’ – has been one of the key concepts in labour market policy over the past 15 years or so, evolving over time into some kind of multi-purpose policy weapon against all kinds of problems, promising to tackle high spending on welfare, cultures of worklessness, and not least child poverty. The activation of working-age benefit claimants has not been limited to the stepping up of conditionality, or increasing the size of ‘sticks’. Next to ‘carrots’ – such as the introduction of a National Minimum Wage (NMW) and an ever growing volume of in-work-support in the form of tax credits, since the second half of the 1990s, there has been a significant increase in emphasis on ALMP to help claimants back into work. Starting with the New Deals, these policies have sparked international interest not least for their experimentation with new forms of contracting-out, which created an entirely new (and large) national (quasi-) market for employment services in the UK.

While this report provides ample historical background material, its main focus is on the last five years, i.e. on the period 2008-2013. Apart from allowing comparability with the national reports from the other case studies within the COPE research project – Poland, Germany, Italy, Sweden – the selection of this particular time frame has been driven by the desire to analyse in more detail what currently appears to be one of the most transformative periods in British social security policy. This is down to three reasons.

First of all, this period includes the arrival in office of a new government in 2010. Labour, who had been in office since 1997, was defeated at the 2010 general elections, and was replaced by coalition government formed by the Conservative party with the centrist Liberal Democrat party. While the new governments’ policies in the area of minimum income protection exhibit a large degree of continuity with the former Labour government, especially regarding the issues benefit simplification, contracting-out of employment services, and activation, in many areas it could be described as having shifted one gear up, pursuing reforms with more determination and less appetite for compromises and adjustments. For example, while the previous government eventually abandoned its far-reaching plans to simplify the benefit system and replace all means-tested working-age benefits with a single working-age benefit, the current government is determined to introduce its own version of such a single working-age benefit – called Universal Credit – later in 2013. Not all current developments can be described as continuation of the previous government’s policies, though. This report will outline some crucial changes in policy orientation, such as a shift from a more mixed activation approach, combining both ‘positive’ and ‘negative’ elements, to a much stronger emphasis on ‘negative’ activation, such as conditionality, and a limited investment in personalised service provision.

This development, which also has implications for the question of ‘Active Inclusion’, is inherently linked to the second decisive event during the five year period under analysis, namely the economic crisis. While the crisis has hit the UK economy and labour market strongly, its effects on unemployment have possibly been exacerbated by the coalition government’s response to it, which was to implement a far-reaching austerity package, including cuts in local government expenditure and a shrinking budget for the welfare system. Austerity policies are behind cuts in welfare benefits and arguably also the Conservative Party’s rhetoric that has called into question (almost across the board) the deservingness of benefit claimants, calling for an end to the ‘culture of worklessness’.

The third major development with significant consequences for MIP has been the gradual process of re-defining the competences of regional governments in the UK, with particular reference to the historic nations that make up the United Kingdom. Scotland in particular gained a slew of policy competences in the Scotland Act of 1998. Since 2011 it is furthermore led by a majority government formed by the Scottish Nationalist Party (SNP), which is a strong proponent of outright Scottish independence from the rest of the UK. To be sure, the existing devolution settlement currently falls far short of this ambitious goal – especially in the area of MIP, which (at least as far as transfer payments are concerned) is not a devolved matter. However institutional developments in other policy fields that are relevant to anti-poverty policy as well as an increasingly different political climate mean that any analysis of the ‘national level’ anti-poverty action must take into consideration both the Westminster and Scottish governments.

Summing up, this report traces the developments in MIP benefits and related services in the UK, paying particular attention to differences between Scotland and the rest of the UK. Focusing particularly on the last 5 years and contextualising them within broader historical developments, it captures crucial developments like the impact of the economic crisis, the shift from a Labour to a Conservative-Liberal Democrat coalition government, as well as the taking office of an increasingly independence-minded nationalist administration in Scotland. It is based on an encompassing literature review, as well as a total of 16 interviewees. Interviews were conducted between December 2012 until February 2013 with UK and Scottish government officials, local government representatives, private and third sector providers of employment services, NGO’s and pressure groups, politicians and trade union representatives¹.

The report is structured as follows. The first section outlines what could be considered the key drivers behind a growing demand for MIP in the UK since the 1990s. That section addresses three key trends: the weakening of the protective capacity of unemployment insurance, of the employment relationship, and of the family. This is complemented by a brief analysis of how the crisis (and crisis responses) has impacted negatively on employment and unemployment in the UK, possibly constituting a further independent driver for structural demand for MIP. The second section then outlines the institutional and policy legacies in national anti-poverty policy, looking at the longer-term development of MIP benefits, ALMP, social services and governance of benefits and services in the UK. The third section then hones in on the drivers of recent benefit reform. It dwells on potential determinants of reform such as party politics, policy feed-backs, the wider national institutional set-up, as well as on the extent of EU influence on national policy-making. Section four analyses the shape of MIP benefits and services at the end of the period of reform under analysis, describing the outcomes of intensive reform activity in the areas minimum income rights, activation of MIP claimants, and operational policy in the area of MIP. A fifth section sums up some of the main points made throughout the report regarding the question of regional devolution and differentiation (especially with respect to Scotland), the differentiated treatment of three key groups – single parents, working poor, long-term unemployed – and the overall character of ‘Active Inclusion’ in the UK. A final section concludes.

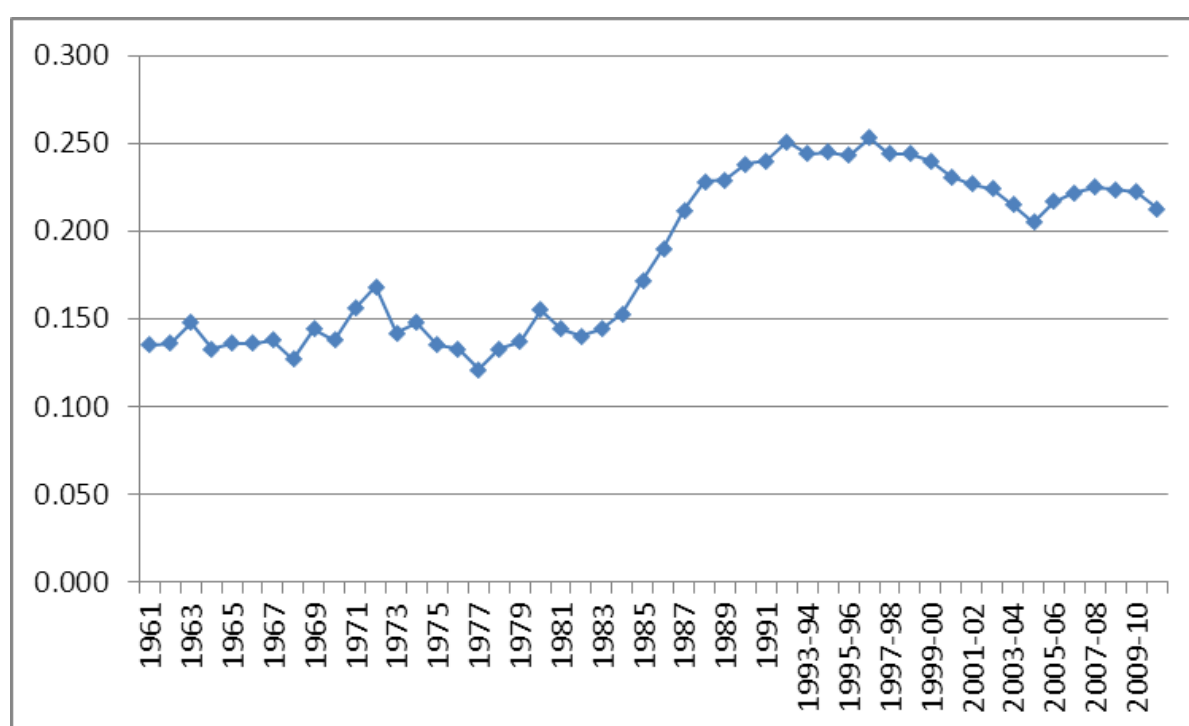
¹ A number of interviewees preferred to remain anonymous. In this case, quotes are referenced by giving the location of the interview only, i.e. ‘Interview XX, Scotland / UK’.

1. The changing demand for minimum income since 1990

1.1. Structural drivers of increasing demand for minimum income protection

Broad developments in three areas of society have impacted on the risk of working-age persons in the UK to become poor – and on the ability of social institutions to respond to that risk. With the inclusive capacity of the labour market declining and at the same time the protective capacity of social institutions like family and unemployment insurance diminishing, there have been increasing demands on the UK's system of Minimum Income Protection (MIP) to step in.

Figure 1 Poverty in the UK, 1960-2010



Note: Poverty threshold is defined as 60% of equalised median household income, after housing costs

Source: IFS (2013)

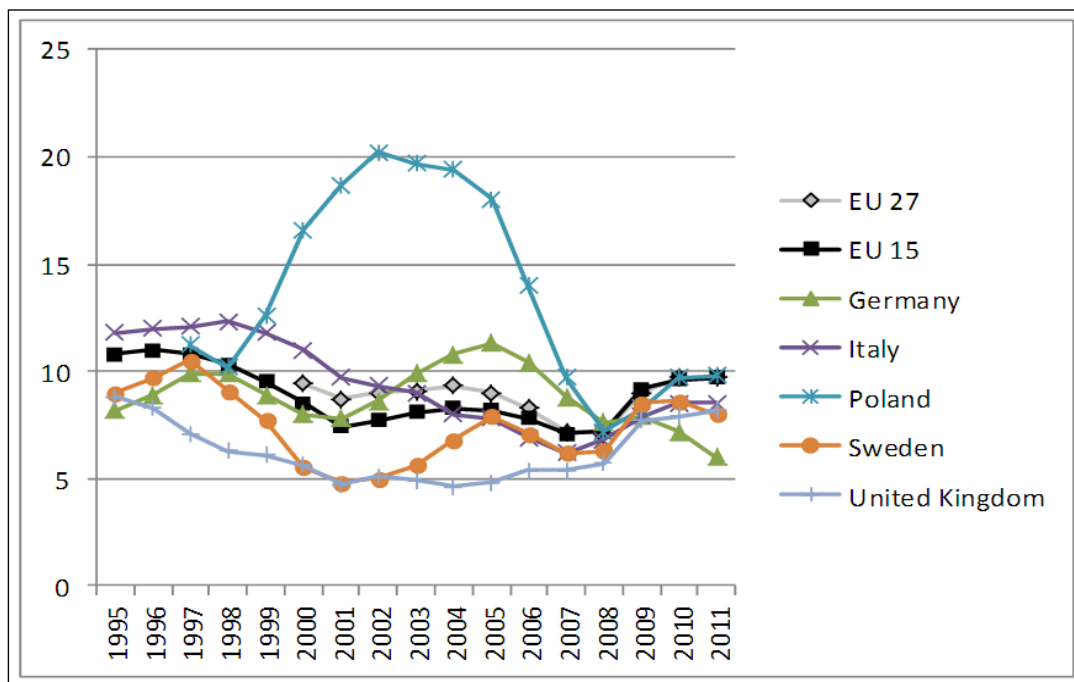
Figure 1 shows the development of poverty in the UK. While the 1960s and 1970s were characterised by rather low poverty – usually not surpassing 15% of the whole population – poverty rates rose dramatically during the 1980s, peaking in 1992 (and then again in 1996) at more than 25%. Since then, poverty has fallen again, but has always remained above the 20% mark. In general, the UK is characterised by high regional disparities in terms of economic development and poverty. Especially the previously highly industrial areas Wales, the North of England and Scotland have suffered as a result of deindustrialisation during the 1980s and 1990s, while poverty rates have been low in the South of England. Interestingly, in Scotland this development has reversed recently, with Scotland today being among those regions in the UK with the lowest number of people at risk of poverty (Palmer, 2013).

The following analysis sets out to uncover some of the drivers behind this development, looking particularly at changes in the labour market. With the labour market (partly) losing aspects of what could be called its ‘inclusive function’ (see next section), the risk of working-age poverty has increased, leading to new demands on other social institutions – such as the family or social security – to step in. However, the protective (and redistributive) capacity of the family has undergone drastic changes in recent decades, not least due to a steep growth in single parenthood. Furthermore, the anti-poverty effectiveness of social security institutions like unemployment insurance has further decreased in the UK as a consequence of tighter eligibility and lower generosity since the 1990s. Therefore, the task of protecting working-age people from slipping into poverty falls increasingly to MIP, i.e. to means-tested benefits of last resort. By tracing key developments in the areas labour market, families and unemployment insurance, this section illuminates the key contextual factors for recent MIP reforms.

1.1.1. The protective capacity of employment

When talking of the inclusive capacity of the labour market, and thereby its ability to protect working-age persons from falling into poverty, two key aspects have to be taken into consideration. First, the numerical inclusiveness of the labour market as expressed in unemployment and employment rates. Second, the quality of jobs as expressed in the degree of job their protection and pay.

Figure 2 Unemployment (15-64) in selected European countries 1995-2011

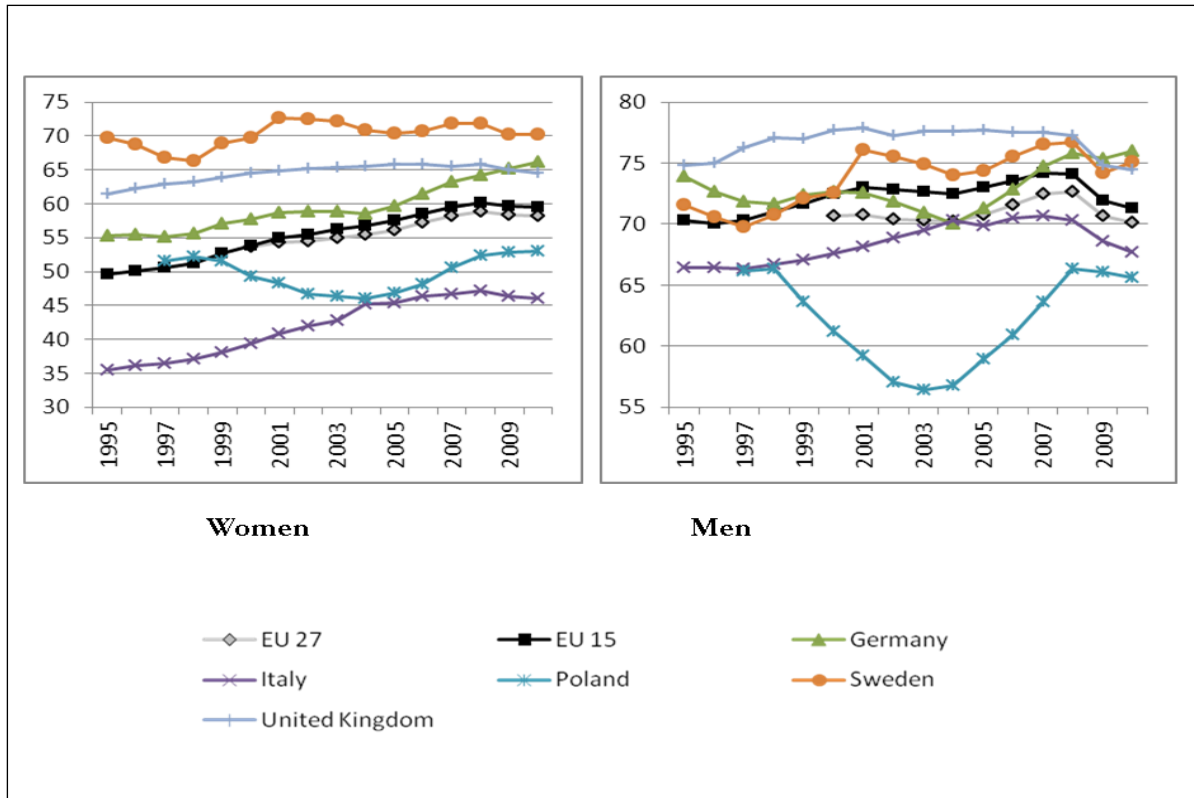


Source: EUROSTAT (2013b)

Regarding the numerical inclusiveness of the labour market, up until the onset of the economic crisis in 2008 the situation in the UK has been much more favourable than in most other European countries. Unemployment was between 5% and 6% for most of the 2000s – down from almost 9% in 1995. This is lower than in most other European countries over this

period of time, and lower than in any of COPE’s other case study countries (Figure 2). Unemployment has increased recently as a consequence of the economic crisis to more than 8% in 2011, which however is still below EU average. Breaking down the overall unemployment rate, unemployment of females in the UK has traditionally been between 1 and 2 percentage points lower than that of males.

Figure 3 Employment rates (15-64) by gender, selected European countries, 1995-2010



Source: EUROSTAT (2013b)

It has been observed that the relatively good performance of the UK in terms of unemployment may partly be explained by the large quantitative significance of out-of-work benefit schemes such as incapacity related benefits or Income Support for single parents, which has the effect that a significant share of out-of-work benefit claimants are not counted as unemployed (Clasen et al., 2006; Konle-Seidl, 2009; Erlinghagen and Knuth, 2010). However, this can explain only part of the story. After all, the relatively good performance of the UK labour market is also expressed in comparatively high employment rates (Figure 3), which, from the early 1990s until the beginning of the crisis, have been steadily above the 70% mark. Female employment rates have also been comparatively high during this period, at roughly 65% second only to female employment in Sweden. However, it has to be noted that consistently over 40% of female employment has been part-time, a figure that has been stable over the past 30 years. Youth employment rates have always been very high compared to other European countries.

Taking an even longer time frame as reference point, the overall employment rate has been fairly stable since the 1970s until today (Mason et al., 2008a). However this figure conceals

significant shifts that occurred particularly during the 1970s and 1980s, when a marked rise in female labour market participation was mirrored by a decline in male labour market participation. Mason et al. (2008a) show that female inactivity declined by 20% from 1971 to 2004. Over the same time period, male inactivity increased by 80%, which can partly be explained with reference to the generally higher unemployment rate of males and the accompanying “scarring” effects of repeated or long-term unemployment. Implicitly encouraged by governments eager to keep unemployment figures low, this resulted in more and more males withdrawing from the labour market altogether and claiming incapacity related benefits (Mason et al., 2008a, p. 22 ff).

The developments during most parts of the 2000s (at least up until the onset of the economic crisis) in terms of unemployment and labour market participation, then, do not indicate a diminishing inclusive capacity of the labour market in the UK – rather the contrary. However, this conclusion is turned on its head when indicators for job quality in the UK are examined.

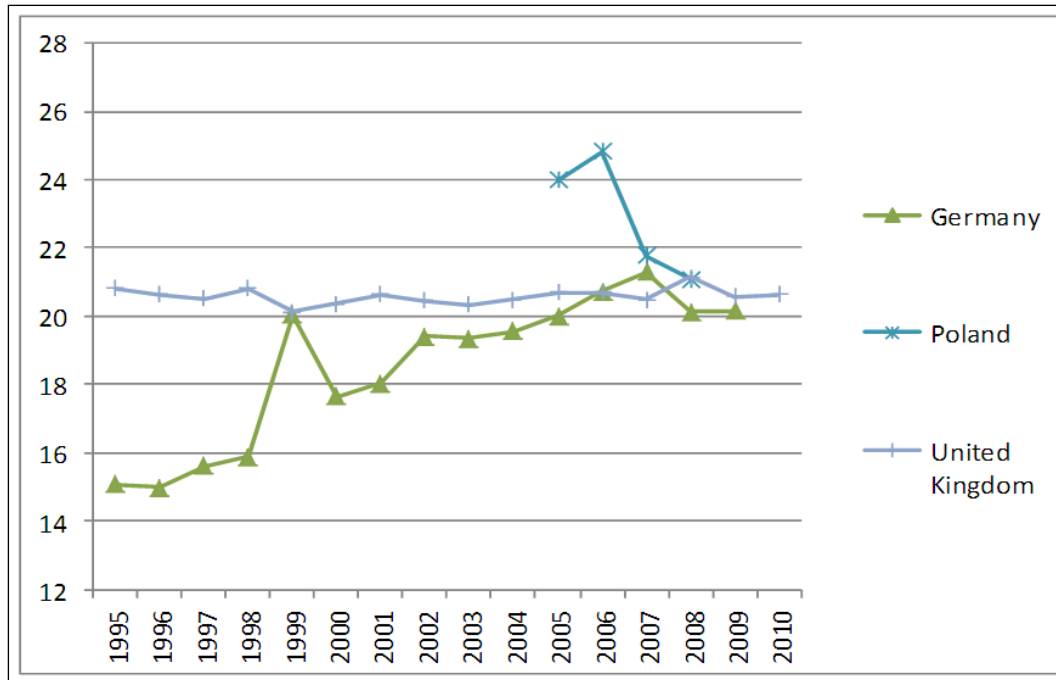
Permanent employment contracts are traditionally the most widespread form of employment status in the UK. While there was a steep rise in self-employment during the 1980s (from 8% of all workers in 1980 to 15% in 1990), current levels of self-employment (14%) are in a similar range to Germany’s or Sweden’s, but still much lower than those of Poland or Italy (both between 20% and 30% throughout the past three decades) (OECD, 2012a). The share of temporary contracts has remained comparatively low. Over the past 17 years, it averaged at around 6.2%, less than half of the EU15 average (13.5%) (EUROSTAT, 2013b). However, these figures should not be mistaken as signs of high quality, secure employment conditions. The low share of temporary workers, for example, has rather to be attributed to the fact that firms find it very easy to fire employees who are on permanent contracts. Employment protection in the UK is weak in comparison with other European countries. The values of the ‘employment protection legislation’ (EPL) indicator are the second lowest of all OECD countries (OECD, 2012c), even when taking into account collective dismissal protection and company based protection not included in the traditional OECD EPL indicator (Estevez-Abe et al., 2001), or the regulation of temporary contracts (Venn, 2009). In other words, employees enjoy very little protection against dismissal, as the UK has all the characteristics of an ideal-typical ‘liberal market economy’ as conceptualised by the Varieties of Capitalism approach. This approach links this to weakly institutionalised vocational training institutions (see below), internal labour markets that emphasise general skills, and highly flexible firms which compete in fast changing product market environments (Hall and Soskice, 2001; Estevez-Abe et al., 2001).

Furthermore, high employment rates do not automatically translate into high labour force mobilisation due to the prevalence of part-time employment, especially among females. Throughout the period 1995 until 2013, the share of female employees in part-time jobs has oscillated between 41% and 45%, which has been among the highest of all European countries. Among the five countries included in the COPE project, a higher share of part-time employment has been recorded only for Germany since the second half of the 2000s. While the share of males working part-time has been considerably lower (11% in 2011), this again is well above EU 15 average (9% in 2011) (EUROSTAT, 2013b).

Most importantly, however, the protective capacity of the labour market in the UK is undermined by the large share of low-wage employment. In comparative perspective, low wage work has been a more significant issue in the UK than in other European countries, with levels consistently around 20% of the total workforce during the past four decades

(Figure 4). Using a slightly different definition of low wage work than the OECD (60% of median earnings instead of 66%), Cooke and Lawton show how the share of low-waged workers differs by occupation. Not surprisingly, elementary and sales and customer service occupations have the highest proportion of low wage workers (more than 60%). Almost 40% of workers in personal service occupations earn low wages (Cooke and Lawton, 2008, p. 14).

Figure 4 Incidence of low pay in selected European countries, 1995-2010



Note: Low pay is defined as earning less than 66% of gross median earnings of all full-time workers

Source: OECD (2012b)

Mason et al. (2008b) have analysed the institutional determinants of low pay in the UK. First and foremost, they point to the reduction in trade union influence and collective bargaining mechanisms throughout the 1980s and most parts of the 1990s. Today trade unions in Britain are in a relatively weak position. Alongside socio-economic transformations that occurred similarly in other countries, such as the relative decline of manufacturing and the converse growth of the service sector, this has been a result of political developments since 1979. Although British workers were never organised to a degree similar to e.g. Swedish workers, by 1980 union density had reached levels well above that of some continental European countries – in 1980 50.7% of all workers were unionised, up from 40.4% in 1960. The trend of growing union power during the 1960s and 1970s was however reversed during the 1980s and the first half of the 1990s, in large part as a result of deliberate policies of Conservative governments. Furthermore, the decline of union strength as measured by the indicator union density did not halt in the subsequent 15 years of Labour government, indicative of the fact that a less accommodating stance towards the unions was a key part of Labour’s modernising strategy in the 1990s (Howell, 2005, p. 175). In 2009, union density reached a historic low, with only 27.5% of all workers members of a trade union (15.1% of private sector workers and 56.6% of public sector workers) (Visser, 2011).

This decline in the power of trade unions has been accompanied by a retreat in the role of centralised or ‘multi-employer’ bargaining. Rhodes (2000) argued that the state’s commitment to full employment until the second half of the 1970s had effectively increased unions’ bargaining power. However, union fragmentation and the high importance of plant level organisation dynamics at the same time limited their capacity to get involved in macro-management of the economy in general, or agree to wage restraint in return for economic stability or increased welfare state provision in particular. This would eventually contribute to the political assault on unions during the 1980s, when decentralisation turned into the ‘decollectivization’ of industrial relations (Howell, 2005). As Thelen summarises, “the collapse of traditional bargaining institutions was vigorously promoted by the Thatcher government which, beginning in 1979, undertook a series of reforms that encouraged individualised bargaining between an employer and his or her employees while actively discouraging collective bargaining and labour representation through unions” (Thelen, 2001, p. 95). The most important policies to weaken the unions were restrictions on their capacity to call and prosecute strikes, to recruit and retain members, to discipline and control members, and to establish closed shops (Mason et al., 2008b, p. 57). As a consequence, the number of British employees covered by any form of collective agreements has shrunk considerably over recent decades. In 1980, more than 70% of all workers were covered by collectively bargained agreements. This was almost as high as in Germany (78%), and bettered only by countries like Sweden or Italy (both 85%). By 2009, only 33% of employees were covered by collectively bargained agreements (indicator “union coverage” reported by Visser, 2011).

Figure 5 Bite of the NMW for those aged 22 and over, UK 1999-2011

Data year (April)	Adult NMW (£)	Adult NMW as % of	
		Lowest decile	Median
1999	3.60	83.9	45.7
2000	3.60	81.2	45.4
2001	3.70	80.3	44.2
2002	4.10	85.2	47.2
2003	4.20	82.4	46.5
2004	4.50	85.6(*)	48.1(*)
2005	4.85	88.0	49.4
2006	5.05	87.5(*)	49.7(*)
2007	5.35	89.2	51.0
2008	5.52	89.7	50.6
2009	5.73	89.6	50.7
2010	5.80	89.7	50.9
2011	5.93	91.2	51.7

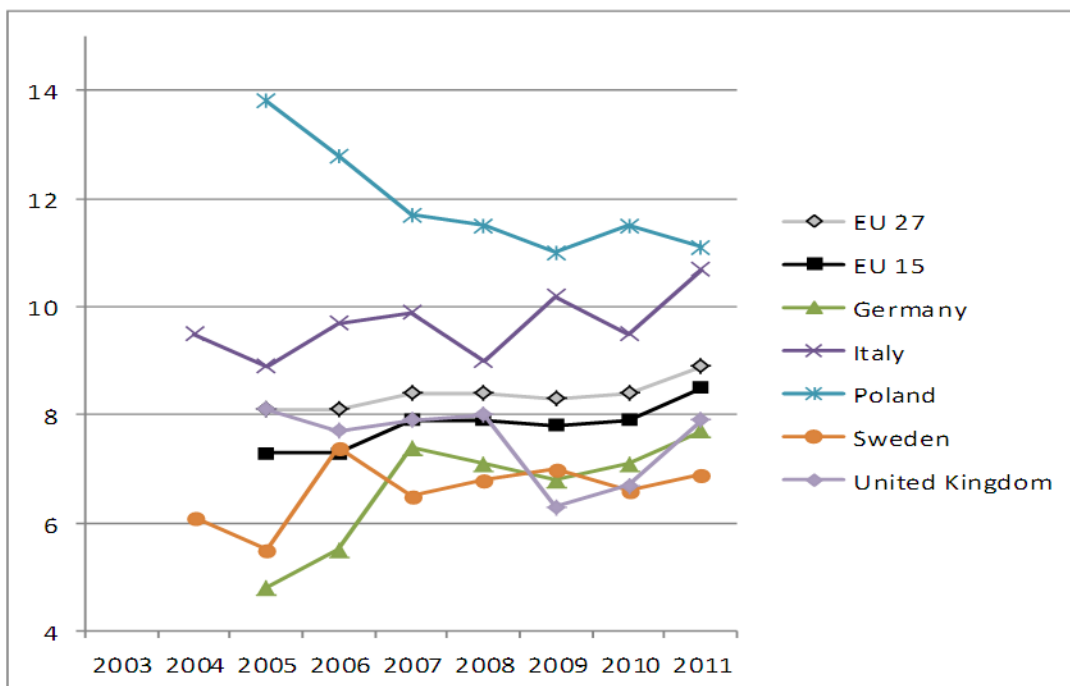
Note: (*) Break in series

Source: Low Pay Commission (2012, p. 31)

The decrease in union power was partially offset through the introduction of a National Minimum Wage (NMW) in 1999, though even after recent increases this has remained at a level well below the low wage threshold of 66% of median hourly income. The standard adult NMW rate applies to workers above the age of 21 only. A lower rate applies to workers aged 18-21, and an even lower rate to 16-17 year olds. Since 2011, there is an extra apprentice rate. Since its introduction in April 1999, the adult rate of the NMW has increased by 69 per cent from £3.60 an hour to £6.08 an hour in October 2011. Its growth has thereby outpaced

that of average earnings, inflation or GDP – between April 1999 and October 2011, average earnings including bonuses grew by around 55 per cent, RPI inflation rose by 44 per cent and CPI inflation by 31 per cent (Low Pay Commission, 2012, p. 27). Consequently, the bite of the NMW – i.e. its effect on reducing income inequality or poverty – has increased over the past decade. Figure 5 shows that in 2011, the adult NMW rate was almost 52% of the average wage, up from 46% in 1999. In 2011, slightly more than 5% of all working age workers were on NMW, with older and younger workers being represented disproportionately (Low Pay Commission, 2012, p. 26).

Figure 6 In-work-poverty in selected European countries, 2004-2011



Source: EUROSTAT (2013a)

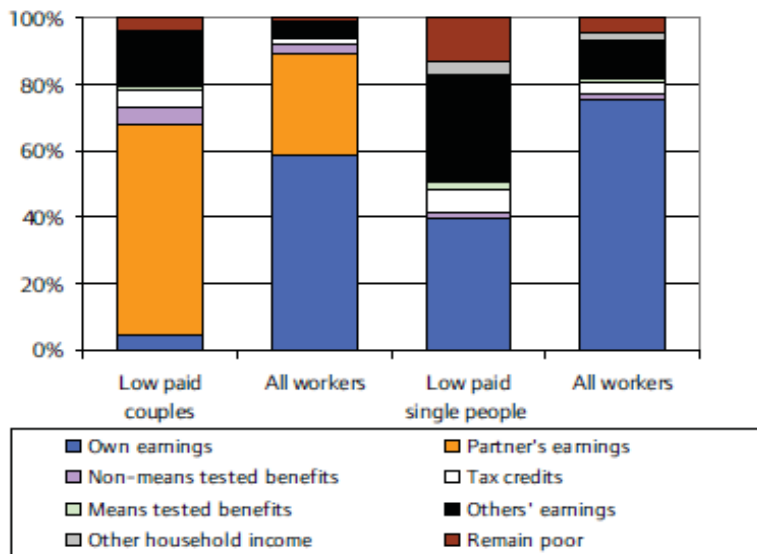
While the NMW is not high enough to keep British workers receiving it above the low pay threshold (Mason et al., 2008b, p. 60), it can be sufficient to keep workers out of poverty. A single adult on NMW can generate income (just) above the poverty threshold of 60% of median income. Combined with child benefit, a single parent with two children at NMW reaches only about 90% of the poverty threshold, while a two parent household with two children generates on average just above 110% of the poverty threshold. These calculations highlight the importance of other state transfers such as child benefit in helping low wage workers stay out of poverty.

In-work-poverty in the UK is slightly lower than the EU15 average – in 2011, 7.9% of the working-age workers were poor, similar to Germany but 1 percentage point above Sweden. Only a minority of low paid workers are also poor – most of them are above the poverty threshold due to additional incomes from partners' work or possibly benefits. However, more than half of the working poor (ca. 55% in 2007) are indeed on low wages. The lack of a second earner in the household is the most salient feature of working poor households. In 2007, ca. 62% of the working poor were single earners (whether singles, single parents or single breadwinners), compared to only 29.9% of the non-poor working population. This

highlights the relevance of pooling two incomes in order to escape poverty among low wage workers. While labour force attachment in the UK is comparatively high, it is low among poor households (Goerne, 2011).

These points suggest that even wages above the low wage threshold are not necessarily enough to keep singles, single parents or families with only one income out of poverty. This assertion is supported by findings from Cooke and Lawton (2008), who, on the basis of the Family Resources Survey 2004/2005 show that partners' earnings are the most important factor that lifts low waged workers above the poverty threshold (see Figure 7).

Figure 7 Sources of income that different family types draw on to escape poverty, 2004/2005



Source: Cooke and Lawton (2008, p. 43)

High employment rates in the UK have not necessarily helped lift people out of poverty. On the contrary, employment rates have recently gone up both among poor and non-poor households. While many poor households who were previously without any form of employment now do have access to some income from work, this has not necessarily helped them leave poverty. In other words, there appears to have been a shift from workless poverty to working poverty (Cooke and Lawton, 2008; Coats et al., 2012). This in turn can be related to the low quality (i.e. low pay) of most of these jobs, or to the fact that poor households still do not work enough (i.e. low work intensity). Fraser (2011, p. 84) reports that one can observe a “substitution between the diminishing percentage of workless and the significant increase in ‘only part-time work in the household’ among working age adults.”

1.1.2. The protective capacity of the family

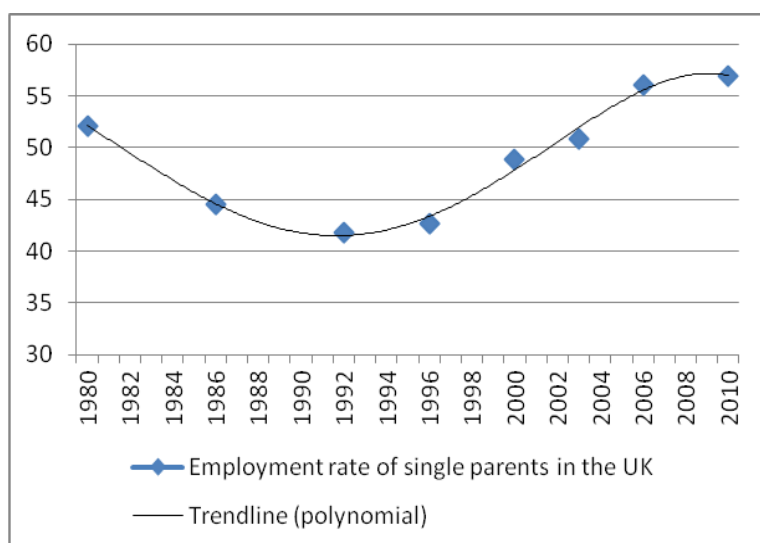
Rather than alleviating the effects of recent structural labour market changes, changes in family structure over the past decade have actually increased overall poverty risks. Traditionally, redistribution of resources within the family would be expected to play a significant role in reducing the risk of poverty of parents (temporarily) out of the labour market. However, the analysis above has called into question whether one income per family is (any longer) sufficient to keep low waged workers out of poverty. This is not only the case

for households in which one worker supports another adult non-working household member, but increasingly also for workers in single households, and for single parents in particular.

Single parenthood has grown steadily over the past decades, with significant consequences for poverty. The number of single parent households has increased from 570,000 in 1971 to 900,000 in 1980, and then further to almost 2 million in 2011. The fastest growth of single parent families occurred from the end of the 1980s to the end of the 1990s, with slightly flatter growth rates during most of the 1970s, 1980s and 2000s (Evans and Williams, 2009, p. 155). In terms of their share in the total working age population, this means an increase from about 2.7% in 1980 to 5.1% in 2011.

In the UK, it has been shown that rising numbers of single parents reflect both a rise in the rate of divorce and separation, as well as a rise in the number of never married single mothers (Gregg et al., 2007). Single parents are mostly female, with the share of single fatherhood declining from 13% in 1971 to under 10% since the early 1990s until today (Haskey, 1994 cited in Rowlingson and McKay, 1998; ONS, 2012b). Since the overwhelming majority of single fathers are widowers, the share of males in all single parent families drops to around 5% when excluding the bereaved (Marsh, 2001, p. 17).

Figure 8 Employment rates of single parents in the UK, 1980-2010



Note: Estimates based on General Household Survey and Labour Force Survey

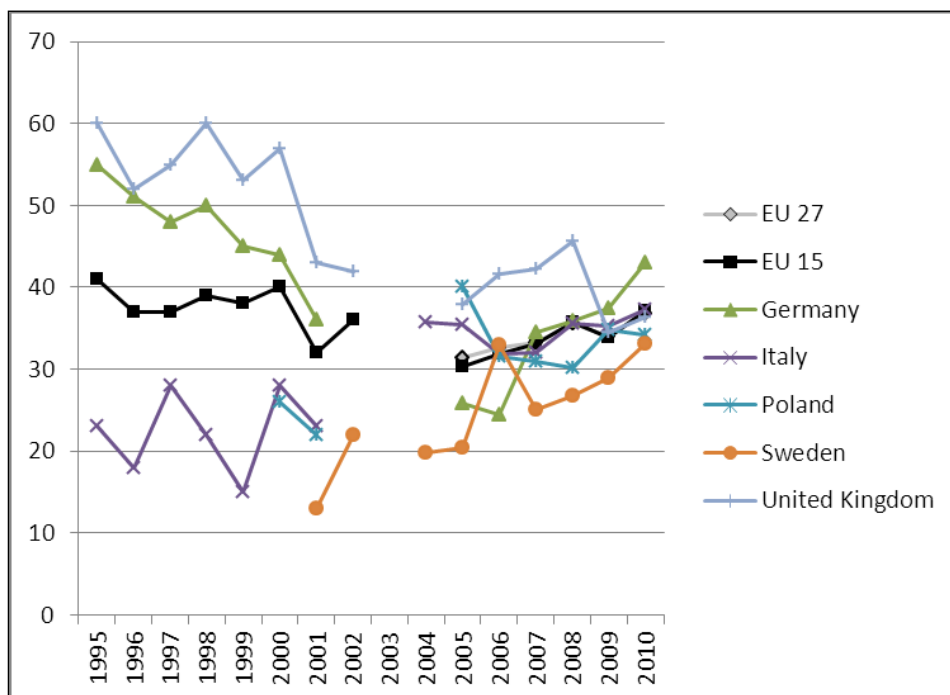
Source: Gregg (2007), EUROSTAT (2013b)

Single parents' employment rate decreased rapidly during the 1980s from over 50% around 1980 to just about 40% in the early 1990s (Figure 8), which has contributed to increasing volumes of single parents on benefits. Until 1993, the share of single parents claiming means-tested benefits grew steeply (Figure 16) – from less than 40% in 1971 to 69% in 1993 (Evans and Williams, 2009, p. 154). Since then, however, labour market participation has increased again. Employment rates of single parents have risen extraordinarily over the past 15 years (Figure 8), also leading to a decline in the volume of Income Support claimants over the past decade (see section 2.1.1. below). The share of single parents on benefits was at a record low of roughly 35% in 2010. In absolute terms, this still means that currently about 680,000 single parents claim Income Support. At the same time, the numbers of single parents who

are claiming in-work tax credits (WFTC or WTC, see section 2.1.1. below) has risen to ca. 990,000 in 2009/2010 (HMRC, 2011).

Poverty among single parents in 2010 was 36.4%, which is twice as high as poverty among all parents with dependent children (18.2%). However, it has to be noted that this value has almost halved throughout the 2000s (Figure 9). This decrease can be explained with reference to the sharp recent increase in labour market participation of single parents as (Palmer, 2012). Based on 2007 data, it can be shown that the poverty risk of single parents in work is only about half the level of the average single parent poverty risk (Goerne, 2011). Senfton et al. (2009) also point to the impact of the increased generosity of the Working Families Tax Credit (introduced in 1999) that benefited mainly (working) families with children.

Figure 9 Poverty among single parents in selected European countries, 1995-2010



Note: Poverty is defined as 60% of equivalised median household income

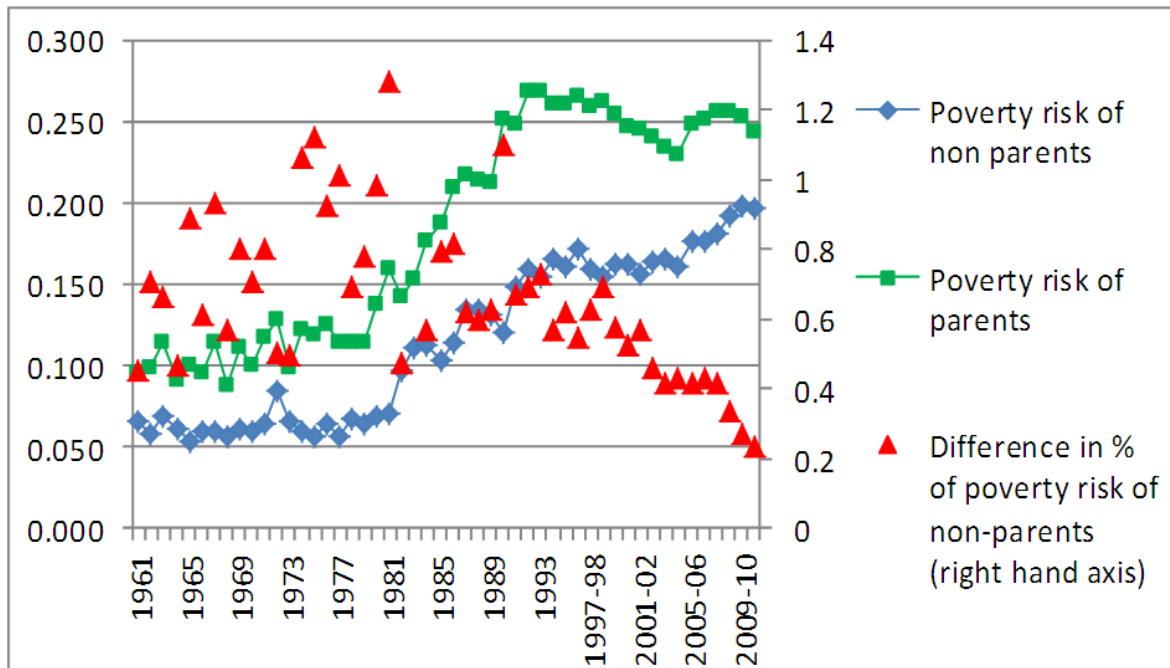
Source: EUROSTAT (2013a)

While policies to increase labour market participation of single parents have been somewhat effective in addressing poverty, it has to be kept in mind that the developments in the labour market referred to above mean that households with only one earner are increasingly likely to fall under the poverty threshold. This is one explanation for why poverty rates of single parents are still higher than for parents who live in couples. Another reason can be seen in the different qualification profile of single parents in the UK. For example, recent EUROSTAT figures show that single female parents are less likely to have a tertiary education degree than partnered female parents (EUROSTAT, 2013b).

Recent policies have furthermore been effective in one more respect. Children have always constituted a poverty risk for families, and they are in all European countries a factor that increases the risk of in-work-poverty (Goerne, 2011). However, it is noteworthy that while

overall poverty rates are higher today than in the 1960s and 1970s (Figure 1), children increase the risk of poverty today less than at any point in time over the past 50 years (Figure 10). This decrease can be attributed in large parts to the increase in child benefit generosity (in 2001) and the continuous expansion of in-work-benefits for parents during the 2000s, which will be discussed in greater detail in sections two and four of this report.

Figure 10 Poverty risks of working age parents and non-parents in the UK, 1960-2010



Note: Poverty is defined as 60% of equivalised median household income, after housing costs

Source: Own calculations based on IFS (2013)

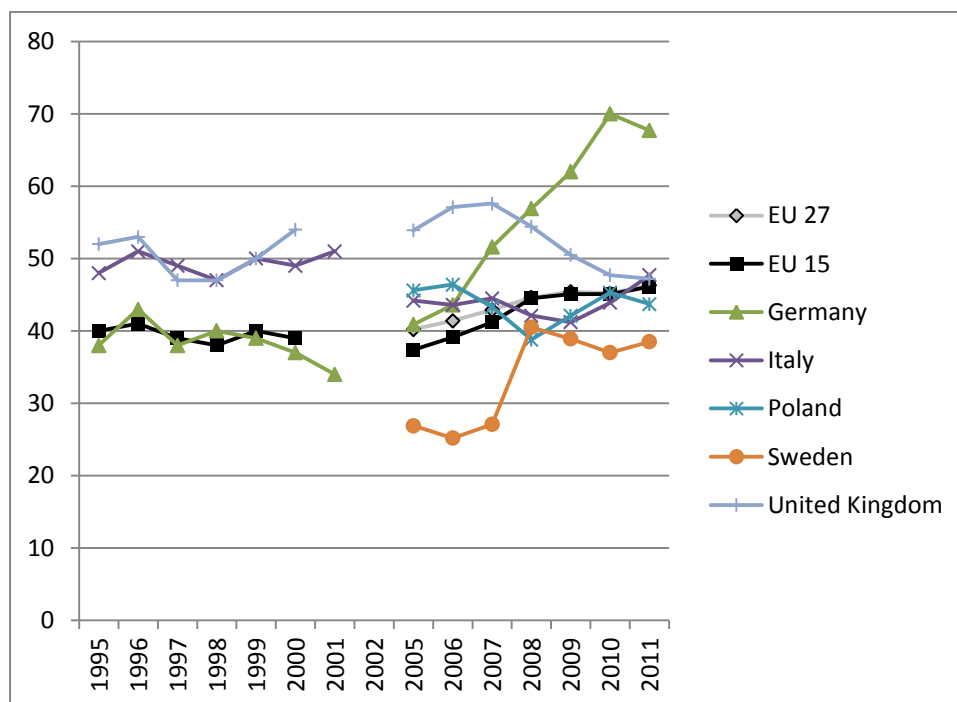
Summing up, it can be said that the effects of changes in family structure and family policy in terms of poverty have been ambiguous. Policies over the past decade have been effective in that children in the household today constitute less of an *additional* poverty risk than they used to. However, rather than being able to absorb the increasing pressure from developments at the labour market, changing family structures (towards more single and single parent families) constitute an important driver of poverty. While the increase in labour market attachment of single parents has reduced this poverty effect, the absence of a second earner in the household is still problematic in a labour market context where (low-wage) workers require the support of a second earner to keep out of poverty. The combination of these two developments, then, calls for effective responses in terms of social security policy.

1.1.3. The protective capacity of unemployment insurance

Social security in the UK is currently characterised by the dominance of means-tested benefits of last resort. A key driver behind the continuously rising relevance of minimum income protection (MIP) for the working-age population has been the gradual decline in the role of unemployment insurance benefits – commencing basically right after the inception of the modern welfare state in the UK after World War II.

One factor explaining the gradually declining importance of unemployment insurance benefits is the changing character of the unemployed population since the second half of the 1960s, namely the increase in numbers of claimants not eligible to claim insurance benefits such as long-term unemployed persons and possibly female single parents (Brown, 1990, p. 92). Also, subsequent benefit reforms tightened eligibility criteria and reduced maximum duration of insurance-based Unemployment Benefits / JSA-C. In 1986, a disqualification period that applies for ‘voluntarily’ unemployed claimants (i.e. those who left their job of their own accord or were sacked due to misconduct) was increased from originally six to then thirteen weeks. Furthermore, when Unemployment Benefits were replaced by JSA-C in 1996, maximum duration of insurance based benefits was reduced from previously one year to six months.

Figure 11 Poverty among unemployed people



Note: Poverty is defined as 60% of equivalised median household income

Source: EUROSTAT (2013a)

Furthermore, the minimum contribution record for JSA-C was made more demanding. It was 13 weeks when Unemployment Benefit was introduced. In 1988, this was increased to two complete years of insured employment, putting all those claimants in a worse position who have given up work temporarily, as well as people in low-paid and part-time jobs (Clasen, 1994, p. 174ff). Furthermore, the 1989 Social Security Act introduced new rules that stipulated that claimants had to prove they were ‘actively seeking work’ (Clasen, 1994, p. 175ff). This increase in benefit conditionality again can be interpreted as a tightening of eligibility criteria, this time by way of introducing behavioural requirements.

The other key reason for explaining the limited relevance of unemployment insurance is its generally very low benefit level. When introduced in the 1940s, neither contributions to nor benefits in unemployment insurance were in any form earnings-related. UB was designed

essentially as a flat-rate benefit. While some commentators have lauded the egalitarian spirit behind this policy design (Perrin, 1992), this meant that contributions had to be low enough to be affordable to workers on very low incomes, in turn limiting benefit generosity (cf Deacon, 1982). Therefore, UB claimants often had to top up their income with means-tested assistance benefits. While legislative changes in 1966 introduced principles of earnings-relatedness to social insurance, these were not effective in reducing the relative importance of means-tested benefits, and earnings-relatedness (of benefits, not contributions) was abolished again in 1982.

If anything, this problem has aggravated over time as the 1980 Social Security Act led to a “break with the link of pensions and other long-term benefit rates with average earnings (...) and to index rates only in line with inflation” (Clasen, 1994, p. 145). Since then, annual benefit up-ratings have offset inflation (Figure 18), but have not kept up with increases in average earnings. Compared to other European countries, poverty among unemployed benefit claimants has been characteristically high (Figure 11).

This discussion shows that unemployment insurance in the UK is unlikely to form a major part of the social security system’s response to new labour market challenges, as well as challenges that have arisen from changes in family structure over the past three decades. Critically, unemployment benefits in the UK do not protect well against the risk of poverty. In section 2 it is discussed in more detail what this means for the role and significance of means-tested minimum income protection in the UK.

1.2. The impact of the economic crisis since 2007

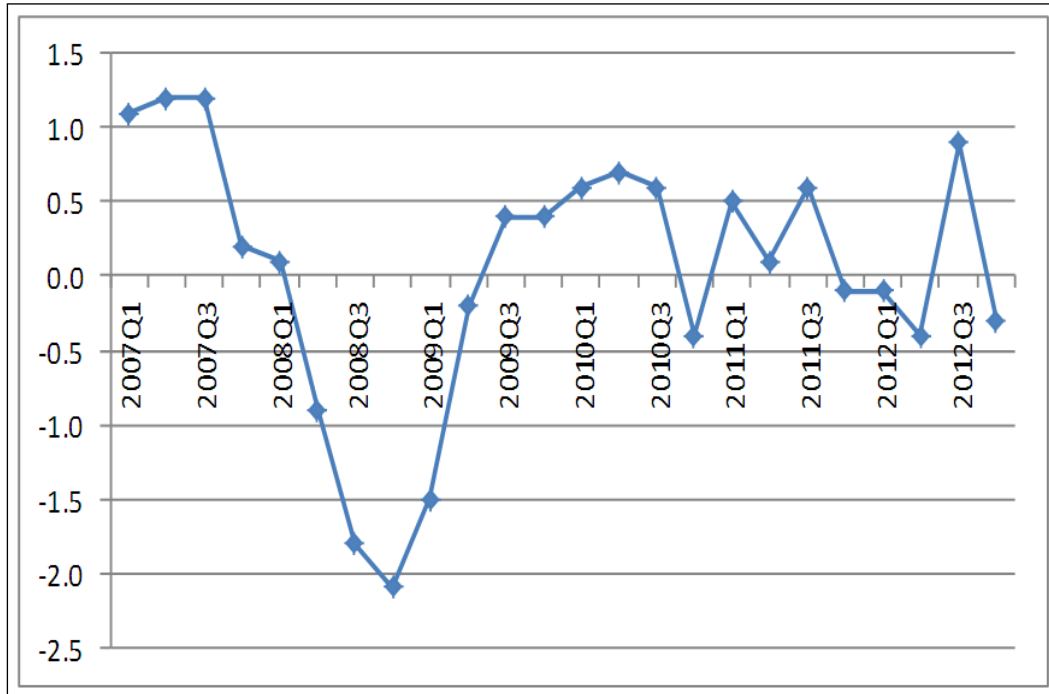
Alongside the long-term drivers of increasing demand for MIP in the UK a more conjectural factor has become important in recent years; the effects of the global economic crisis. The UK economy has still not recovered from the crisis it, along with most other developed nations, plunged into in 2007/2008. On the contrary, recent economic performance has been very poor and the UK is currently on the brink of an unprecedented ‘triple-dip’ recession. Figure 12 shows recent GDP growth data for the UK, revealing a contracting economy during most parts of 2012. The economy has been hit both by a difficult economic outlook, in part related to the on-going problems in the Eurozone, as well as by the current government’s decision to embark on an extremely strict austerity policy at a time when demand is already weak.

The UK’s poor recent economic performance is reflected in its unemployment figures. Having remained below 5.5% of the total working-age population for most parts of the 2000s, in 2008 unemployment suddenly increased and has not been below 7.9% since. Increasing unemployment has gone hand in hand with the changing composition of the unemployed. On the one hand, workers who were relatively insulated from unemployment risks during the previous decade have lost their jobs in the recent recessions, with implications for demands on employment services that are keenly felt by policy actors.

What is different this time, and over the last 5 years, is the impact on families that traditionally would have been seen as middle class. The client basis changed almost overnight. People are now coming out of fairly stable careers, with a career structure that JC+ advisers never dealt with before. So what's different now is that there is a whole range of people who normally would have found their way back into the job market, but the job market has now

collapsed! (Interviewee 4, Chief executive Scottish Council for Voluntary Organisations)

Figure 12: UK GDP growth, percentage change to previous period, quarterly data 2010-2012

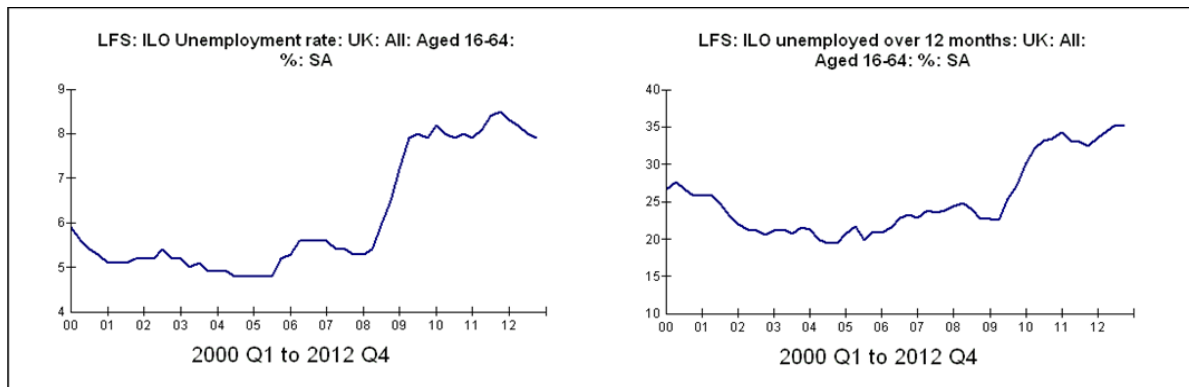


Source: EUROSTAT (2013c)

On the other hand, long-term unemployment has simultaneously been rising considerably. Where high numbers of relatively highly qualified workers are looking for work, this has potentially damaging consequences for the group of less-qualified claimants, leaving them in a position where they find it increasingly difficult to compete for jobs. Consequently, the share of long-term unemployment has gone up to a record level of over 35% of all working age unemployed claimants in the last two quarters of 2012 (see Figure 13). In the UK as elsewhere youth unemployment has risen disproportionately as a result of the crisis, from roughly 14% in 2007 to almost 20% in 2010 (EUROSTAT, 2013b).

In other words, while it had been concluded above that the key issue of the UK labour market was job quality rather than overall labour demand, unemployment has again become a major problem in the wake of the crisis. This comes on top of a further deterioration of job quality indicators. In line with developments in other European countries, job creation in recent years has taken place disproportionately in the form of part-time employment. Overall, a ‘polarisation’ of the labour market has been observed, as lay-offs have affected mainly jobs in the middle of the wage distribution, while employment trends have been relatively positive at the top and bottom (Hurley et al., 2011, p. 18).

Figure 13 Unemployment and long-term unemployment as % of unemployment in the UK, quarterly data 200-2012



Source: ONS (2013)

Consequently, pressure on social security – which, as was shown, is largely organised in the form of MIP – has grown massively. In this respect, it has to be noted that the current development of poverty rates is amenable to misinterpretation, and should not be taken as a sign of improvement. In fact, poverty figures have developed somewhat counter-intuitively over the past couple of years. After a very slight rise from 2008 until 2010, poverty has fallen again from 2010 to 2011 (Figure 1). This can be explained by the depression of median incomes as a result of the crisis, which between 2010 and 2011 have fallen steeper than incomes at the very bottom of the distribution. Far from having improved the income situation, then, the current crisis poses a massive challenge to MIP policy.

2. Institutional and Policy Legacies in National Anti-Poverty Policy

2.1. The minimum income protection architecture in the mid-2000s

This section analyses further the predominant role of minimum income protection schemes within the overall architecture of UK social security. It first outlines the large quantitative relevance of means-tested benefits as opposed to insurance-based benefits, and highlights the developments which have led to the increasing complexity and fragmentation of means-tested working-age benefits up until the middle of the 2000s. In a second step, a portrait of the main traits of minimum income protection in the UK around the year 2005 is drawn. This includes a detailed description of means-tested Jobseekers' Allowance (JSA-I), Income Support for single parents, tax credits (Child tax credit, CTC and working tax credit, WTC) and various passported and additional discretionary local benefits.

2.1.1. A brief history of the role of means-tested benefits in the UK

It was already noted in section 1.1 that the role of unemployment insurance in the UK has been limited for historical reasons. Conversely, this has meant that means-tested benefits, or minimum income protection, have traditionally assumed a major role for providing social security to the working-age population. In fact, insurance-based unemployment benefits have developed into a somewhat marginal category, which is predominantly drawn by the better-off among the working-age population.

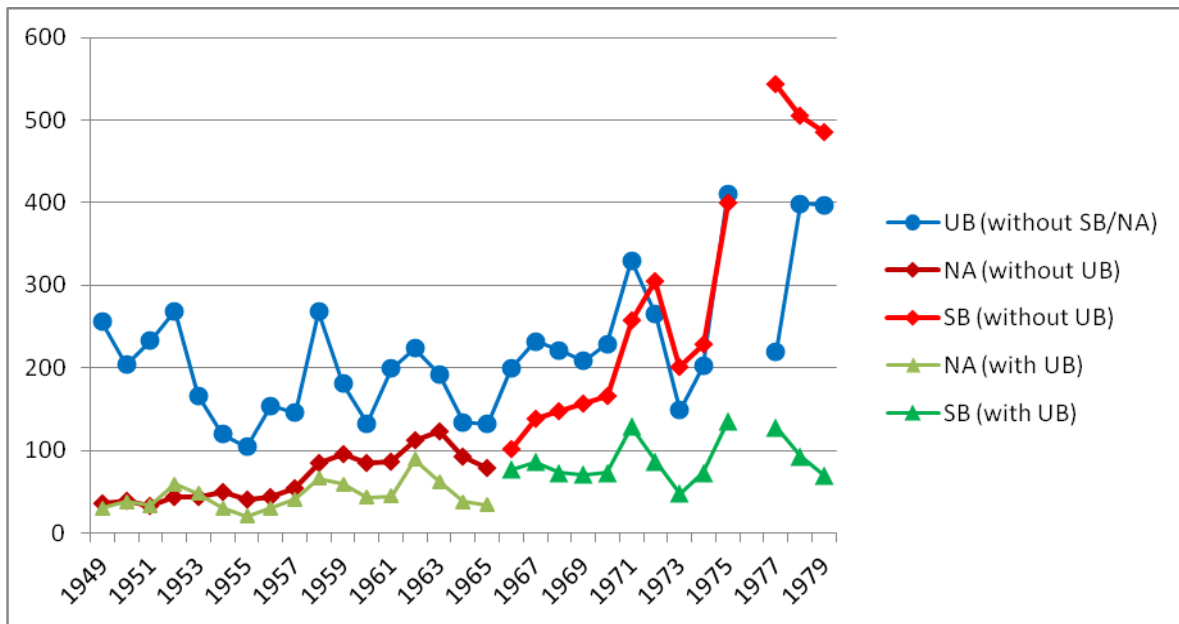
Figure 14 and Figure 15 show how means-tested out-of-work benefits gradually outgrew insurance-based benefits over the second half of the 20th century.

Contributory benefits are becoming the benefits for the better-off. Because the people who will get value from it are those whose households who are relatively better off than others. So, contributory benefits are at the moment primarily for people whose partner is in full-time work, or in work of some sort, or whose capital is above the limits for means-testing. Also, some people have unearned income -- that's a bit rare -- which is not taken into account for contributory benefit purposes, but for income-related benefits. (Interviewee 14, DWP)

There are no signs that the general trend of a gradual decreasing role for insurance-based benefits, and conversely the continuous rise of means-tested benefits, is likely to change direction anytime soon. While some Labour party members seem to ponder re-emphasising the role of contributory benefits, the current direction of travel – the simplification of all means-tested benefits and the further marginalisation of contributory benefits (including the recent introduction of a time-limitation for incapacity-related contributory benefits) – suggests that a revival of contributory benefits is not on the agenda, and that their complete abolition would be as likely.

My own personal view would be that it [contributory benefit] is (...) becoming more and more presentational and it is becoming marginalised. Give it another 10-15 years, I don't think it will exist anymore. (Interviewee 11, policy adviser at DWP)

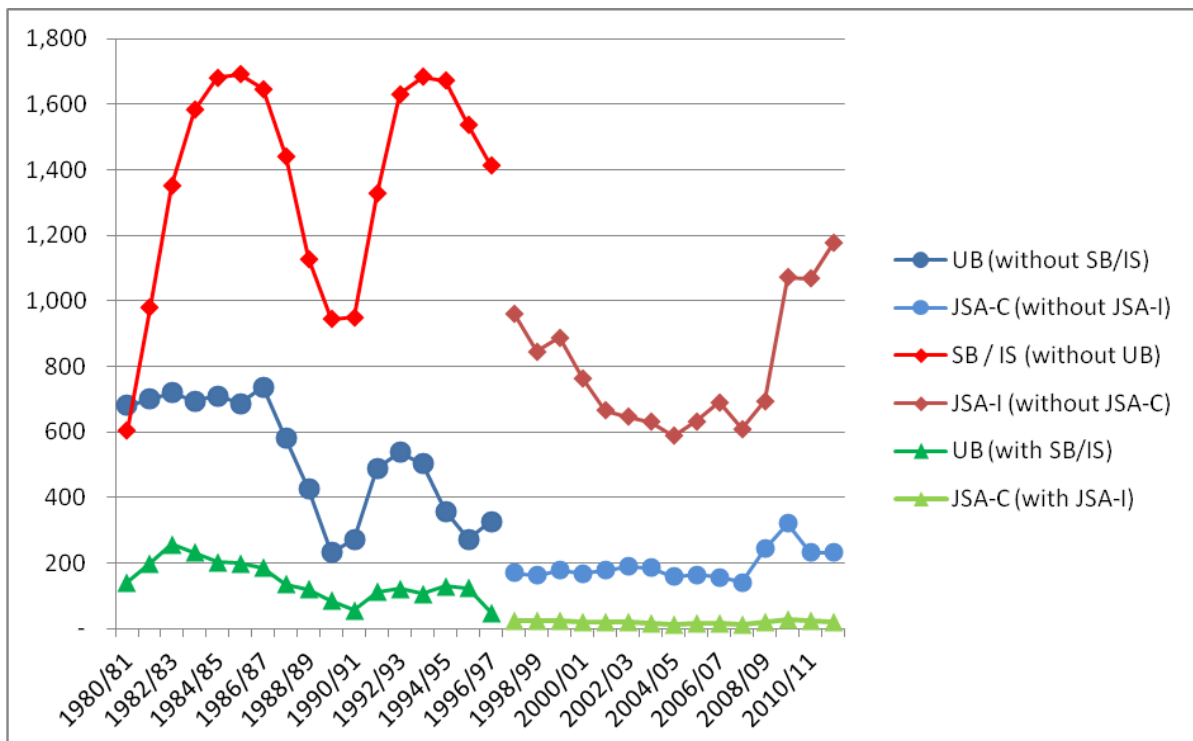
Figure 14 Volumes of means-tested and insurance-based unemployment benefits, 1949-1979



Note: Unemployment insurance benefit: UB ('unemployment benefit'); Assistance benefits: NA ('national assistance'), later SB ('supplementary benefit')

Source: Social Security Statistics as reported by Brown (1990).

Figure 15 Volumes of means-tested and insurance-based unemployment benefits, 1980-2010



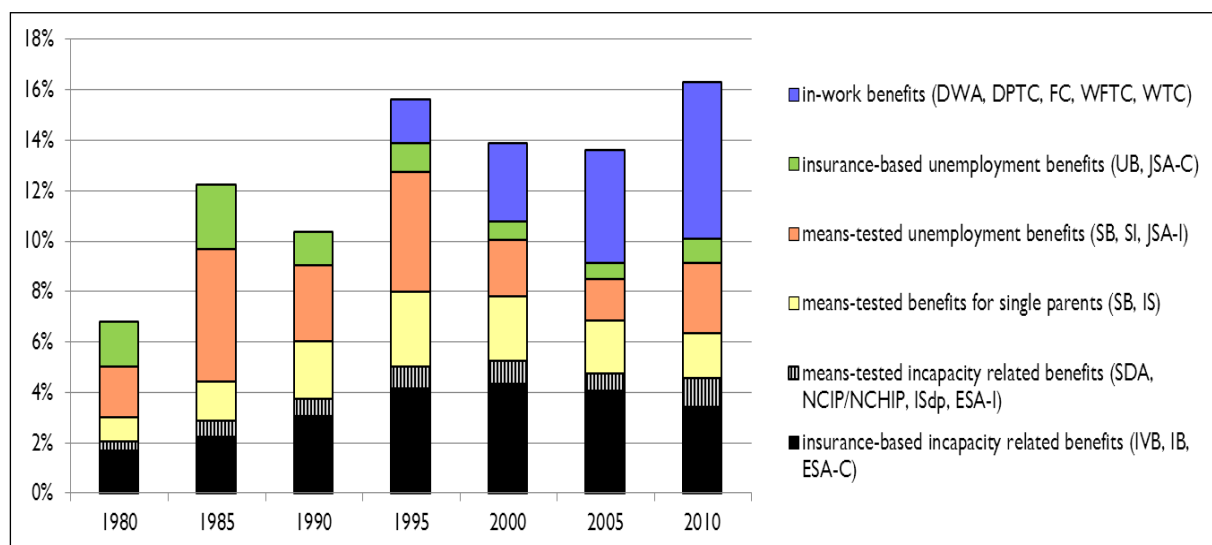
Source: DWP (2012b)

Note: Unemployment insurance benefit: UB ('unemployment benefit'), later JSA-C ('contribution-based jobseekers' allowance'); Assistance benefits: SB ('supplementary benefit'), later JSA-I ('income-based jobseekers' allowance')

Related to the predominant role of assistance benefits within the whole architecture of social security in the UK has been its nationally unified organisation and administration. Means-tested working-age benefits in the UK have traditionally operated on a relatively rights-based footing, with reducing discretionary components. This feature of British social security, which also sets it apart from developments in many other European countries, is discussed at greater length in section 2.4.

The growing role of MIP is caused not only by the limited scope of unemployment insurance, but also by the active developments in the area of MIP itself, leading to an ever increasing number of claimants of means-tested benefits. Concretely, Figure 16 shows that there has been a massive growth of means-tested in-work-benefits in the form of tax credits over the course of the 2000s. At the end of the 2000s the number of in-work-benefit claimants was almost double the number of unemployment benefit claimants (means-tested and insurance-based) combined. Therefore, notwithstanding the existence (and previously high ideological relevance) of insurance based benefits, the underlying principle of the British welfare state today is best characterised as ‘selective’, and it is plausible to assert that the underlying justice principle behind most areas of the British welfare state is (increasingly) to alleviate “need”, not to provide benefits universally or on the basis of previous contributions (cf Clasen and van Oorschot, 2002).

Figure 16 Volumes of different working-age benefits in the UK as % of the working-age population, 1980 – 2010



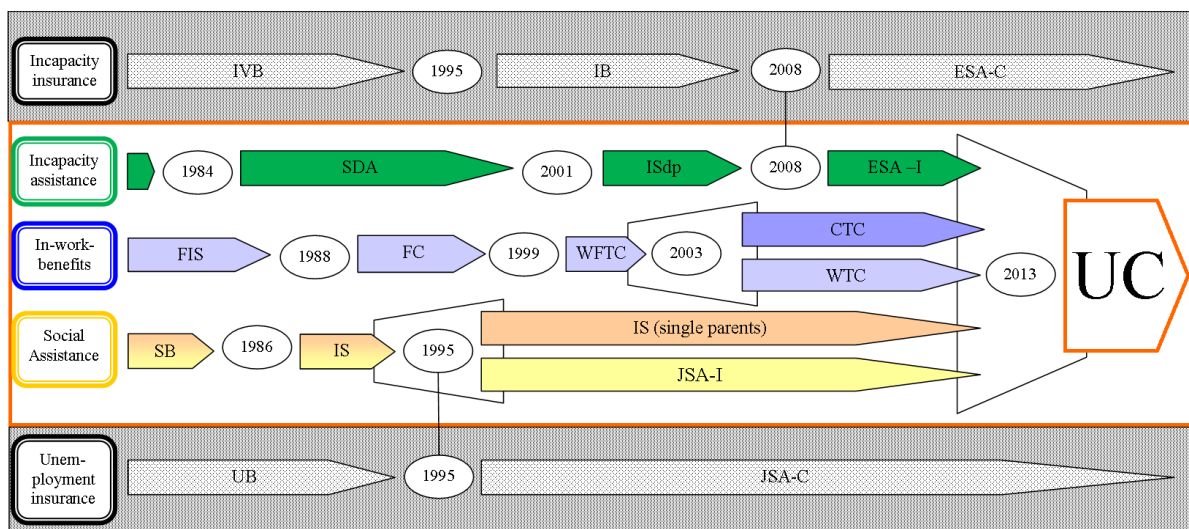
Note: Working-age is defined throughout as 16-64 for males and 16-59 for females. The share of in-work-benefits is likely to be underestimated since figures are only available for households in receipt of in-work-benefits, not for individual claimants. All other numbers on out-of-work benefits refer to individual claimants.

Source: Goerne (2012).

Figure 17 depicts the changes of UK working-age benefit schemes since the early 1980s. In a way, the history of restructuring and regrouping various means-tested benefits schemes over the past 30 years can be interpreted as a parabolic development from a relatively unified system to a rather fragmented, categorical system, and then back to a more unified system as a consequence of the most recent policy changes in 2013. The initial assistance benefit scheme created in the 1940s (National Assistance) and its successor (Supplementary Benefit)

were large catch-all systems who provided financial support to all citizens facing financial difficulties, i.e. passing the means-test. Given the relatively limited scope of social insurance in the UK, assistance came to play an important role both for sustaining the ‘residuum’ (Lødemel, 1997), i.e. unemployed, able-bodied working age people who did not qualify for insurance type benefits, as well as for pensioners, not least to top up the relatively meagre benefit rates of the National Insurance funded state pension. While special needs could be accounted for through discretionary top-up payments, assistance benefits initially did not distinguish between different risk groups, and covered both working-age and pension-age claimants. This remained the case well into the 1980s, despite the introduction of some kind of internal differentiation, e.g. higher payments to pensioners than to working-age unemployed claimants.

Figure 17 UK working age benefit schemes, 1980 – 2013



Notes: IVB: Invalidity Benefit, IB: Incapacity benefit, ESA-C: contribution-based Employment Support Allowance, SDA: Severe Disablement Allowance, ISdp: Income support with disability premium, ESA-I: Income-based employment Support Allowance, FIS: Family Income Supplement, FC: Family Credit, WFTC: Working Family Tax Credit, WTC: Working Tax Credit, CTC: Child Tax Credits, SB: Supplementary Benefit, IS: Income Support, JSA-I: Income-based Jobseekers' Allowance, JSA-C: Contribution-based Jobseekers' Allowance, UB: Unemployment Benefit, UC: Universal Credit

The introduction of Income Support in 1986, however, fundamentally changed the character of assistance benefits. It “signalled a change away from the notion of an individually tailored safety net benefit for all towards a categorical system with some significant holes” (Evans and Williams, 2009, p. 101). Eligibility to Income Support was derived from membership to either of the following groups: working-age unemployed, single parents, full-time carers, long-term sick / disabled, and those older than 60. The benefit rates for all these groups were precisely defined. While previously, benefit administrators had large discretionary power in determining the need of claimants and awarding weekly extra-payments, Income Support abolished this practice by introducing a number of standardised, non-discretionary ‘premiums’ that were added to the standard rate of assistance benefits for members of defined groups. For example, there were extra premiums for claimants with dependent children, single-parents, disabled claimants or claimants with a disabled child (both for claimants of Income Support and JSA-I). At the same time, a system of discretionary one-off payments

was introduced that sits outside ‘regular’ assistance benefits. The so-called ‘Social Fund’ provides interest-free short-term loans for claimants in extraordinary financial difficulties (Evans and Williams, 2009, p. 100 f). Later, working-age unemployed persons without sufficient unemployment insurance benefit coverage were moved onto the newly created income-based Jobseekers’ Allowance (JSA-I), and pensioners were moved onto so-called Pension Credit. Furthermore, extra payments for children were also removed from Income Support and shifted to the tax credit system. The final step of this fragmentation process has been the re-grouping of claimants on the grounds of disability or long-term sickness under the newly created means-tested Employment and Support Allowance (ESA-I) (Evans and Williams, 2009, p. 102).

The 2013 introduction of Universal Credit constitutes the vertex of the parabola. Under Universal Credit, almost all above mentioned categories of means-tested benefits will be reunited under the roof of a single benefit scheme. However, Universal Credit is different from the historic National Assistance and Supplementary Benefit arrangements in that it addresses only working age claimants – older claimants still receive pension credit. Also, Universal Credit does not bring back a larger role for discretionary decision making. Discretionary top-up benefits remain in the realm of the (transformed) Social Fund.

2.1.2. The structure of minimum income provisions for working-age people

JSA-I

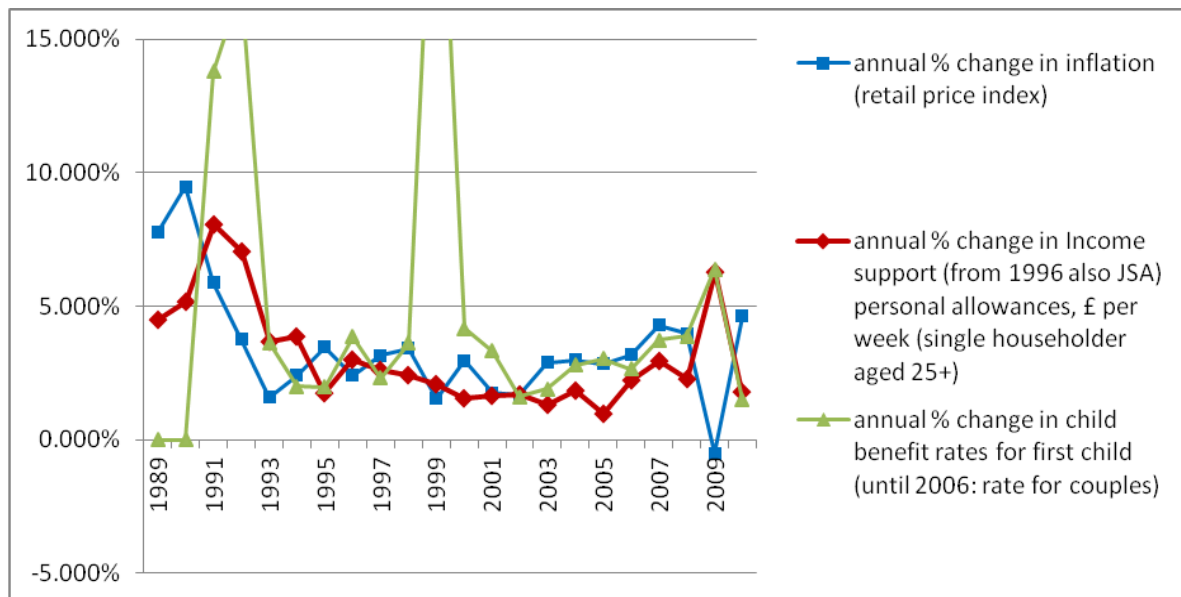
In the mid-2000s ‘income based Jobseekers Allowance’ (JSA-I) was the benefit scheme for unemployed people claimants without eligibility for insurance-based unemployment benefits (JSA-C). The creation of JSA had separated unemployed jobseekers from all other claimants of means-tested benefits, who remained on Income Support (such as single parents). While most regulations, such as benefit levels and up-ratings, subsequently developed in parallel for JSA and Income Support, the two schemes are characterised by important differences in terms of work conditionality.

The level of JSA-I is differentiated by age, with lower rates for claimants below 25. While JSA (as well as Income Support) has been consistently uprated in line with inflation (see Figure 18), benefit levels have increased considerably less than average wages. Basic means-tested benefit rates (so-called Supplementary Benefits) were 28% of average weekly earnings in 1979, but by 2008 their value had dropped to 17% of average weekly earnings (Evans and Williams, 2009, p. 103). Since the distance to the average (median) income is the defining feature of the (relative) poverty indicator, it can be argued that the low value of benefits in relation to average earnings is a key driver of income poverty.

During the 1990s and 2000s, the key policy reforms in the area of JSA-I have all been related to tightening its conditionality regime. A key step towards enhanced benefit conditionality was the introduction of the so-called ‘Stricter Benefit Regime’ in 1989. It removed the right for claimants to restrict job search to ‘suitable employment’ (i.e. occupations that had the same characteristics, or jobs that offered a comparable rate of pay, as their ‘normal occupation’) beyond 13 weeks of unemployment. In 1990, two further crucial developments reinforced this direction of policy travel. From then, advisers had to seek to reach an agreed outcome – a so-called ‘back to work plan’ – at every interview, i.e. at the very beginning of each claim as well as at the following interviews taking place at six month intervals. Furthermore, ‘active signing’ was introduced. While previously fortnightly signing-on was

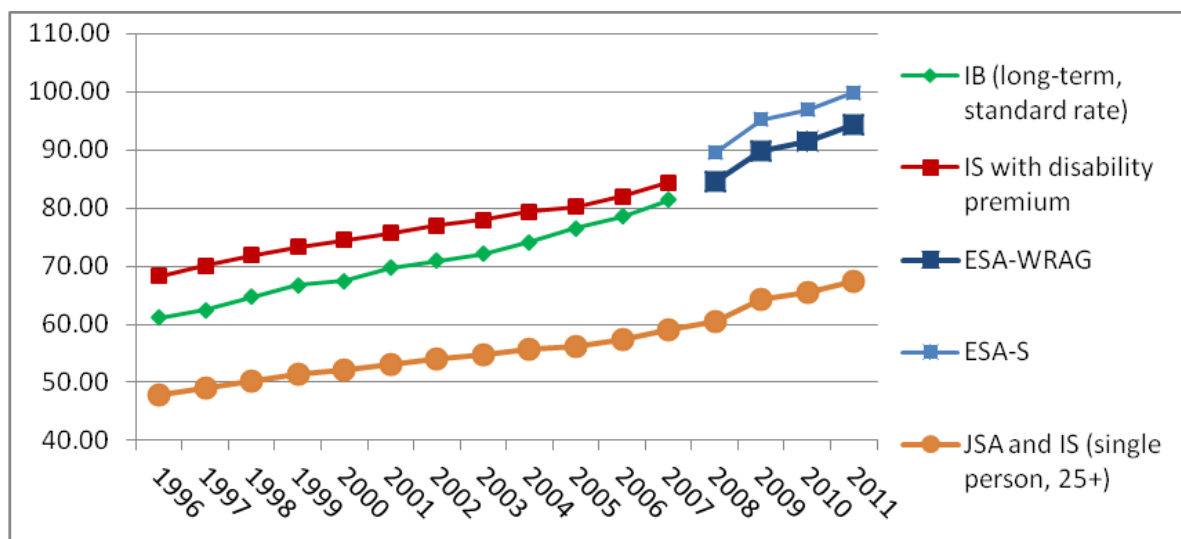
intended mainly to prove claimants' availability for work, henceforth "the signing clerk could question the claimant briefly about progress with their Back to Work Plan and, if dissatisfied, refer the claimant to an adviser" (Price, 2000, p. 290).

Figure 18 Annual changes in Income Support, child benefit and inflation, 1988-2010



Sources: IFS (2011), ONS (2012a), own calculations

Figure 19 Weekly benefit rates (£) for selected working-age benefits, 1996-2011



Note: All figures represent weekly amounts. JSA-I and Income Support (IS) figures are for claimants older than 24 years.

Sources: Grover and Piggott (2010), IFS (2011), DWP (2011b).

Furthermore, participation in external ALMP provision has become increasingly compulsory for JSA claimants. This development had begun with the (previously voluntary) 'Restart' courses in 1991 (for those unemployed for two years or longer) and Job Plan Workshops in

1993 (for those unemployed for more than one year) (Price, 2000, p. 296). Both compulsory and voluntary provision of services was stepped up from the end of the 1990s through the so-called 'New Deal'. Young JSA claimants (under the age of 25) after 6 months, and long-term unemployed claimants (over the age of 25) after two years, were automatically obliged to participate in one or several compulsory Work Focused Interviews, as well as in one of various New Deal 'options', such as subsidised jobs, self-employment, full-time education or training, work in the voluntary sector or work in an environmental task force (see section 2.2 below). Non-participation in one of these options would lead to a two-week full benefit loss for the first breach, and up to 26 weeks for repeated breaches (Griggs et al., 2013).

Income Support for single parents

When 'regular' unemployed jobseekers were transferred from Income Support to the newly created JSA in 1995, Income Support became de-facto the means-tested benefit for single parents with children under the age of 16, as well as incapacitated claimants who were not eligible to claim insurance-based incapacity-related benefits.

In terms of basic benefit rates Income Support has developed in line with JSA (see above), though single parents have been entitled to a (non-discretionary) additional single parent premium. In effect, benefits for single parents aged 25 or above have always been on average between 25% and 30% higher than the normal rate of Income Support (or JSA). Furthermore, single parents have been entitled to the standard Income Support rate from the age of 18, as opposed to 'regular' jobseekers who receive the standard rate only from the age of 25. Single parents could also access unified extra payments for each child in the form of the so-called 'child tax credit' (CTC), a means-tested tax credit that reduces with rising annual income (see Figure 26 and section 4.1 for more details). Unlike the 'working tax credit' (WTC, see below), the CTC is not conditional on parents working. Contrary to unemployed persons on JSA, single parents on Income Support were not obliged to be available for or looking for work up until their youngest child turned 16.

Over the course of the 2000s, single parents, too, became subject to increased work conditionality. Rising numbers of single parents on Income Support (see section 1.1) prompted policies focussing on single parents' integration into the labour market. Consequently, a limited degree of conditionality has been introduced to Income Support in the form of so-called 'Work Focused Interviews' (WFIs).

While not a means-tested benefit of last resort, child benefit also constituted an important income source for (single) parents. In the mid-2000s child benefit was a universal payment, worth £17 per week for the first child and £11.40 for subsequent children (2005 data). Single parents used to receive a slightly higher amount, however this practice was abolished in 2007 (IFS, 2011).

Support for low waged workers

While means-tested in-work benefits have been part of UK benefit system since the early 1970s – so-called Family Income Supplement was replaced in 1988 by Family Credit – the introduction of the so-called 'Working Families Tax Credit' (WFTC) in 1999 represented a considerable expansion of these policies, as it was substantially more generous (HMRC, 2008). From 2003 in-work support was also extended to childless households when the Working Tax Credit (WTC) replaced WFTC as well as the previously separate Disabled

Persons' Tax Credit. In the tax year 2005/2006, roughly 2.3 Million working families with children benefited from WTC (HMRC, 2008). WTC was complemented by a so-called 'child tax credit' (CTC) (see above). A result of the continuous rise in WTC claimant volumes, the number of in-work-benefit claimants has exceeded that of all out-of-work-benefits claimants combined during the mid-2000s (see Figure 16. This calculation excludes incapacity related benefits) (HMRC, 2011; Goerne, 2012).

WTC receipt was conditional on working at least 16 hours per week. It was means-tested and tapered off with rising annual income. On top of the standard WTC rate, an additional childcare element paid for up to 80% of actually incurred childcare costs (however not more than £175 for families with one and £300 for families with two children per week) (IFS, 2011, figures for the period 2006/07 -- 2010/11). The whole system of tax credits, as well as its current transformation, is discussed in detail in section 4.1.

The Social Fund, housing benefits other passported benefits

Housing Benefit and Council Tax Benefit constitute important additional income sources for JSA or Income Support claimants, as well as for low-waged workers. Introduced in 1982, Housing Benefit is administered by local authorities. Rents of JSA or Income Support claimants used to be covered automatically in full by Housing Benefit. Low-waged workers could still claim Housing Benefit, however at reduced rates. For incomes above Income Support levels, Housing Benefit was withdrawn at a steep taper of 65%. Next to Housing Benefit, local authorities also exempt claimants on low incomes from paying council tax, the main local tax in the UK. A system of discounts and exemptions known as Council Tax Benefit has been in place since 1993. While single claimants of Income Support or means-tested JSA are automatically exempted from paying council tax, for all other claimants with incomes above Income Support levels council tax benefit is withdrawn at a taper of 20%.

A further important element of the mid-decade MIP landscape in the UK was the so-called 'Social Fund', which was introduced in 1988. The Social Fund provided financial help for citizens with exceptional needs. In principle, it was made up of two different schemes. The first scheme consisted of discretionary grants and loans to help respond flexibly to exceptional needs, namely 'budgeting loans', 'crisis loans' and 'community care grants' (DWP, 2013a). The community care grants were intended to help vulnerable people live independently rather than enter care institutions, and were the only element of the Social Fund not paid out as loans. By contrast, budgeting loans (to meet intermittent needs, such as one-off expenses for goods that cannot be funded out of the regular assistance benefit) and crisis loans had to be paid back at a later point, e.g. through reductions in regular benefit rates. In 2011/2012, a total number of roughly 3.3 Mio applicants received funding through the social fund, mainly one-off crisis loans (ca. 1 Mio) and budgeting loans (ca. 1.3 Mio). The average amount of crisis loans was £88, while budgeting loans averaged at £451 (DWP, 2007, p. 17).

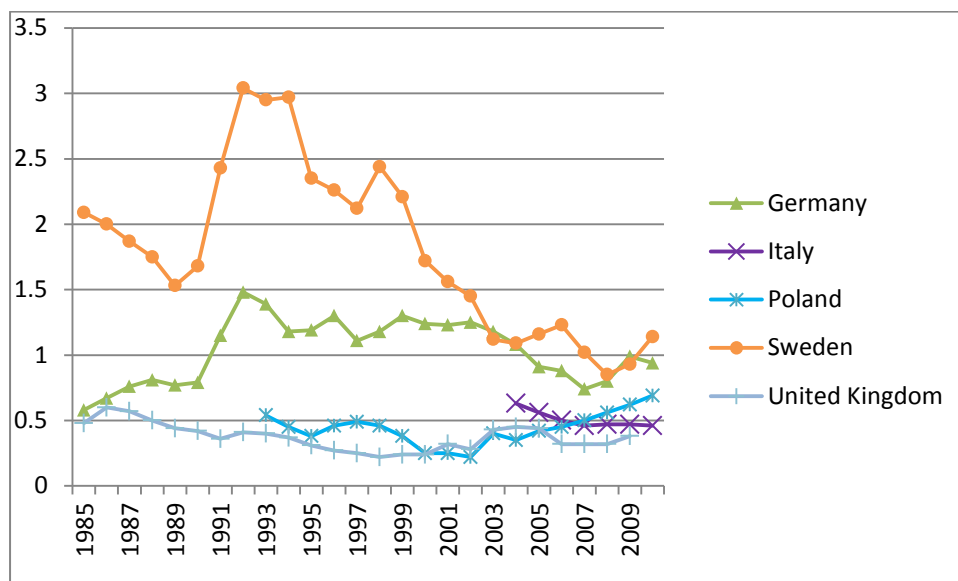
The second Social Fund scheme consisted of a more regulated – i.e. not discretionary – form of subsidising poor citizens to help cover maternity, funeral, winter fuel and heating expenses. This scheme can be considered part of the broader category of 'passport benefits'. Passport benefits are a diverse group of means-tested benefits to which claimants of the main means-tested benefits (such as JSA-I and Income Support) are automatically entitled. They include education-related benefits (such as free school meals), health-related benefits (such as free prescriptions), justice benefits (such as exemption from court fees) and

utility-related benefits (for example various social tariffs, including BT basic phone line rental, warm home discount, etc.). While most (although not all) of these services are not only delivered but also administered and designed by local government, most of them are ultimately funded through national level taxation

2.2. The extent and structure of ALMP in the mid-2000s

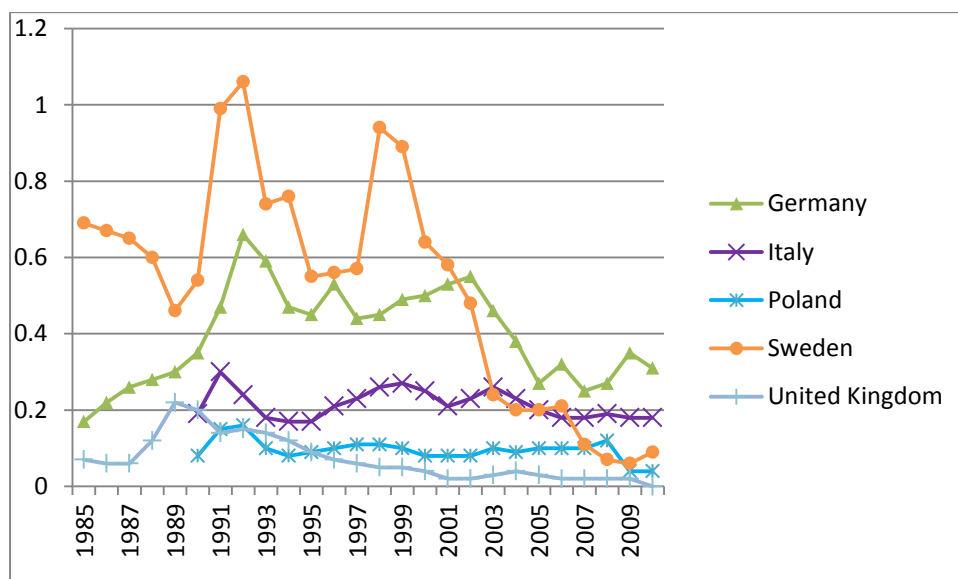
Notwithstanding a strong rhetoric of activation, compared to other European countries investment in ALMP has traditionally been very low in the UK. In the mid-2000s ALMP expenditure as percentage of GDP was the lowest of all five COPE case study countries (Figure 20).

Figure 20 ALMP expenditure as % of GDP in selected European countries, 1985-2010



Source: OECD (2013)

Figure 21 Training expenditure as % of GDP in selected European countries, 1985-2010



Source: OECD (2013).

Looking at the content of ALMP, the UK again looks like an outlier in European comparison in that training and job creation measure have, since the 1990s, come to play only minor roles (Figure 21). So-called ‘Training for Work’ (TfW) schemes have been the main training programme for unemployed people in the UK since 1993. While TfW has continued to exist in Scotland until today, in England it was replaced by a programme called ‘Work Based Learning for Adults’ (WBLA) in 1998 and by so-called employability skills training in 2006. These programmes have targeted mainly claimants of either insurance-based or means-tested unemployment benefits (e.g. JSA), but they have been equally open to single parents on Income Support or claimants of incapacity related benefits. TfW and its predecessors have delivered predominantly short-term training. While in principle, longer-term courses up to 12 months can be funded, recent data shows that average duration of TfW in Scotland and of WBLA in England was only around 11-12 weeks. While training still played a larger role in the 1980s, volumes of training programme participants have declined massively since then. While the TfW training programme and its subsequent metamorphoses continue to exist today, they have done so on a rather low level. Annual participant numbers for WBLA averaged at roughly 84,000 between 2002 and 2005 (Speckesser and Bewley, 2006, p. 8). Recent TfW data for Scotland shows that numbers of participants have not exceed roughly 6,000 per year (SDS, 2010).

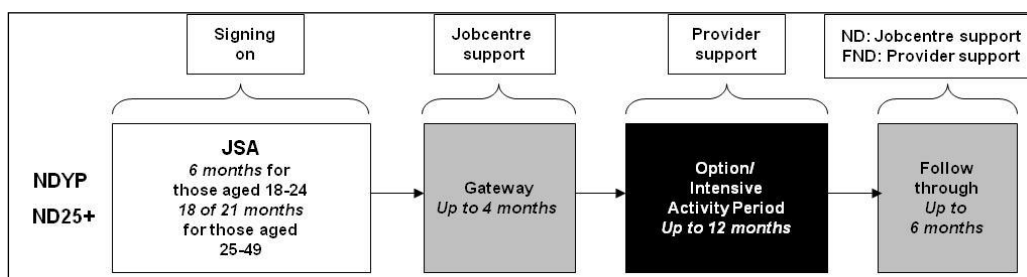
Job creation started to play a role during the 1980s through programmes like Community Enterprise Programme, later called Community Programme (Beale, 2005). However, JC+ funded job creation programmes were then scrapped completely during the 1990s. Job creation enjoyed a brief revival in the form of the so-called Intermediate Labour Market programmes from the end of the 1990s and during the 2000s, which relied strongly on the involvement of local authorities or local regeneration or housing agencies, as well as non-governmental organisations (Finn and Simmonds, 2003, p. 19). They were directed primarily at young benefit claimants and sometimes complemented by training elements, as well as personal support for claimants with multiple barriers to work (such as provision of childcare, literacy and numeracy training, or benefits advice). Intermediate Labour Market programmes mainly created jobs in disadvantaged areas where their output was hoped to contribute to the local social and economic development. However, the total volume of Intermediate Labour Market programmes has never exceeded a few thousand – 53000 in early 2000 according to Marshall and Macfarlane (2000, p. 10), and 87000 according to Finn and Simmonds (2003, p. 32) in early 2003.

While the relative importance of training and job creation has declined over the past two decades, investment has instead increasingly been channelled into the areas of employment advice or job search guidance, as well as financial incentives for taking up employment. Permanent financial incentives for taking up low wage employment have been established, or rather extended, in the form of tax credits (see section 2.1.2 above). Furthermore, one-off payments for unemployed persons moving into work have become increasingly popular. This has subsequently included schemes such as ‘Jobstart’, ‘Jobfinders’ Grant’ and ‘Job Grant’. Take up was initially relatively low (annually between 10,000 and 20,000 claimants during the second half of the 1990s according to Jarvis, 1998, p. 69) but has expanded massively after 2004 (DWP, 2011a).

The area of ALMP which had become most central to UK policy by the mid-2000s was employment advice or job search guidance. Over time the support offered to individuals – mainly the long-term unemployed, and sometimes only the very long-term unemployed - by the Jobcentre was intensified, while growing numbers of support services, often contracted out to external providers, were also made available.

The key innovation during the 2000s in this respect has been was the so-called ‘New Deal’, which existed since the end of the 1990s after being introduced by the incoming Labour administration in 1997². The New Deal programmes, at the time of their introduction, represented a substantial increase in the quantity of employment services for the different categories of non-employed benefit claimants. Starting out as a small scale programme for single parents and the young unemployed, further claimant groups and larger shares of claimants were subsequently included. Participation in New Deal programmes has remained largely voluntary for single parents and incapacity related benefit claimants, who were however obliged to participate in one or several compulsory Work Focused Interviews. By contrast, young JSA claimants (under the age of 25) after 6 months, and long-term unemployed people (over the age of 25) after two years, were automatically obliged to participate in one of various ‘options’, such as subsidised jobs, self-employment, full-time education or training, work in the voluntary sector or the environmental task force. New Deal programmes were generally divided into several subsequent phases: a ‘gateway period’, an ‘Intense Activity Period’ and a ‘Follow through’ period (Figure 22). The Intense Activity Period would typically feature some short-term basic skills training as well as brief courses to improve job search skills. During all phases, personal advisers at the Jobcentre Plus or the contracted private provider were tasked to provide individual support to claimants, including help with job-search activities, referral to short interventions, better-off-calculations (in order to demonstrate that taking up low wage work pays off financially) and generally encouraging claimants to look for and take up employment. Therefore, it can be said that in terms of content, most New Deal options favoured relatively short-term interventions in the vein of work-first measures.

Figure 22 Structure of New Deal for young people (NDYP) and New Deal for long-term unemployed people (ND25+)



Note: Black background colour marks those programme phases delivered through external providers

Source: Griggs et al. (2013)

² So-called ‘Employment Zones’, which were established in 15 urban areas characterised by high levels of worklessness from 2000 onwards, can be a variation on the New Deal programmes which gave a much larger role to private and third sector providers. For more details on Employment Zones, see Griffiths and Durkin (2007).

In a sense, the New Deal programmes can be considered paradoxical in that they offered generic and unspecific types of services, while at the same addressing clearly defined target groups. Access to New Deal services was governed by slightly different rules depending on claimants' benefit category, age or unemployment status. Single parents, young unemployed, long-term unemployed, disabled, old unemployed and partners of unemployed people all had their 'own' New Deals, with different levels of conditionality attached, as well as different providers and slightly different programme specifications. Notwithstanding this rather high degree of targeting, the actual content of the different New Deal programmes remained relatively unspecific. The diversity of the New Deal options remained limited and was largely confined to measures aiming at quick labour market integration of claimants. Higher-level investment in skills development or in social integration measures for claimants more distant from the labour market remained very limited throughout.

2.3. Other relevant services in the mid-2000s

Beyond more 'traditional' ALMP, the concept of Active Inclusion also emphasises the relevance of other, 'quality' social services for preventing poverty and enabling labour market attachment. In line with this report's focus on single parents and the working poor, this section looks at service provision that likely benefits these two groups in particular, namely childcare provision and specialised support services for single parents on the one hand and support services for the working poor on the other hand.

2.3.1. Childcare provision and specialised support services for single parents

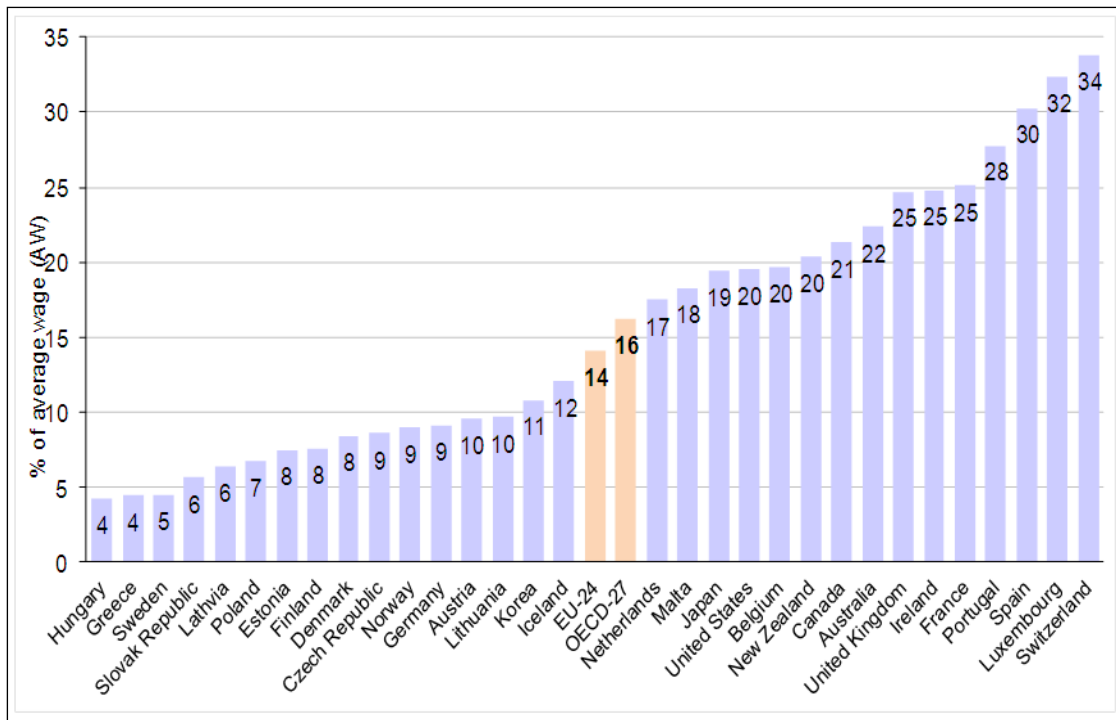
Childcare provision in the UK is not an area of traditional public sector activity, and most services are delivered through the market. Compared to other countries, the cost of childcare is very high. As demonstrated by Figure 23, childcare costs in the UK amounted to ca. 25% of the wages of an average worker, compared to 14% EU average (OECD data for 2004). Given the tradition of privately organised childcare, state intervention in the mid-2000s largely took the form of (partly) reimbursing parents for the cost of childcare. The key provision for (single) parents introduced during the 2000s was the relatively generous working tax credit provision (see above), a key component of which was its so-called 'childcare element'. The childcare element originally paid up to 70% of actually incurred costs (up to a maximum amount of £135), and increased to 80% (up to £175) over the period from 2006-2012. The subsidy is means-tested and available for working parents on low incomes only.

Notwithstanding childcare subsidies via the tax credit system, the costs of childcare were seen as prohibitively high and a factor in limiting parental labour supply. In response to this issue, an entitlement to free childcare provision of up to 12.5 hours per week was introduced for children aged 3-4 in 2004. However, paying for childcare remains problematic, especially for children under the age of three. While overall enrolment in formal childcare is relatively high in the UK, Figure 24 reveals that the average number of hours spent in formal childcare is among the lowest in the OECD.

The Labour government during the 2000s invested heavily in public services for children and parents as part of an ambitious agenda to eradicate child poverty in Britain. Under Labour's so-called National Childcare Strategy, introduced in 1998, "for the first time, government took on formal responsibility for an area that had previously been considered a parental problem" (Stewart, 2009, p. 49). Improving the availability of childcare provision was to be

achieved through subsidising start-up childcare providers, new quality checks (through the government agency Ofsted, which had so far been in charge of monitoring schools) and not least the already mentioned childcare element of the WFTC (later WTC). Apart from increasing the quantity and quality of childcare provision, emphasis was put on improving early years education. This resulted in the creation of so-called ‘Sure Start Local Programmes’ in deprived areas, which included outreach and home visiting, parenting support, play and learning opportunities, healthcare and advice, as well as support for parents and children with special needs. From 2005 Sure Start Local Programmes were transformed into co-called ‘Childrens’ Centres’, which were intended to cover the whole of Britain and not only the most deprived areas (Stewart, 2009).

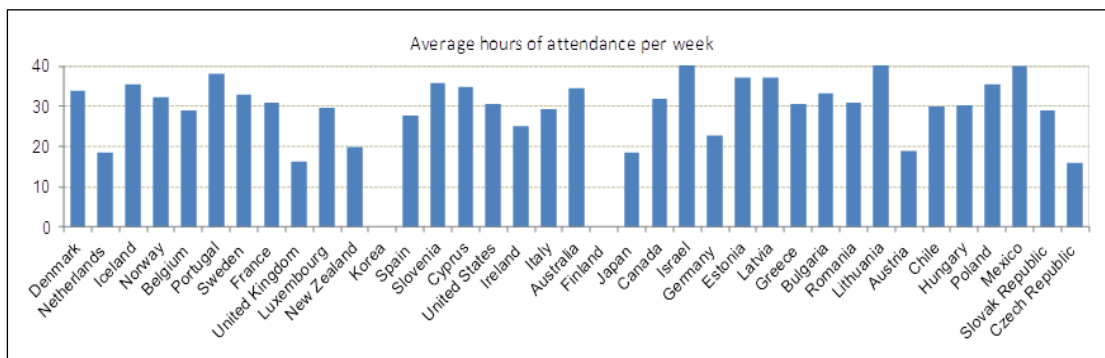
Figure 23 Childcare fees across OECD countries, 2004



Note: Childcare fees are per two-year old attending accredited early-years care and education services. Fees are represented as % of the earnings of an ‘average worker’

Source: OECD (2010)

Figure 24 Average weekly hours spent in child-care by children under the age of 3, 2008



Note: Countries are ranked from left to right in descending order of 3 to 5 year old enrolment rates

Source: OECD (2010)

Also, around the mid-2000s, JC+ aimed increasingly at bringing single parents into work. The key measure in this respect was the creation of the role of the Lone Parent Personal Adviser at the local jobcentre. They were, on the one hand, providing job search advice and work-focused interviews specifically adjusted to the issues faced by single parents, as well as referring single parents to the provision available under the so-called New Deal for Lone Parents. On the other hand, these specialist advisers were in charge of linking up with other local (often local authority funded) third sector providers who aimed at supporting single parents. Attending a limited number of work-focused interviews became compulsory for single parents with the introduction of the new JC+ agency from 2002. The signing of individual action plans was made obligatory from 2005 (Griggs et al., 2013). However, it has to be noted that further participation in employment services, such as the New Deal for Lone Parents, remained entirely voluntary. The New Deal for Lone Parents offered single parents generic work-first-type job search support, as well as a limited amount of provision specifically directed at the special needs of single parents (e.g. help with finding childcare provision).

2.3.2. Support services for the working poor

The dominant approach to helping low-wage workers during the 2000s was characterised by Labour's agenda to 'make work pay'. This consisted of two key policy strands; the introduction of a National Minimum Wage in 1999, and the massive expansion of tax credits (see above).

Beyond these measures, there has been very little support in terms of specific services directed at the working poor, despite the growth of their reliance on state support. While it was hoped that providers of employment programmes – namely the various New Deals – would develop provision to help low wage workers advance in their jobs, job retention or job progression services have not formed part of their core provision. Job retention or job progression also did not feature among the services available from JC+. In this context, the so-called Employment Retention and Advancement Pilot projects (ERA) constitute a noteworthy exception (Hendra et al., 2011). ERA pilots combined three forms of support for (former) benefit claimants in work over a period two years: follow-up support for (former) claimants in work in the form of personal interviews with JC+ advisers, financial incentives, and support to undertake training while working. They ran from 2003 until 2005 and aimed at breaking the 'low-pay no-pay' cycle for selected groups of benefit claimants, namely single parents who participated in the New Deal for Lone Parents, single parents already in work and claiming tax credits, and long-term unemployed benefit claimants who participated in the New Deal 25+. The long-term evaluation showed positive results, particularly for the latter group:

Earnings gains were accompanied by lasting reductions in benefits receipt over the five-year follow-up period. ERA proved cost-effective for this group from the perspectives of the participants themselves, the Government budget, and society as a whole. This is a noteworthy achievement for a group that is widely considered among the most difficult to help (Hendra et al., 2011, p. 2 f).

However, ERA services never outgrew their status as pilot project and only benefited a total of 8000 participants.

2.4. Governance of minimum income provision and related services in the mid-2000s

Even though the UK has a comparatively centralised benefit system, governance of provision for working-age benefit claimants is nonetheless complex. This is illustrated by the ‘governance map’ (Figure 25), showing the most important institutional actors in policy making and delivery of MIP benefits and services for one exemplary city, namely Edinburgh in Scotland. While a comprehensive description of all these actors and institutions is beyond the scope of this report, this section discusses some of them. It first sums up the organisation of MIP in the UK in terms of administration and policy making in the mid-2000s, and then turns to briefly analyse the functioning of the key agencies involved in delivery.

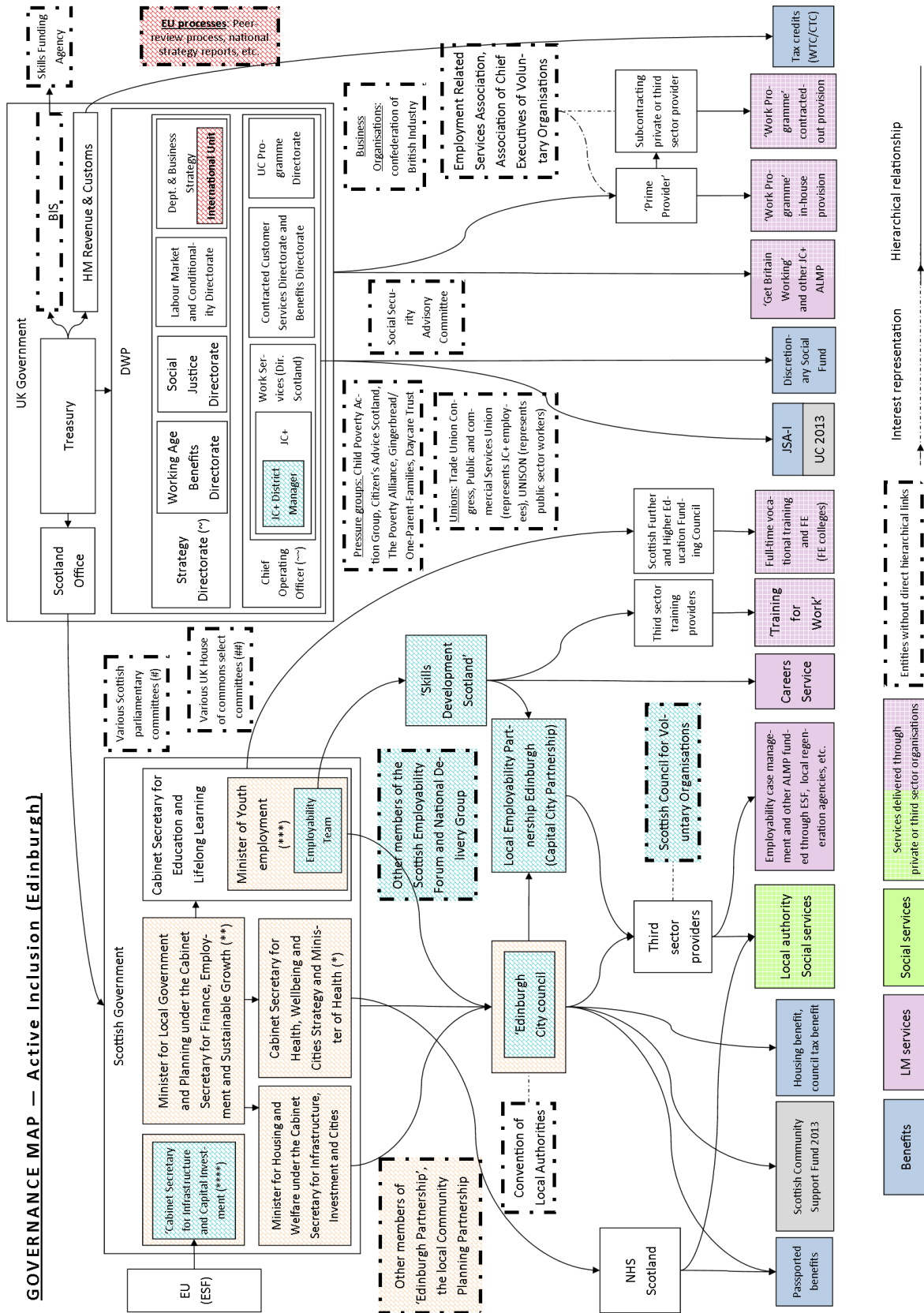
2.4.1. Administration and policy making

Most social assistance benefits in the UK are fully paid from general (national) taxation. From 2001, the main responsibility for designing and administering means-tested as well as insurance-based national benefits has rested with the Department of Work and Pensions (DWP), the successor of the Department of Social Security. The MIP schemes Income Support, JSA, as well as housing benefit are all in its remit. By contrast, tax credits (WFTC and WTC/CTC) are administered by the Treasury. The reasons for this fragmentation across government departments are discussed below under section 3.3. The only MIP benefits not paid for by national taxation are council tax benefits, which are rebates granted by local authorities, as well as certain types of passported benefits.

ALMP for benefit claimants is also part of the DWP’s responsibility. By contrast, training and education for MIP claimants is devolved. In England and Wales, training is funded by the Department for Business, Innovation and Skills and its national agency, the Skills Funding Agency (SFA). In Scotland, these tasks are assumed by the Scottish Government and its agency Skills Development Scotland (SDS). Furthermore, the provision of social services is devolved directly to local government. The 1948 Social Assistance Act set out the role of local authorities as the providers of social services. This principle still stands today, despite a number of reforms in this area. Local government affairs fall under the responsibility of the Department of Communities and Local Government in England, but are devolved responsibilities in Scotland and Wales.

An analysis of policy making and delivery in this field in the UK is complex due to the country’s multi-layered governance structure. This has two implications. First, while most MIP policies are administered uniformly for the whole country, some benefits and services are devolved to regional governments – namely the Scottish, Welsh and Northern Irish administrations – as in the already mentioned case of training provision for unemployed people. Second, while certain areas are in principle not devolved matters, regional governments – often in cooperation with local government actors – may in practice provide extra services in addition to services provided through national agencies. A key example in this respect is the provision of employability services in Scotland, mainly through local authorities. The complexity arising from different, partly overlapping government levels with partly contradicting agendas and political views is discussed in detail in sections 3 and 4.

Figure 25 Governance map UK (Scotland, Edinburgh)



2.4.2. Delivery

The benefits (e.g. Income Support, JSA) and services (ALMP) in the remit of the DWP are delivered through its national agency, Jobcentre Plus (JC+). The 2001 merger of the Department of Social Security with part of the Department for Education and Employment (previously the Department for Employment) into the new Department for Work and Pensions (DWP) led to the creation of JC+ as its new delivery agency. It was rolled out nationwide from 2002 (NAO, 2008) and constituted a 'one-stop-shop' for all working-age benefit claimants, including unemployment benefits (insurance and means-tested), Income Support for single parents, as well as incapacity related benefits.

JC+ is managed through a tight system of performance targets. The performance targets in place before the 1990s at the Jobcentre were mainly output based, and neither performance pay nor other forms of performance measurement played a major role in service delivery (Considine, 2000, p. 631). This changed gradually throughout the 1990s, with job entry targets increasingly playing a substantive role for the internal Jobcentre (and later JC+) governance (Mosley et al., 2001, p. 47 ff). In order to circumvent risks of excessive creaming and parking (Wright et al., 2011) performance targets were weighted, awarding more points for job entries of claimants who were considered more distant from the labour market. (Johnson and Nunn, 2005; Nunn et al., 2007; Kaltenborn et al., 2010, p. 184 ff). Furthermore, job outcome targets (in the form of the so-called JOT indicator) always remained one indicator among a larger set of performance indicators, which together formed a 'mixed economy' of outcome, service and process measures (Nunn et al., 2009, p. 47). Observers have linked this regime of governing through targets to a wider restructuring process happening in jobcentres and JC+ during the 1990s and 2000s, where the increasing emphasis of governing through targets has gone hand in hand with a decline in expertise among the lower and middle ranks of management.

One of the things that has happened over many years is that management structures have flattened. Which means that managers at anything above a fairly junior level have no real role in the decision making of the benefit or the quality-management of the benefit.

So what there has been -- and that is not particular to our organisation at all -- is a loss of that sort of technical expertise in the senior grades, and also the junior grades. We now have a line of very junior people who are actually making the decisions, who are the technical people. Today, any manager at almost any level within the organisation has very little role in the actual technical delivery, but they are there to ensure that the organisation keeps running. And therefore they are looking at targets. All they can really do is monitor targets and make sure people are sitting at the right desk at the right time. (Interviewee 14, DWP)

In other words, a general loss in technical expertise especially among management has made governing through targets almost a necessity. This may also explain why a recent relaxation of the previous strict regime of centrally defined targets has not automatically led to a change in JC+'s management culture, with local district managers keeping a fine-grained set of output- and outcome-targets to evaluate performance.

In terms of employment services delivery JC+ has, since the introduction of the New Deal programmes from the end of the 1990s, increasingly relied on contracting provision to external provider organisations, both private and third sector. In fact, one can observe a major expansion of contractualism in the area of employment services over the course of the 2000s, resulting in the large-scale involvement of non-state actors in the provision of employment services (Wright, 2011). The delivery structure of New Deals however differed by target group. While the New Deal programmes for long-term unemployed people and for young people were delivered mainly by the JC+ (although this could involve referral to other, externally purchased services such as Programme Centres during the ‘Intense Activity Period’, see Figure 22 above), private providers were contracted to deliver large parts of the whole New Deal advice and guidance process in the case of incapacity related benefit claimants or single parents. Furthermore, in 15 urban areas characterised by high levels of worklessness, so-called ‘Employment Zones’ were established from 2000 onwards. These constituted a variation on the New Deal programmes and gave a much larger role to private and third sector providers.

A key innovation of the New Deals was the widespread use of performance-based contracts. New Deal providers were paid through a combination of registration fees, job-entry payments and, if claimants managed to hold down a job for at least 13 weeks, sustained job outcome payments (Stafford, 2005, p. 45 ff). The focus was decisively on hard job outcomes, as DWP funding did not reward claimants entering part-time work of less than 8 hours per week, or participating in measures such as supported employment, voluntary work, education or training. Within this context, private providers operated under a ‘black box approach’, that is they were relatively free in choosing the types of ALMP they wanted to offer.

Apart from these forms of ‘work-first’ or ‘employability’ provision from JC+ or contracted New Deal providers, there has been a long history of contractualism and private sector involvement in the area of training provision for unemployed people. Since 1988, so-called ‘Training and Enterprise Councils’ – essentially private companies – were responsible for delivering all sorts of employment services, including training, for the Jobcentres. Most notably, they were contracting-out the provision of programmes such as ‘Training for Work’ using performance-based payment models already throughout the 1990s (Finn, 2005, p. 102 f), inevitably entailing charges of creaming and parking (Felstead, 1993, p. 13). After the abolition of Training and Enterprise Councils, training became the remit of DWP and JC+, and, since 2006, is delivered on behalf of the Department for Business, Innovation and Skills (BIS) through a variety of private providers. In Scotland, private providers (such as colleges) deliver training on behalf of Scottish Government.

Tax credits (WFTC and WTC/CTC) have, since their introduction, been administered by the Inland Revenue government department and, from 2005, its successor HMRC (Her Majesty’s Revenue and Customs). While JC+ gives advice on claiming in-work-benefits, the tax credit system is administered solely through HMRC, and paid directly into claimants’ bank account. Interaction with staff is usually limited to the HMRC telephone helpline.

Social services are delivered either directly by local authorities or through private or third sector organisations contracted by local authorities. The governance of social services saw large scale reform in the form of 1990 National Health Service and Community Care Bill, which would require local authorities to purchase a minimum of 85% of care provided from private or voluntary providers. Contracts were to be awarded as a result of competitive bidding process (Lowe, 2005, p. 350 f). While the 85% requirement was dropped under the

Labour administration, the share of services contracted to private providers has not fallen. New Labour tried to strengthen the role of not-for-profit voluntary organisations in the provision of social services through setting up a formal compact in 1998, and introduced tax incentives for donations in 2000 (Lowe, 2005, p. 411 f).

Again, in comparison to other European countries it is noteworthy that childcare provision is traditionally not included within the package of social services provided by or on behalf of local authorities. Childcare is generally provided through the market, and where local authorities during the 2000s have started to fund part-time childcare for 3 and 4 year olds (see 2.3), they usually have done so by using the existing structure of private childcare provision. An exception has been the 'Sure Start' provision for children in more deprived neighbourhoods (see 2.3).

3. The Dynamics of Active Inclusion Reform

The remainder of this report analyses reforms in the area of MIP from the mid-2000s to the present. At UK level, this period covers two major events of obvious importance for anti-poverty policy; the onset of the global economic crisis in 2008, and the election of a Conservative-Liberal coalition government in May 2010, bringing to an end 13 years of uninterrupted New Labour rule. With reference to Scotland specifically, it also includes the elections of the first governments of differing political ‘colour’ from the Westminster administration, a minority Scottish National Party (SNP) government from 2007, and a majority one from 2011. Particularly since 2010 this has resulted in a marked divergence between Scotland and the rest of the UK in the debate around poverty issues, even though the scope for actual policy divergence is still limited by the existing constitutional settlement. The present section discusses the political and institutional drivers of recent policy changes in the UK and Scotland, before section 4 analyses their implications for the current structure of provision for poor people of working age.

3.1. The political construction of the reform agenda

Recent MIP reforms in the UK have been shaped by a specific framing of the problem of working-age poverty, which is broadly common to the main Westminster political parties. After discussing this at a general level, the analysis moves on to consider three themes in the policy debate that have followed from this framing – activation, making work pay and benefit simplification – as well as two further themes that have intersected with it at various points, namely combating child poverty and public sector ‘modernisation’. The aforementioned divergence between Westminster and Holyrood in recent years will be illustrated by a separate analysis of how each of these themes has figured in the Scottish policy debate.

3.1.1. The political debate at UK level

The political construction of the problem

The issue of poverty among working-age people in the UK has tended in recent years to be understood essentially as a problem of high reliance – or even ‘dependency’ – on social benefits. Moving people off out-of-work benefits has therefore been seen as the core of policies to combat poverty. Under both the previous Labour government and the current Conservative-Liberal Democrat coalition, the concern to reduce volumes of working-age benefit claimants has been very high on the political agenda. The problem of high numbers of claimants has generally been related to two different sets of explanations, which however tend to overlap in political discourse; a structural argument about the impact of low incentives to work, and a behavioural argument about the development of a ‘dependency culture’.

Policy discourse in both the main parties in recent years has tended to encourage a perception that benefit claimants are ‘shirkers’ who are abusing the benefit system by choosing not to work. While such a discourse is a long-standing feature of Conservative policy, it is more novel for the British political left. However, since their election victory in 1997 New Labour has also – and increasingly – favoured a ‘tough’ stance on benefits. While this was ostensibly a strategic move to try and win-back swing voters, it has arguably helped to popularise such attitudes within the core left-wing electorate. Public opinion studies show that perceptions of benefit claimants’ deservingness have deteriorated in general in recent years, and most

markedly among traditional Labour voters, highlighting the direction and effectiveness of Labour's political rhetoric (Sefton, 2009).

In terms of public opinion, we're still dealing with the legacy of New Labour. If you look at public opinion surveys, the group whose opinions changed most, which is responsible for a lot of the shift in public opinion to a harsher view of social security, it's Labour supporters. You can crudely summarise their response as, "well, if even the Labour party says that there is a problem here, there must be!" (Interviewee 7, Trade Union Congress)

Already under the Labour government, high benefit volumes were attributed to the issue of 'benefit dependency', which at least implicitly was likened to the behavioural deficiencies of unemployed (or more generally workless) people. Tellingly, this framing focuses mainly on the phenomenon of entrenched, long-term benefit claimants considered 'distant from the labour market', even though the majority of benefit claimants are low-paid and insecure workers who frequently cycle between work and worklessness (Shildrick et al., 2012), as well as an increasing share of low-wage workers who top up their incomes through in-work-benefits (see Figure 16 above).

In his original report for the Labour government, Lord Freud had a fundamental misunderstanding about the group of people who were long-term unemployed. There's a group who is very entrenched long-term unemployed – but that's a very small group. The much bigger group, which they wrongly associate with the long-term unemployed, that's those who are in-and-out-of-work. Those who can only get temporary jobs, or part-time, etc. (Interviewee 1, MP Labour)

Notwithstanding the fundamental misdiagnosis at the heart of the 'benefit dependency' concept, this behavioural explanation of high benefit volumes, and with it the suspicion of the moral qualities of benefit claimants, has if anything been radicalised under the current coalition government. The ruling coalition government – though principally the Conservative Party, the largest coalition party – has been much more open in expressing harsh views on benefit claimants than its Labour predecessors. As some political critics point out, the current coalition government appears to exploit the stereotype of a 'culture of worklessness' to mask the real socio-economic problems in contemporary Britain.

Interestingly, the political debate sticks with the long-term unemployed, although they're only a proportion of the unemployed, and despite the current rise in 'normal' unemployment. That's because it is convenient to talk about the LTU, and not about the working poor or the under-employed. The debate just confirms existing assumptions. It's important to understand that the LTU are a very small proportion of the total. LTU has soared since the onset of the crisis, but that's because of economic factors, not because of a culture of worklessness. (Interviewee 9, Member of Parliament SNP)

This discourse goes hand-in-hand with the ostensible belief that people can find work if they only want to, thereby holding them (alone) responsible for not finding work, notwithstanding the current economic situation. Worryingly, there is some evidence that this view is shared by (at least some) of the service providers whose job it is to bring long-term unemployed claimants back into work.

The biggest obstacle to our customers working is attitudinal, rather than lack of jobs or various other challenges (Interviewee 5, Work Programme provider)

There were always routes for people who decided that they were trying and change their lives themselves. Now, there is a level of conditionality and direction. The state is no longer willing to ignore the evidence of traps. (...) There will always be some people who, through disability or circumstance, find themselves disadvantaged and excluded. But we're now trying to change the whole culture, in terms of what is acceptable. (Interviewee 12, UK)

Not unreasonably, many observers attribute the current radicalisation of the political discourse around welfare to the government's desire to cut (welfare) budgets in the context of its overall austerity programme. While the observation that people face structural barriers to returning to work calls forth potentially expensive policy responses, the 'pathologisation' of a supposed culture of worklessness can serve to justify cuts to benefits and reduced investment in support services.

It suits the UK government to picture people as either scroungers or needing to get back into work. And if they need to get back into work, they are deserving and therefore they get the help. But it is fundamentally about cutting the cost down. (Interviewee 15, Scotland)

That being said, both political camps fundamentally agree that low work incentives are to an extent also caused by low wages, on the one hand, and by an overly complex benefit system that in itself constitutes a barrier to moving into employment, on the other. The Labour government arguably placed more emphasis on the issue of low wages, and accordingly introduced a National Minimum Wage (in the face of considerable Conservative opposition at the time) and greatly increased in-work-benefit provision to help top up low incomes. The complexity of the benefit system was also seen as a potential barrier to work, which led Labour to draw up plans for introducing a simpler system in the form of a 'single working age benefit'. However, this plan never became reality.

Again, the current coalition government has been effective in shifting the emphasis of the policy debate. Concerns about low wages have arguably become a lower priority, and there has been a slight reduction in the generosity of tax credits (see section 4). By contrast, reducing the complexity of the benefit system has become top priority. In effect, the coalition government is implementing its own version of a single working age benefit, the so-called Universal Credit over the course of 2013. These issues are taken up in the following subsections.

Activation: conditionality, services and benefit levels

Against the backdrop of high numbers of benefit claimants, particularly in categories outside regular unemployment benefits, such as Income Support or incapacity-related benefits, the Labour government embarked on a mission to reduce benefit claimant caseloads and improve employment rates. It set full employment – defined as an 80% employment rate – as one of its main priorities (McKnight, 2009). Accordingly, the focus of the welfare reform debate shifted from issues related to transfer payments (before 1996) to the activation of benefit claimants, i.e. ways of integrating them into the labour market. Ideologically, this relates to

what could be termed ‘behaviouralisation’ of poverty, as well as definitive shift on supply side explanations of unemployment. In terms of target groups, the focus was generally – but increasingly so during the second half of the 2000s – on single parents, as well as claimants of incapacity-related benefits. This constituted a notable shift from focusing on unemployment towards inactivity or non-employment more generally (Meager, 2007).

Initially, Labour’s activation approach can be considered relatively multi-dimensional (at least for UK standards) in that it contained elements of both ‘positive’ and ‘negative’ activation. Concretely, increases in conditionality (‘negative activation’) were combined with the commitment to improve quantity and quality of employment service provision (‘positive activation’).

During the depth of the Thatcher and Major governments, Unemployment Benefit Offices were there to pay the benefit and then send people away. There wasn't a huge amount of conditionality attached to it. So, the driver was very much around income protection, and providing a safety net for people. The system itself tended to be quite inactive.

Around the world, there has then been the move towards more active labour market policy. So, to some extent, the [Major] government started to change things, and when the Labour government came in in 1997, they went further and started to talk of work as the best way out of poverty. (...) So we brought in things like the New Deals, with more conditionality attached. They talked a lot about rights and responsibilities, about a deal between the claimant and the state. So it was a move from a very passive benefit system to something that becomes a stepping stone to work. Not the benefit itself could [prevent] poverty, it is just seen as a helping hand to move yourself out of poverty. (Interviewee 11, policy adviser at DWP)

In terms of ‘negative activation’, Labour introduced two key reforms during the 2000s. First, conditionality increased for significant shares of single parents and claimants of means-tested incapacity related benefits, who were re-categorised as ‘regular’ jobseekers and shifted over to means-tested JSA with its generally stricter conditionality regime (compared to Income Support). Second, (limited) work conditionality was introduced for claimants of benefits other than JSA, too. In terms of ‘positive activation’, the Labour government invested in developing a new set of employment services to help benefit claimants into work, the so-called ‘New Deal’ package. For details on the New Deal, see section 2.2.

If Labour’s approach to activation can be considered somewhat multidimensional, combining increases in conditionality with an improved quantity and quality of service provision, the current coalition government has been pursuing a less multidimensional strategy, focusing to a greater extent on increasing benefit conditionality and less on providing employment services. Austerity as an overarching government policy can be considered an important driver of this change. However, the re-orientation towards cheaper employment services and more conditionality can also be related to the fact that the current government generally has a more pessimistic view of the potential value of employment services for helping people back into work – possibly also shaped by the unfavourable economic climate – compared to the previous Labour administration.

I think you have to ask yourself how effective ANY government intervention in the labour market is. I would argue that it has impact around the edges, but that the impact is marginal. The main driver of employment is, and always has been, the economy. (Interviewee 11, policy adviser at DWP)

The rather sober assessment of the effectiveness of ALMP should not be interpreted as a shift away from supply-side explanations of unemployment. On the contrary, the current government stresses even more the cultural and behavioural dimension of unemployment, which it however aims to tackle primarily through the further tightening of conditionality. In terms of concrete policies, the introduction of ‘Universal Credit’ from 2013 increases conditionality for single parents, as well as for workers who receive in-work-benefits and don’t work full time, and who (in principle) can be required to work longer hours. Furthermore, there are once again ideas to introduce outright workfare policies. However, as always it is questionable whether workfare plans are more about political rhetoric than about putting forward realistic policy options.

There is a lot of emphasis that people are not in the system, we don't want to give a benefit and allow them to vegetate. It is a mixture of carrots and sticks really. It's both sides, and the latter is probably taking more emphasis these days. (Interviewee 14, DWP)

I don't think that mandatory work programmes will be implemented -- the jobs would need be created or found in the first place, and then they would require huge levels of supervision (...). You get big headlines on this, but I haven't seen any of this working. Instead, what is likely to happen with people who are sitting on benefits for a long time, is an increase in sanctioning. (Interviewee 1, MP Labour)

Furthermore, the current coalition government – and largely its main component, the Tories – has stepped up ‘negative’ activation by staging a debate on benefit generosity. In various ways, they have criticised the apparent ‘injustice’ of sustaining allegedly overgenerous benefits for the workless while workers struggle at the same time. For example, a concrete proposal to limit the benefit up-ratings to 1% annually over the period of the following three years was widely discussed and has by now been legislated. The main argument has been that wages have recently increased at below-inflation rates, which is why benefit increases at the level of inflation are unjust. (This is ironic because in the 1980s, benefit up-ratings switched from a system that was oriented to match wage increases to one that was pegged to – then lower – inflation, with the intention of cutting benefit levels). Similarly, the Tories have started a debate on under-occupancy among housing benefit claimants, and they have picked out the apparent ‘injustice’ of families whose total receipt of benefits is higher than that of average workers, which in practice may occur due to high needs (such living in high-rent cities, such as London, or having kids). The latter issue has resulted in the introduction of the so-called ‘benefit cap’, effectively limiting the total amount of benefits per household regardless of need. For more details on this, see section 4.1.

It has been noted that the general direction of travel since the end of the 1990s has been a decisive adoption of supply-side explanations of unemployment, by both Labour and the Conservatives. It is interesting in this respect that the Labour government implemented some noteworthy demand-side policies to stabilise unemployment in the wake of the economic crisis in the late 2000s. Concretely, its first response to the quickly rising unemployment was

to implement a large-scale job creation programme, the so-called Future Jobs Funds. It ran from 2009 until 2011 and, during this period, reached roughly 100,000 young people. A further 100,000 people participated in related programmes such as training and the so-called ‘community task force’ (DWP et al., 2011). Given the general irrelevance of demand-side policies in general and job creation in particular, this policy is relatively unparalleled in the recent history of employment policy in the UK. However, the current coalition government scrapped the Future Jobs Fund after their election, again as part of their encompassing austerity measures package.

Making work pay

Closely linked to the activation theme, another key issue on the political agenda throughout the 2000s has been to ‘make work pay’ – through the introduction of a National Minimum Wage (NMW) in 1999 on the one hand, as well as the expansion of in-work-benefits on the other hand. In a sense, while activation addresses claimants’ behaviour as an individual problem, the make work pay agenda – as well as the simplification agenda discussed below – conceptualise work disincentives as resulting from more structural conditions.

In the case of in-work-benefits (i.e. tax credits), low pay is seen as structural explanation for benefit claimants’ alleged work disincentives. Tax credits, then, are meant to improve the incentive structure for benefit claimants who consider moving into work, without however addressing the problem of low wage work in general (see section 1.1) or employers’ reluctance to invest in skills. In other words, a comprehensive system of in-work-benefits lets employers to a certain extent off the hook, and it has also served as a substitute for higher NMW levels.

Tax credits let employers off the hook. A result of tax credits has been that the National Minimum Wage became sort of the norm. There were no incentives for employers to pay more, because staff wouldn't have been better off [because of tax credit withdrawal rates]. We should have done more to get the NMW up to living wage levels. (Interviewee 1, MP Labour)

Analytically, this means that a far-reaching system of in-work-benefits support may be a mixed blessing for its recipients, as it is likely to reinforce a system of low pay in the long run (Dean and Mitchell, 2011), further cementing the UK’s ‘low-skill equilibrium’. However, it is noteworthy that Labour’s heavy investment in tax credits has always been welcomed by trade unions, albeit as a second-best option.

We took the view, firstly, that we weren't going to get the direction that we wanted, towards revitalisation of social insurance. And secondly, at that time it was an extra 1bn Pound a year, and you could not turn down a billion Pounds for low-paid workers. It would have been ludicrous for us to set ourselves up in opposition to that. So, we have necessarily been in the position of supporting tax credits right from the start.

You're always going to need some sort of wage supplementation system – for as long as we have the existence of low pay. Obviously, we need to get rid of low pay, but in the meantime, we need some sort of wage supplementation system. (Interviewee 7, Trade Union Congress)

The concrete functioning of tax credits are discussed in greater detail in sections 2.1 and 4.1. As already demonstrated by Figure 16, currently more working-age people receive in-work tax credits than out-of-work benefits (excluding incapacity-related benefits). While tax credits for workers have existed since the introduction of the Family Income Supplement in 1970, uptake has accelerated substantially after the 2003 reform not least due to an increase in generosity. According to Dean and Mitchell (2011, p. 4), the 2003 reform “signalled the point at which the UK finally and irrevocably accepted a principle that had in a previous era been decisively rejected”, i.e. the resurrection of a Speenhamland-like system that helps employers recruit personnel for entry-level jobs at extremely low rates.

In terms of political competition, the make work pay agenda is broadly shared across parties. While opposing it at the time of introduction, the Tories are today also committed to the institution of the NMW. And although it has been demonstrated that the current government is upping the ‘sticks’ in terms of conditionality, it also remains committed to providing in-work-support through tax credits. When reforming tax credits, Labour wanted to avoid subsidising low working hours, which is why tax credit receipt was conditional on a minimum weekly working time of 16 hours. This rule has been abandoned by the current government. By doing away with the 16 hours threshold and by cutting the overall level of benefits (see above), the current government could be said to pursue the make work pay agenda even more radically, raising the attractiveness of low-paid work and lowering that of benefits. It merges tax credits with all other means-tested working-age benefit schemes into Universal Credit in 2013, leading to a number of changes (such as a single benefit taper – see section 4.1). This does not, *prima facie*, result in a deterioration of the conditions of in-work-support. However it has to be noted that support for childcare funding through the tax credit system has already been lowered by the current government, which calls into question its commitment to use tax credits to effectively raise female employment and possibly also as a means to combat (child) poverty.

Simplification of the benefit system and accepting the role of means-testing

A key component of the political debate on MIP in the UK since the 2000s has been to lament the fragmentation of working-age means-tested benefits (see Figure 17) into a number of out-of-work (Income Support, JSA) as well as in-work-benefits (CTC, WTC). Nevertheless, still in 2008 another benefit scheme was separated out from Income Support, namely the so-called Employment Support Allowance for disabled or incapacitated benefit claimants³. This complexity has been seen as a source of confusion and inefficiency, as well as a barrier to re-integrate claimants into the labour market. It has already been highlighted above that under Labour, risk-re-categorisation processes (Clasen and Clegg, 2011) such as the re-categorisation of single parents and incapacity related benefit claimants as jobseekers resulted in an increase in conditionality. In other words, there is an overlap between the simplification agenda, which aims to reverse benefit fragmentation, and the activation agenda, which aims to increase work conditionality for benefit claimants. However, over time the simplification debate gradually metamorphosed into a structural explanation for

³ ESA comes, just as JSA, in an insurance-based (ESA-C) and a means-tested variant (ESA-I). The latter replaces Income Support for claimants with disabilities, the former replaces ‘Incapacity Benefit’. ESA claimants with less severe disabilities are categorised into the ‘work related activity group’, which requires them to take part in work-related interviews at JC+. Claimants with more severe health issues are categorised into the ‘support group’, which does not come with behavioural conditionality attached. Apart from obliging a large share of incapacity related benefit claimants to engage in work-related activities, the ESA regime’s stricter work-test has furthermore led to the re-categorisation of many claimants as ‘regular’ job seekers under JSA, and consequently to an increase in conditionality (Grover and Piggott, 2010).

claimants' alleged work disincentives. Work disincentives, or 'benefit dependency', are now being related to the complexity of the benefit system. In particular, it is highlighted that out-of-work benefit claimants are left confused and insecure about their potential income when taking up employment due to different regulations and taper rates for in-work and out-of-work benefits.

Under the system as it existed throughout most of the 2000s, already a small amount of extra earnings could lead to a steep withdrawal of tax credits, or a sudden withdrawal of other benefits such as Housing or Council Tax Benefits. "The interaction of all these tapers can lead to Marginal Deduction Rates of almost 100%" (DWP, 2010b, p. 15). Furthermore, under the working tax credit, workers received most benefits when working for the minimum permissible weekly working hours (16, 24 or 30 hours depending on family type). "Under the current system, it is actually irrational for an able person to work at all on low pay" (CSJ, 2009, p. 150; see also DWP, 2010b, p. 43).

The re-categorisation reforms implemented under Labour led to a degree of simplification of the benefit system in that they increased the relative weight of its central pillar, namely means-tested unemployment benefits (JSA-I) vis-à-vis Income Support or incapacity related benefits. Beyond these reforms, concrete plans had been discussed to introduce a so-called 'single working age benefit', uniting all means-tested benefit schemes (cf. DWP, 2008; Freud, 2007). A key idea behind this was not only to tackle attitudinal or behavioural work disincentives, but also work disincentives created by the complexity and fragmentation of the benefit system itself. Through a simplification of the benefit system, it was suggested that labour market participation of benefit claimants could be increased. In the words of a government green paper, reforms should ensure that "for those who are capable of working, there will be no right to a life on benefits" (DWP, 2008, p. 12). However, Labour in the end did not follow through with introducing a single working age benefit. Two reasons can be identified for this hesitancy. First, a single benefit scheme with a single withdrawal rate for all claimants makes it difficult to account for different needs (which so far had been taken into account through various benefit add-ons, so-called 'premiums'). Second, a comprehensive overhaul of the whole benefit system of this magnitude would come at a political and financial price. While the DWP under James Purnell was keen on moving towards implementing a single working age benefit, the Treasury under Gordon Brown eventually could not be convinced that its potential value would outweigh these costs.

There is great continuity between the previous Labour and the current coalition government in terms of the general direction of travel towards simplification. While Labour had eventually shied away from moving to a fully integrated system of means-tested benefits, the current government came into office with sufficient 'drive' in order to push changes through in spite of existing concerns. The high-level commitment of the secretary of state for work and pensions, Ian Duncan Smith, also helped to secure the funding and support within the Conservative party necessary to implement the reform. The result of this is Universal Credit, which will be introduced in autumn 2013, replacing Income Support, means-tested JSA and ESA, housing benefit, as well as tax credits (child tax credit and working tax credit). Insurance-based JSA and ESA will remain outside the Universal Credit edifice (however rates will be fixed in line with Universal Credit). A result of this re-grouping is the homogenisation of benefit rates and benefit tapers for all claimants of means-tested benefits. Also, Universal Credit can be expected to reduce complexity, as it will be administered by a single agency – the DWP – in contrast to the current situation, where claimants have to deal with several agencies, including the DWP (e.g. for JSA or ESA), the HRMC (e.g. for tax

credits or child benefit) and local authorities (e.g. for housing benefits or council tax benefit). For more details on the Universal Credit, see section 4.1.

The key traits of Universal Credit have been outlined by a government white paper (DWP, 2010b), which in turn follows the lines of a previous report from the Conservative think tank ‘Centre for Social Justice’ (CSJ, 2009), headed by the current secretary of state for work and pensions, Ian Duncan Smith. However, the similarity between Labour’s ‘single working age benefit’ and the Conservative ‘Universal Credit’ is indicative of the uncontroversial character of the policy debate on non-employment, at least from the perspective of party politics. The continuity between the Labour and the coalition government is not least ensured through a surprising degree of personal continuity, best exemplified by the figure of David Freud. Freud, once adviser to the Labour government and author of the influential 2007 report “Reducing dependency, increasing opportunity” which outlined a vision for a single working age benefit, was appointed Minister for Welfare Reform under the coalition government in 2010.

The current government has repeatedly stressed that the complexity of the benefit system prevents claimants return to work and causes ‘benefit dependency’ in order to justify its simplification agenda. Simplifying an overly complex benefit system, as well as providing more positive incentives to take up low paid work in the form of tax credits (or, from 2013, in-work ‘Universal Credit’) thus play a key role in tackling the environment of the ‘dependency culture’. In a recent speech, Prime Minister David Cameron said:

"We have been encouraging working-age people to have children and not work, when we should be enabling working-age people to work and have children. So it's time we asked some serious questions about the signals we send out through the benefits system." (Cameron, 2012)

It is useful to put this idea into the context of the overall development of means-tested benefits over time. After all, when the benefit system in its current shape was created after World War II, means-testing was confined to a residual role, in order to top up benefit incomes from various insurance-based benefits – most importantly unemployment insurance. However, the decline of contributory benefits over time led to the converse growth in volumes of means-tested benefits. As already discussed in section 2.1, means-tested benefits then became more and more fragmented since the second half of the 1980s, subsequently splitting into JSA, Income Support, means-tested incapacity related benefits and tax credits. The plans for an overall simplification through uniting different means-tested benefits into one single scheme therefore can be interpreted as the attempt to *return* to a unified system, however without giving up the overall dominance of means-testing that has emerged over the course of the past 60 years.

The alternative of strengthening insurance benefits, by contrast, does not enjoy any serious form of political support among political parties. While the trade unions remain supporters of the idea of contributory benefits (Bell and Gaffney, 2012), a fundamental shift in the political debate can be attributed to Labour’s turn towards means-testing. Within the Labour party, this turn was driven mainly by Harriet Harman, Secretary of State under the first New Labour government. The fundamental reason for this turn can be seen in the desire to keep a lid on (short-term) expenditure.

In the day, when you've got to make decisions about the now, it is very hard to say "we shouldn't concentrate our resources on the poor". But doing that creates a political dynamic which doesn't work immediately, but which definitively means that 10 years from now, or 20 years from now, you'll find it harder to raise the money for the poor. (Interviewee 7, Trade Union Congress)

While there is still some public support for the idea of contributory benefits – that has prevented politicians from abolishing it completely – it currently does not play a significant role among policy makers.

Within what I would call the welfare community, so the group of organisations whose job it is to get people back to work, the idea of a contributory system has been eroded to practically nothing. It's largely meaningless.

The public perception of that is very very different. So, politically speaking, ministers will want to hang on to it. The idea that somebody pays into our national insurance scheme and then the benefits are what you get back afterwards plays well politically. There is a certain part of the population that still believes that. Probably older middle-class people. (Interviewee 11, policy adviser at DWP)

Furthermore, it has to be noted that the introduction of Universal Credit will lead to a further weakening of the principle of contributory benefits, as claimants who have an entitlement for contributory unemployment benefits will in future not be required to claim these before or instead of accessing means-tested Universal Credit.

And what we are doing with Universal Credit now is quite a big step. Up until now, and including now, it has always been the case that anybody who has an entitlement to contributory benefits would always get that first, and then you would look to the means tested top-up. And that is derived from the 40s.

Under universal credit, we are now effectively reversing that. Under Universal Credit it will be no longer the case that people who are entitled to contributory benefits will have to claim them. Basically, somebody can choose whether or not they claim contribution-based JSA, or contribution-based ESA under Universal Credit. That's a big change in terms of the emphasis we're putting on means-testing as opposed to contribution. (Interviewee 14, DWP)

Tackling child poverty and social investment: benefits or behaviour?

The political debates discussed so far have all related directly to working-age benefit claimants – their deservingness, their behaviour, and their place in the benefit system. However, a number of themes in the broader policy debate have had more indirect influences on policy in this field, a first example of which is the debate around child poverty.

The child poverty agenda is key for understanding the overall framing of poverty and related policies in the UK. It goes back to the 'Commission for Social Justice' chaired by Patricia Hewitt when Labour was in opposition in the mid-1990s. Child poverty was then championed by Tony Blair and Gordon Brown when Labour came into power, resulting in the ambitious target to eliminate child poverty by 2020. Four interrelated factors can be seen to have influenced Labour's (successful) attempt to make child poverty a top priority. First, child

poverty in the UK had become very high by European standards, with 34% of children living in poverty at the time when Labour took office, up from 14% in 1979. This was the second worst record of all European countries, beaten only by Italy (Stewart, 2009, p. 47). Second, given the prevalence of ‘scroungerphobia’ and a general suspicion against claimants of means-tested benefits, children constitute the ultimate ‘deserving poor’. Redistributive policies can be more easily justified where it can be shown that they benefit (especially) families and children. Third, the Labour party under the influence of Tony Blair had adopted a (albeit somewhat thin, cf. Morel et al., 2012) social investment strategy, emphasising the link between child poverty and poverty and inequality in later life.

Social justice (...) demands that life chances should depend on talent and effort, not the chance of birth (...). We need to break the cycle of disadvantage so that children born into poverty are not condemned to social exclusion and deprivation. That is why it is so important that we invest in our children (Blair, 1999, p. 8, 16).

Finally, turning to fight child poverty has played a symbolic role in Labour’s metamorphosis into ‘New Labour’. Without forcing it to abandon poverty altogether, the child poverty theme associated Labour with a new and modern outlook on social policy, looking at redistribution in a more dynamic way. By improving the *opportunities* of the next generations, it was avoided to fall back into old battles which, since Thatcher’s election victory in 1979, still seemed dangerous to revisit, and possibly lost forever.

The child poverty agenda is relevant for transformations in the area of (working-age) minimum income protection, as it had a significant impact on the income situation of parents, particularly single parents. The number of children in poor households dropped by 21% over the period 1996/97 until 2010/11 (DWP, 2012c, table 4.1tr). The main driver behind this development has been a marked improvement in the situation of single parents. Poverty among single parents has dropped disproportionately by almost 40%, while poverty among children growing up in couple households has dropped only slightly, if at all (DWP, 2012c, table 4.14ts).

This achievement is largely the result of a two-pronged strategy (Stewart, 2009) of the Labour government, which right from the start of their time in government committed to an ambitiously high child poverty reduction target (halving child poverty over the period 1996/97 to 2010/11). First, it aimed to increase labour market integration of (single) parents, through tax credits (which also included payments towards childcare costs for workers) as well as positive and negative activation. Second, child poverty was to be reduced by a marked improvement of public services for children and parents, including the so-called ‘Sure Start Local Programmes’ (SSLPs) in deprived areas, which were later transformed into ‘Children’s Centres’ and rolled out to all areas in the UK. Similarly, a free part-time nursery place has been guaranteed to *all* children aged 3 and 4 (Stewart, 2009). Both these strands can be related to New Labour’s (partly) behavioural understanding of poverty (see above), as they intended to change (single) parent’s behaviour – be it through bringing them into work, or through improving parenting skills.

However, it has to be noted that the Labour government had not been completely won over by this ‘behavioural’ explanation of (child) poverty. In addition to the above mentioned two-pronged strategy, a third stream of policy activity consisted of subsequent above-inflation

increases in child tax credit (which was not conditional on participating in the labour market), as well as a massive one-off increase in child benefit in 2001.

While the first term of the Labour government was characterised by much policy activity in this area, indeed resulting in a significant decrease in child poverty, it has been observed that activity has markedly reduced since.

“In reality, very little has changed since 2004. Expenditure on tax credits and benefits, which had risen sharply in each year since 1999, has flattened out, with the expected impact on child poverty. Progress in reducing worklessness has also stalled. The government has continued to increase the number of formal childcare places available, but there has been little change since 2004 in the number of parents using them, suggesting that more should have been done to ensure affordability and /or that other factors are creating disincentives for parents to enter work. While government has turned to conditionality to try to beat the deadlock, high levels of in-work-poverty suggest that the failure to ‘make work pay’ may be a key culprit” (Stewart, 2009, p. 68).

A key omission in the debate on child poverty and labour market participation of (single) parents has been the persistent lack of affordable childcare. As demonstrated in section 2.3, childcare is more expensive in the UK than in most other European countries (Figure 23).

The current governments’ position towards child poverty is somewhat ambiguous. In terms of childcare provision for benefit claimants, the current government has taken discouraging steps by lowering the maximum childcare costs paid for by WTC from 80% to 70%. There are apparently no plans to accompany the introduction of Universal Credit in 2013 with policies to improve the childcare situation (cf. written evidence provided by the Child Poverty Action Group and the Trade Union Congress on the Universal credit white paper, see Work and Pensions Committee, 2011). Also, the planned introduction of a benefit cap is most likely to hit large families and thereby increase child poverty.

Until about 2 or 3 years ago, I would almost have been laughing off the idea of a benefit cap as extreme nonsense -- simply because the political debate at that point was very much focused on child poverty. And so, to effectively penalise the children for the faults of their parents, was not even half way up the political agenda. But it clearly is now, at the very top, and it has been implemented to a degree in the benefit cap that is about to come in. (Interviewee 14, DWP)

There have also been attempts to qualify the way of measuring child poverty itself. The current government has stressed the supposed ‘arbitrariness’ of relative poverty thresholds, and at the same time emphasised the importance of tackling individual behaviour and bad parenting as causes of poverty (Wintour, 2012; Toynbee, 2012), calling for a more ‘multidimensional’ way of measuring child poverty. The position of the Conservatives in particular can therefore be characterised as a further behaviouralisation of poverty. If successful, this would eventually allow them to legitimise policies aimed at transforming individual behaviour – such as (negative) activation policies, possibly including benefit cuts – as anti-poverty measures. However, it has to be acknowledged that the current government has not gone as far as effectively lifting the current child poverty measure, which remains

based primarily on relative monetary income poverty. Child poverty remains an issue in British social politics, to which attention, or at least lip-service, must be paid.

'Modernising government'

A second theme that has intersected with debates on policies to combat working-age poverty has been public sector modernisation. Over the whole period under analysis, public service reform has been high on the respective governments' agendas. For the area of minimum income protection, this has had obvious implications as it has changed the way services – particularly employment services for assistance benefit claimants – are being delivered. Again, a certain consensus between the political parties can be observed. Heavily influenced by principal-agent theory (Le Grand, 2003), both Labour and the Conservatives have generally displayed a high level of mistrust in the ability of the public service to deliver services in an effective and efficient manner. In fact, a belief commonly shared in the political debate – and, interestingly, also within the higher levels of the civil service – is that the public sector, such as JC+, is in fact incapable of delivering quality, personalised services.

Under Labour, this has resulted in two types of reform in the area of employment services. First, the creation of quasi-markets has been the dominant theme in terms of operational policy reform. The New Deals, as well as their successor, the so-called 'Flexible New Deal', were key areas of experimentation with privatisation and contracting-out. This has resulted in a gradual transfer of responsibility for employment service delivery over to the private sector.

Successive governments have come up with the idea that central government -- to a large extent JC+ -- are not the best the place to determine what kind of support [unemployed people need]. That we're actually quite bad at it.

So the people who should be deciding are the people who are delivering it locally. So, the black box and the localisation have blossomed over the past 10 years. (Interviewee 11, policy adviser at DWP)

A key feature of this process is the so-called 'black box' contract, which does not stipulate any (or only few) substantial requirements in terms of actual service provision, and instead gives external providers the freedom to provide whatever services they deem necessary. This goes hand in hand with a move towards performance-based pay, as providers are rewarded mainly for contractually defined outcomes, such as job placements. While some of the New Deals, as well as the main ALMP programme for incapacitated claimants, Pathways to Work, still prescribed certain services that providers were obliged to offer, the general direction of travel has led to ever 'purer' and less prescriptive form of 'black box' contracts.

The pervasive ideology that private sector providers are in any case best placed to deliver public services has been a key driver for privatising employment service delivery through performance-related pay and 'black box' contracts. However, this is closely linked to another, more practical consideration. By privatising service provision in tandem with a wholesale move towards performance-related pay, policy makers have hoped to shift the risk of underperformance over to the private sector. In other words, by contractually defining outcome-targets (e.g. a certain percentage of claimants placed into employment), government would pass responsibility for reaching these targets on to private actors, assuming that it would be in the contracted companies' very business interest to do everything to reach these

targets. In order to sustain service provision even in (temporary) adverse economic conditions, or at the beginning of the contract (when no outcome payments have accrued yet), government has therefore come to favour financially strong companies, consequently crowding out smaller and third sector companies (Bennett, 2012).

It was already noted that the major political parties fundamentally agree on the direction of travel towards more privatisation and contracting-out through performance-related pay mechanisms. While the current coalition government has replaced previous ALMP contracting arrangements like Flexible New Deal or Pathways to Work with the so-called Work Programme, the latter has actually radicalised the concept of ‘black box’ contracting, leaving the role of determining the types and levels of service input entirely to private providers. Consequently, providers are now rewarded almost entirely through performance related pay, thereby – at least prima facie – shifting the risk of failing to bring claimants into work over to the Work Programme provider. It remains an open question, at the moment, whether the risk for poor performance has effectively shifted to private providers, or whether government will be amenable to re-negotiate contracts if private providers can show that these have been based on unrealistic economic projections. Not least related to the on-going economic crisis, current Work Programme performance is extremely poor (HC Public Accounts Committee, 2013). Interestingly, however, evidence of this does not seem to have undermined faith in the general privatisation ideology.

A second consequence of politicians’ and policy makers’ mistrust in the ability of the public sector to deliver services effectively and efficiently has been the large role played by management by objectives during Labour’s time in office. Targets have played a possibly even larger role under Labour than under the current Conservative-Liberal Democrat coalition government. During the 2000s, Labour oversaw the wholesale introduction of a plethora of (mainly) output-related targets. By contrast, the new government recently moved slightly in the opposite direction, reducing the number of centrally specified targets for JC+ and generally emphasising outcome-targets at the expense of (previously more important) output- or process-targets. This fits in with a new emphasis on promoting ‘localism’, involving the cutting-back of centrally imposed regulations. A number of initiatives have been the direct results of this new agenda. One example is the so-called ‘City Deals’ project, which gives various responsibilities previously held at central government level – as well as taxation revenue attributable to local level activities – directly to local government. To the extent that ‘localism’ initiatives are relevant for the area of minimum income protection, these are discussed in greater detail in section 4.

It was already noted under section 2.4 that the increased use of targets is intimately related to wider public sector re-structuring. As management has become removed from day-to-day administrative processes, it has to rely increasingly on targets in order to retain control of the street-level operation of public service delivery. It therefore remains an open question at the time of writing whether the recent relaxation of a previously very strict regime of centrally defined targets is likely to fundamentally change processes within JC+. In an alternative scenario, the pervasive target culture within JC+ may result in local district managers keeping a fine-grained set of output- and outcome-targets to evaluate performance in spite of more relaxed and outcome-oriented targets being set at central level.

3.1.2. Differences in the political debate between Scotland and England

There is fundamental disagreement with the thrust of UK welfare reform across large parts of the political spectrum in Scotland, and this has become particularly manifest since 2011 when a majority SNP government in Scotland has been in office at the same time as the Conservative-led coalition in Westminster. The Scottish government currently aims not only to mitigate the detrimental effects of UK-wide policy developments, but also to actively develop alternative policy ideas. This can be understood in the context of the upcoming referendum on independence in 2014, which requires drawing up (alternative) policy approaches for the scenario of an independent Scotland. At the same time, the possibility of independence nurtures the government's opposition to UK policy in general, as it is in the interest of the governing pro-independence SNP to maximise visibility of differences between UK and Scottish policy orientations.

The political rhetoric in Scotland differs from the main current of the UK debate in that the SNP government, and to a lesser extent the Scottish Labour Party, are more reluctant to characterise benefit claimants as shirkers, or to evoke images of a 'culture of worklessness' or 'benefit dependency'.

These quite stark differences between the Scottish and UK elite political debates are all the more remarkable given the fact that they are not mirrored by major differences in terms of public opinion. While 2005 survey figures indeed show more support for additional welfare spending or taxation in Scotland than in England, there are no significant differences in relation to other aspects of poverty and welfare policy. In fact, the proportion of respondents who regarded benefits as too generous, possibly leading to 'dependency', was higher in Scotland than in England (Sinclair et al., 2009). However, the political and policy community in Scotland seems to show a greater awareness that the majority of benefit claimants in fact are in work. This also links to the theme of promoting a living wage in Scotland (see below), which is largely absent in the rest of the UK.

The whole strivers and shirkers thing is not helpful, it is stigmatising. It's basically policy development by hate. At the extreme level people would characterise the coalition's approach like that. They are trying to build support by building up people's low opinions of other people. (Interviewee 13, Scotland)

Accordingly, the debate on the activation of benefit claimants has taken a slightly different direction in Scotland. While the UK debate has recently become very dominated by the consequences of the 'strivers and skivers' debate, leading to an overall shift from a more balanced variant of activation to one focussing much more on negative activation, the political debate in Scotland (at least from the SNP) has been less keen on increasing conditionality. Also, the decrease in investment in ALMP provision is less marked in Scotland due to the continuous involvement of Scottish government and local authorities through their own employability programmes.

Furthermore, there has been a modest shift in emphasis from supply-side to demand-side policies as a result of the crisis, possibly more so than in England. On the one hand, Scottish government is involved in the so-called 'Community Jobs Scotland Programme', basically a job creation programme for young unemployed people, delivered through voluntary organisations. On the other hand, the most recent reformulation of official Scottish

government employability policy ('Working for Growth') puts more emphasis on helping businesses to create jobs (albeit less through direct investment and more through providing support and infrastructure). This is intended to strengthen labour market demand, rather than to improve the quality of labour supply.

The (recent) Scottish debate on 'making work pay' again differs substantially from that in the rest of the UK. The most interesting feature has been the prominent position of the 'Living Wage' campaign in Scotland.

For the last 2.5, 3 years there has been a lobby, led by the Poverty Alliance, trying to get people to pay what is considered the living wage. It then became part of the national wage negotiations, and is now signed off as something which all local authorities will adopt. It's nothing to do with Scottish government, they're not involved. The way the wage negotiation is done locally, as a collective, by the local authorities with the trade unions.

In a time of austerity, for local authorities to have accepted the arguments of a living wage and to promote that as a concept of what we should be doing as a government is actually quite a stark difference to the national rhetoric on the minimum income. (Interviewee 15, Scotland)

With the NMW being considered too low (currently £6.19), Scottish local authorities have signed up to pay a higher 'living wage' (currently set at £7.45). While this applies to public sector workers only, local government and central government in Scotland envision that this initiative may become a pace-setter for private sector employment, too. Regardless of whether this is likely to happen, it marks a stark contrast to the rhetoric of the political debate in the UK, which mainly focuses on work disincentives as a result of individual behaviour or the features of the benefit system, but, since the introduction of in-work-benefits and the NMW, rarely on issues such as job quality or pay levels.

The Scottish political debate is less different from the broader UK debate when it comes to the issue of child poverty. However, while signing up to tackling child poverty and to investing in early years education, the Scottish government also emphasises the need to tackle income inequality in general, not just poverty.

The UK government have recently set up a social mobility and childcare commission, so they link tackling poverty with what they call social mobility, which is about aspiration, about people trying to work their way out of the situation. Which is a valid approach, but it's a different approach. Ours is more about equality.

At the moment, the lowest 3 income deciles have got only 14% of the income in Scotland, so it's about narrowing the gap between the richest and the poorest, and between the poorest and the middle. (Interviewee 13, Scotland)

The Scottish government has also maintained a focus on child poverty that has somewhat waned in the rest of the UK in recent years. It is focussing particularly on early years intervention through the so-called 'early years framework' and the 'equally well framework'. This includes concrete policies like family-nurse-partnerships and health advice for mothers.

Similarly to developments in England, free childcare provision for 3 year olds is moderately extended.

Interestingly, it has been observed by some of our interviewees that the focus on early intervention may come at the price of reducing investment in interventions for other age groups, e.g. for adult (long-term) unemployed persons. Going back to the recommendations of the Christie Commission in 2001 under the then Labour–Liberal Democrat coalition government in Scotland, resources have been redirected from higher education towards early years intervention, following the concept of ‘preventative spend’

Scottish government is very keen on preventative spend. As a result of focusing on early intervention, they are cutting other things, like funding for FE or universities -- that's because early intervention is seen as early years. There's been a drop in the numbers of adult returners going into further education, because colleges don't have the funding any more. (Interviewee 10, One Parent Families Scotland)

The debate on public service reform also differs in Scotland from the rest of the country. Overall, there is less ideological hostility towards the performance of the civil service in Scotland, and less belief in the superiority of private sector companies. This different attitude has arguably contributed to the somewhat lower appetite of Scottish local authorities and the Scottish government for contracting-out in general, and for cooperating with private employment service providers delivering the Work Programme, which is contracted centrally by DWP (see also section 3.3).

In Scotland, there is an ideological opposition to the private sector involvement in the delivery of public services that is just not evident in England or in Wales. Even in Wales, which is slightly closer to the cultural values of Scotland in terms of this politics, my colleagues don't face this level of opposition and hostility that we face. (Interviewee 5, Work Programme provider)

While part of that opposition may be linked to the fact that the Work Programme is seen as the poster child for welfare reform – which the Scottish government and local authorities in Scotland oppose – there is a general undercurrent of hostility towards privatisation of public services in Scotland. In the area of employment services, this is not least reflected by the continued involvement of local authorities in the provision of employability services.

By contrast, government and governance reform in Scotland has much more focused on the question of devolution of powers to local authorities and possibilities for improving joined-up delivery of public services. This will be discussed in greater detail under section 3.3.

3.2. Policy legacies and feedbacks

Though recent reforms to MIP policies in the UK reflect the tenor of recent political debates, they are also structured by feedbacks from earlier rounds of policy development. Perhaps most importantly, the sheer scale of means-tested benefits provision in the UK has had significant consequences in terms of the system’s centralisation, and its limited amenability to discretion and local-level innovation. It was highlighted above that assistance benefits in the UK are largely administered nationally, which differs from the traditions of many other

European countries with strongly localised social assistance arrangements (Lødemel, 1997, p. 208).

By transferring the responsibility for all financial assistance from the local authority to the state, the [1948 National Assistance] Act not only broke with a tradition dating back to the Poor Law of 1388 but also established British social assistance as a unique case in European welfare development. (Lødemel, 1997, p. 229)

The strong centralisation of the present-day system of MIP in the UK, which leaves little responsibility for local government levels, is the result of a gradual historical development. Successive reforms over the past 60 years have moved the system of means-testing away from “more discretion, labour-intensive service and ‘creative justice’ for individual claimants [and towards] more uniformity, more clearly understood civil rights, fewer civil servants and ‘proportional justice’ for large categories of claimants” (Donnison, 1976)

This direction of travel, which continues to be visible in policy today, can be partly explained with reference to the history of the Poor Law in Britain, an ever-present spectre in the political debate. The historical experience of this highly localised and discretionary system of means-testing, also known for its arbitrariness and harshness, arguably continues to inform policy making and attitudes towards localisation of benefit control.

We have a very top down system. Partly that's borne out of the DNA of the welfare assessment of the 1940s. It was, and it still is a universal, national system. (Interviewee 2, Policy director at the Centre for Economic and Social Inclusion)

Furthermore, the very fact that this – initially quite residual – system of centralised means-testing has become the biggest system of provision of welfare benefits and services means that the sensitivity of the overall social security system to people’s (possibly exceptional) welfare needs has eroded along with the capacity to exercise local discretion. Inevitably, as means-tested benefits in the UK have developed into the biggest component of working-age social security, their character has turned from a relatively residual service into a large-scale, standardised programme. Through subsequent reforms, the role of discretion has gradually decreased at the expense of a rights-based approach. The 1966 replacement of National Assistance with Supplementary Benefits emphasised rights at the expense of discretion (Lødemel, 1997), and the replacement of Supplementary Benefit with Income Support in 1988 led to the abolition of discretionary weekly or one-off payments and out-sourced the administration of small-scale discretionary top-up benefits to the Social Fund (see section 2.1). Compared to other European countries, then, current provision of means-tested benefits in the UK stands out in that is highly standardised and comes with only low levels of local discretion.

When I joined this department, Supplementary Benefits, because it was designed as an exceptional benefit, for people with exceptional financial needs, had quite a strong welfare aspect to it. You would be [more] concerned to help people manage... There was a lot of discretion in the means-tested scheme.

That has been taken away. The whole process of benefit administration has become more uniform and less subject to local discretion. The bits of discretion

that have been left are the Social Funds scheme, and that is now being transferred to local authorities -- because our organisation is really no longer fit for purpose, to carry out that sort of personal discretionary decision-making.

We no longer have the same local presence, the same visiting and interviewing regime where we see people regularly. We see them regularly for job-search and work-focused interviews, but we don't see them regularly in order to ensure that their financial situation is properly looked after. (Interviewee 14, DWP)

Also, this centralised history can at least partly explain the great reliance on top-down management through objectives and a plethora of targets in JC+ highlighted above. As discussed in greater detail in section 3.3 below, this in turn results in almost insurmountable barriers to improve local innovation and joined-up delivery of services between centralised JC+ and contracted providers on the one hand and local, non-contracted provision of social services on the other hand.

As discussed in section 2.1, the growing relevance of means-tested benefits in the UK also went hand-in-hand with a growing fragmentation and complexity of the system. Working-age benefits had fragmented into various different categories for 'regular' unemployed persons, for single parents, and for people with disabilities or health issues. On top of this development, the growth of a system of in-work-benefits has furthermore added to the complexity of social security in the UK (Figure 17). Arguably, these developments have made benefit administration overly complicated over time and, according to the dominant political discourse shared by actors across the political spectrum, contributed to the creation of work-disincentives.

Consequently, over the course of the 2000s a politically rather uncontested, almost 'technical' case for structural welfare reform emerged, reflected first in Labour's abortive plans for a single working age benefit, and then in the Universal Credit proposals that will be implemented from this year. To an extent these changes reflect the most recent phase in the never-ending attempt to cope with the massive problems of administrative complexity and disincentives that any mass system of means-tested provision will inevitably produce.

3.3. Institutional constraints and opportunities

3.3.1. The institutional set-up of MIP in the UK

In addition to the weight of past policies, recent reforms in UK anti-poverty policy have also been shaped by the opportunities and constraints that the institutional structures of policy governance in this field afford. The distribution of responsibility in the area of MIP across government departments and across government levels are both important determinants MIP policy reform in the UK in general, and in England and Wales in particular. As already noted under section 2.4 there are basically three key players in central government in the area of MIP benefits and services, namely the Department for Work and Pension (DWP), the Treasury and the Department for Business, Innovation and Skills (BIS). Furthermore, the Department for Communities and Local Government also plays a (smaller) role. The most important of these, DWP, has been in charge of Income Support and JSA benefits, as well as the provision of employment services through JC+ and contracted providers such as New

Deals, FND or Work Programme. The Treasury has been in charge of the administration of tax credits, but will cede this responsibility to the DWP in the wake of the ‘Universal Credit’ reform in 2013. Finally, the responsibility of BIS is more limited as it includes mainly the provision of adult training through its Skills Funding Agency and local colleges.

In terms of distribution of responsibility across government levels, it was already highlighted that MIP provision in the UK (and especially in England and Wales) is characteristically centralised in comparison with many other European countries where local government plays a larger role. The key benefits and services are provided by central government agencies such as JC+. In terms of benefits, local government retains responsibility for administering Housing Benefit, while in the area of services it is only left with the relatively minor role of funding social services.

Inter-departmental relations and distribution of responsibility

For any policy issue to be addressed effectively in the area of Active Inclusion of MIP claimants, traditionally one of the big spending departments – such as DWP, BIS or Health – have to ‘own’ it and make it a central priority. This is especially important for newly emerging themes or for those that in principle cut across the responsibility of different departments, including child poverty or in-work-poverty. While a number of specific groups within the Cabinet Office address such cross-cutting themes – for example, there is a ‘child poverty unit’ or a ‘troubled families unit’ – these remain relatively toothless without the financial and institutional clout of other, ‘powerful’ spending departments. In this respect, the very active and curious role of the Treasury under Gordon Brown (1997-2007) is key for understanding some of the main MIP reforms over the past decade.

Partly due to Brown’s drive to increase the Treasury’s competences, it developed expertise in a number of areas typically left to other government departments, or to no department in particular – including key issues such as in-work support or child poverty. As a consequence, it became active in promoting a number of policies to benefit children – such as the Sure Start initiative – and, most importantly, established an ever growing system of tax credits, not least with the intention to increase employment rates of single mothers and thereby to reduce child poverty.

Under Gordon Brown, when he set up tax credits under the responsibility of the Treasury, this created a whole shadow benefits system outside the DWP. (Interviewee 8, MP Tories)

The big changes under the last government were that the Treasury became interested in addressing poverty as an objective in itself, rather than just as a cost that they were trying to control.

So, one of the fascinating things of the 2000s was the emergence of a generation of Treasury officials who knew their stuff on childcare, for instance, which would previously have been unheard of. (Interviewee 2, Policy director at the Centre for Economic and Social Inclusion)

Arguably, the fight against child poverty has been driven strongly by this ‘take-over’ and it may be that this drive will be lost as a consequence of the changing outlook of the Treasury since the new coalition government took office in 2010. Under the current chancellor, George Osborne, the Treasury has returned to play a more ‘traditional’ role, focusing on budget

allocation (and enforcing austerity policies) rather than becoming active in policy development of adjacent policy areas. Also, with the introduction of Universal Credit, the Treasury cedes responsibility for the provision of in-work-benefits to the DWP.

There were political reasons -- differences between Tony Blair and Gordon Brown -- that caused Gordon Brown to set up such a power base in the Treasury through the working tax credits. There's a big gain for the country in bringing together the two systems, as it will reduce the administrative costs. (Interviewee 8, MP Tories)

While promising efficiency gains, this development may however come at the price of reduced activity in the fight against (child) poverty, as it does not feature any longer among the key priorities of any of the big government departments. This concern, while necessarily somewhat speculative at this point in time, is fuelled by the observation that other policy problems – such as in-work-poverty – have received only limited attention not least because they do not feature on the priority lists of any of the big departments.

In-work-poverty is a good example. Who is responsible for in-work-poverty? I couldn't really tell you. DWP doesn't see it as their job, BIS -- maybe, but not one of their key things. So it ends up sitting with small groups that are often based in the Cabinet office, like the Child Poverty unit, or like the Troubled Families unit, or like the Cities unit, etc. These are kind of toothless. They sit in the very centre, but they don't have levers, they don't control delivery organisation, so it's no surprise that we don't have a coherent policy for the working poor. It's nobody's problem. (Interviewee 2, Policy director at the Centre for Economic and Social Inclusion)

The role of BIS in providing benefits and services for MIP claimants has largely been limited to the funding and provision of short-term measures provided through its national agency SFA. These services, which before 2006 had been contracted-out directly by DWP, still remain well integrated within the overall portfolio of employment services offered by JC+. Furthermore, there have been modest attempts to increase the exposure of jobseekers (who fall in the remit of DWP) to skills provision (which is in the remit of BIS). This has been propagated in the form of the so-called 'Integration of Employment and Skills' agenda, of which a key component was the co-location of careers advisers at JC+ offices. This certainly has to be considered a significant move given the traditional disinterestedness of JC+ in taking responsibility for helping unemployed people engage in substantial, long-term training. However, the role of careers advisers still remains almost diametrically opposed to that of JC+ advisers due to the fact that the latter implement a rather strict work-first agenda. Also, unemployed JSA claimants are in fact not allowed to take up full-time training while on JSA. In other words, while relations between the two departments are reported to have been good in principle, there is little appetite for increasing coordination.

Next to DWP, Treasury and BIS, a few other government departments are indirectly involved in provision for MIP claimants, using local government structures to deliver their services. For example, somewhat in between the area of 'pure' social services and 'pure' employment services, a number of employability measures or social services directed especially at jobseekers have existed locally, usually provided by or on behalf of local authorities and supported through the ESF. Currently, parts of these initiatives (and ESF money) have been bundled into the government's so-called 'troubled families initiative'. Initiated by the Cabinet

Office's 'troubled families unit' and led by the Department for Communities and Local Government, it uses local authorities to provide services specifically addressing more severe barriers to work and what is called 'causes of social breakdown'. While the target group of these services overlaps widely with the group of MIP claimants addressed by JC+, the central-local divide in responsibility makes coordination between these different providers of services difficult.

The central-local dimension: administrative devolution and the role of local government

The tradition of centralisation of benefits and employment services provision in the UK (see also section 3.2) means that local government plays only a small role in delivering MIP benefits and services. In the area of employability, DWP on the one hand is acting directly through its national agency JC+, or indirectly through its contracted Work Programme providers. BIS on the other hand has a direct relationship with Further Education colleges. While all these agencies and delivery institutions have local presences, these are not necessarily coordinated at the local level, e.g. through involvement of local government.

I think the key relationship is the local authority in the middle, and really nobody in central government is kind of meeting their needs. Because now you've got local authorities trying to engage with Work Programme providers who have a direct line to DWP, and colleges, who have a direct line to BIS. And both of them have actually quite a lot of flexibility in how they offer services and how they join up. But there's nobody necessarily holding the ring locally. And that's a challenge. (Interviewee 2, Policy director at the Centre for Economic and Social Inclusion)

The problem is not a theoretical one. It arises to the degree that Income Support or JSA benefit claimants require – or would benefit from – services from across different providers or agencies. This is especially the case for claimants who are more 'distant from the labour market' and who require support on a wider range of issues than normally provided by JC+, which (at least during the period under analysis in this report) has rather focused on providing high-volumes of somewhat generic services.

During the second part of the 2000s, this problem had well been recognised, leading to a number of reform initiatives to overcome institutional fragmentation in the area of local service delivery. Within JC+, reform initiatives included an increase in the provision of more specialised advice, such as services like specialised 'Lone Parent Personal Advisers', 'Disability Employment Advisers' or 'Incapacity benefit Advisers'. This was not least a response to simplification reforms which meant that JC+ suddenly had to deal with a much wider and more diverse clientele – including many single parents, as well as claimants with incapacities or health issues. A key task of these new advisory roles was to provide a more qualified and wide-ranging form of support compared to generic JC+ advisers for claimants with special needs. Furthermore, their role was to link up with more specialist local service providers, such as local authority-funded third sector organisations. In that sense, JC+ stepped up the practice of referring claimants to non-contracted provision, strengthening its role as a local 'hub' for accessing all kinds of services, including social services. With a similar intention, JC+ began to increasingly engage in outreach activities, locating advisers at external places such as children's centres, etc.

Furthermore, DWP set up a pilot project in 15 localities across the UK that focused entirely on improving joined-up delivery of various kinds of services for working-age MIP claimants locally. The so-called ‘City Strategy’ was implemented between 2007 and 2011 and aimed primarily at enhancing co-operation between different actors who deliver services to non-employed persons, including JC+, private and voluntary service providers, local authorities and the NHS. A key mechanism in achieving greater cooperation was the increased use of co-location and outreach. However, these initiatives have faced internal contradictions. This can be related to the strong work-first orientation of JC+, which effectively worked against all kinds of activities that are too costly or are not certain to produce relatively short-term results in terms of claimants’ labour market entry. For a thorough discussion of the City Strategy, see Adam and Green (2012) and Green and Orton (2012). For a more general discussion of the restrictive effects of JC+’s work-first orientation, see Goerne (2012).

These reform initiatives and pilot projects are noteworthy examples of a (modest) step towards a more multi-dimensional activation approach, based on the insight that the needs of many claimants with more complex barriers to work than the ideal-typical short-term unemployment benefit claimant require a more varied and integrated service offer. However, more recent policy developments call into question the long-term impact of these initiatives. Already during the last years of the Labour government, for example, the re-focussing of JC+ towards specialist advice and local service co-ordination was partly reversed, as expressed in a decrease in the number of specialist advisers. Arguably due to a general refocusing from the long-term unemployed ‘distant from the labour market’ to the high volumes of newly redundant workers in the wake of the economic crisis, JC+ has recently narrowed its focus. It is again concentrating more on its mainstream business, leaving the provision of specialist advice to other providers (especially the private work Programme). This change in direction has arguably reduced the capacity of JC+ for partnership working considerably, and increased coordination problems at the local level. This is discussed in more detail under section 4.1.

This new orientation of JC+ has been reinforced since the current coalition government took office in 2010. For example, initiatives like the City Strategy were considered a ‘Labour’ thing and have purposefully been discontinued by the Conservative-Liberal Democrat coalition.

In 2010 we had a change of government, which [led to] a fairly stark change in policies. In the UK, you always have this thing, ‘we’re not going to learn from things that the other lot did! City Strategy was a Labour initiative, and we’ll do our own things.’

In terms of the rhetoric -- doing more at the city level, giving greater freedoms [to the local level] if it promises to do this or that -- there is some [continuity]. City Deals and the whole localism agenda pick that up again in a different kind of way. (Interviewee 16, UK)

While this has arguably led to a loss in local learning and policy coordination on the ground, the current government has introduced new initiatives – such as ‘City Deals’ or ‘Community Budgets’ – which retain some of the key intentions of the City Strategy. They are embedded in a wider ‘localism’ agenda, through which the current government intends to give more power to local government.

Another key element of the ‘localism’ agenda has been the ‘un-ring-fencing’ of local government budgets. Traditionally, local authority budgets in England have been subject to a high degree of command-and-control micro-managing by central government. Most services provided by local authorities were indirectly funded by central government through dedicated budget items which could not be re-allocated independently at the local level. In UK policy jargon, most local authority expenditure was ‘ring-fenced’. ‘Un-ring-fencing’, by contrast, intends to empower local authorities by giving them more control over the various elements of local spending. In fact, local authorities now enjoy relatively large freedoms in how they allocate the money they receive from central government budget. This constitutes a marked change compared to the situation under the previous government, where local authorities (in England) had been tightly controlled by central government. Apart from shifting power to the local level, the ‘un-ring-fencing’ of budgets potentially helps local authorities to better align activities (and budgets) of different branches of local government, thereby improving the capacity for local joined-up service delivery.

A key player in driving the localism agenda at central government level is the Department for Communities and Local Government. It leads on the development of the City Deals, and furthermore oversees the implementation of the so-called ‘Troubled families initiative’ in England, which allows local authorities to design programmes specifically targeting families with more severe barriers to work. It has been deliberately routed through local authorities in the expectation that local authorities are closer to social services and other community based functions, and therefore be better able to deliver services in an integrated manner. However, while the general direction of travel of all these new initiatives – the City Deals, Community Budgets, the Troubled Families initiative or the move to ‘un-ring-fence’ local government budgets – may in principle help local authorities to better align service provision locally, three rather large obstacles make it at least questionable whether this will indeed improve joined-up provision of various benefits and services.

First, the widespread re-structuring in all kinds of policy areas, affecting various government levels and delivery agencies (see remark on ‘hyperactivity’ above), has reduced the capacity to effectively engage in partnership working

The particular change in government we had in Westminster in 2010 was quite influential. It marked quite a big turning point, and possibly more in England than elsewhere, in terms of the institutional structure. A lot of change in personnel, and a lot of loss in learning.

For example, if everybody in the NHS is obsessed at navel-gazing about their own restructuring, they don't have time for working in partnership. (Interviewee 16, UK)

Second, in parallel to the ‘un-ring-fencing’ of local government budgets, local authority budgets have been cut markedly, inevitably leading to a reduction in service provision in key areas (such as job creation). Third, key actors – most importantly JC+ and private Work Programme providers – sit outside these initiatives and continue to control their own budgets centrally, with very limited capacity to coordinate services locally. That problem has arguably been increased by the re-orientation of JC+ towards concentrating resources on the provision of high-volume generic tasks. Also, the particular development of the quasi-market for employment services through the new Work Programme has decreased the capacity of

private providers to effectively engage in partnership working locally. These issues will be taken up in more detail in section 4.3.

3.3.2. Differences in the institutional set-up between Scotland and England

The UK's multi-layered governance structure means that key institutional variables – such as inter-departmental or multi-level distribution of responsibility for MIP benefits and services – look different in each of the UK's four nations, England, Wales, Northern Ireland and Scotland. For pragmatic reasons, this section again focuses on the key differences between England and Scotland in terms of their institutional settings.

In those areas of MIP where responsibility for benefits and services rests with the DWP (as in the case of Income Support / JSA and Universal Credit benefits, as well as employment services) or the Treasury (as in the case of tax credits before introduction of Universal Credit), there are in principle no big differences in the set-up of the provision of these benefits and services between England and Scotland.

Things are different when it comes to the provision of training programmes for the unemployed. In England, this is in the remit of BIS and its national agency, the SFA. In Scotland, responsibility rests with Scottish government and its agency Skills Development Scotland (SDS). Similarly, the distribution of ESF funds is also devolved to the Scottish government. While local authorities are generally the key players in providing passported benefits (such as free school meals, etc.) across both England and Scotland, their role is generally more important in Scotland (see below). Unlike in England, local authorities are becoming responsible for delivering the Scottish welfare fund, the successor of the previous (UK-wide) discretionary Social Fund for helping citizens in exceptional situations of need from 2013. Also, local authorities in Scotland (together with SDS) are involved in the provision of a plethora of employability provision next to the 'regular' provision of employment services through JC+ and Work Programme.

In order to understand the differences in MIP provision between Scotland and England, one has to take into account not only the formal distribution of responsibility through devolution, but also ideological differences. Scottish government and local authorities in Scotland openly oppose the direction in policy development at the UK level – namely the recent cuts in welfare, the introduction of Universal Credit, and the marketisation of employment services in the form of the Work Programme. In fact, our Scottish interviewees highlighted that the underlying approaches of Scottish government and local authorities in Scotland on the one hand and that of the UK government on the other hand are diametrically opposed.

What the UK government does is about income maintenance. And what local government (in Scotland) does is about income maximisation. They don't want to get involved in the income maintenance. And they don't want to subsidise the Treasury. (Interviewee 15, Scotland)

The two systems have diametrically opposed policy objectives. (...) The two governments have diametrically opposed starting points for welfare, if you listen to the rhetoric from the Scottish government and the rhetoric from the UK government. The Work Programme is just a manifestation of that, and by and large the Scottish government's rhetoric on welfare will be replicated by

most local authorities. (Interviewee 4, Chief executive Scottish Council for Voluntary Organisations)

Therefore, even though key areas of MIP provision are not devolved matters, Scottish government and local authorities in Scotland are trying to mitigate adverse developments at the central level. The key vehicle for doing so is through a wide range of employability provision, which is partly funded through SDS and the ESF, and often designed at the level of local government. Also, local authorities are providing extra resources for advice and advocacy services to citizens.

A lot of the advice, support and advocacy delivered by local authorities isn't paid for by the DWP. It is about income maximisation, so that people are getting everything that they are entitled to out of the system. And advocacy is definitively not something that is supported by the UK government. But we provide it. For local authorities it is a resource intensive thing, but in terms of the community pay-back from that, it's worth it. So we're supporting the community, almost against the UK system to be honest. (Interviewee 15, Scotland)

The central-local dimension

Scottish local authorities furthermore find themselves in a somewhat peculiar situation as they are in some areas providing services at the behest of the Scottish government, while in other areas being responsible for delivering UK level policy. The latter has traditionally been the case in the area of housing benefit, and, from 2013, local authorities in Scotland will take on the task of delivering localised claimant support directly for DWP. The latter case is interesting not least because this differs from the way the DWP devolves service delivery to local authorities in England. Reflecting the generally very centralised tradition in MIP provision in the UK (see 2.4), the DWP is more reluctant to devolve responsibility to the local level in England. By contrast, it explicitly recognises the generally larger role – and capacity – of local authorities in Scotland. That means that the Convention of Scottish Local Authorities, the political representative of Scottish local authorities, has taken a lead in policy formulation, and that services will be planned and delivered through the specific Scottish planning institution of ‘Community Planning Partnerships’ (CPP, see below).

The different role of local authorities in Scotland means that they enjoy a generally greater responsibility, and are subject to less central control, than in England or Wales. While it was noted above that there has been the initiative to un-ring-fence local authority budgets in England very recently, there has been a strong drive to un-ring-fence local authority budgets in Scotland already in 2007 with the so-called ‘Concordat’, an agreement signed by Scottish government and local authorities. The ‘Concordat’ set out targets for local authorities (so-called ‘Single Outcome Agreements’), while at the same time granting them a large degree of freedom in organising service delivery in all kinds of areas. That bigger role of local authorities in Scotland can be interpreted as the expression of a general appreciation of the role of local authorities.

It seems to me that in England, they are still trying to control local authorities and see them as a problem, as inefficient. That is command-and-control. There is a different attitude in Scotland. I think that Scottish government have

accepted really that delivering their priorities depends on the health of the local authority. So they're working a bit more constructively with the local authorities. (Interviewee 15, Scotland)

The Single Outcome Agreements first introduced through the 2007 Concordat replaced a fairly rigid 'command-and-control' system, including a plethora of targets for local authorities, which was more akin to the system in England. Politically, this move was driven by the then minority SNP government, which has generally been in favour of administrative devolution and un-ring-fencing. Conversely, the previous command-and-control governance structure is associated with the period of the previous Labour-Liberal Democrat coalition.

The Labour government in Scotland, in line with the way the UK government controls local authorities down south, had very much a command-and-control agenda up here. They told you, they put it in legislation, you did it. And they just kept piling up the duties, and saying you have to do so many of this and so many of that. There were hundreds of targets and individual outcomes and reporting and so on. (Interviewee 15, Scotland)

While all our interviewees agreed that the reduction in centrally-imposed targets for local authorities and the un-ring-fencing of local government budgets has generally been a positive move, there are also criticisms that a sense of direction of travel was lost as a result of un-ring-fencing. For example, issues like child poverty are difficult to measure in a meaningful way at the local level, let alone to address effectively through local policies alone. In other words, un-ring-fencing may constitute a problem where social issues require policy responses that are aligned nationwide. In fact, un-ring-fencing and the resulting greater freedom of local authorities in determining their own budgets and foci may have led to the fact that issues like (child) poverty no longer feature at the top of local authorities agendas. In the area of child poverty, for example, it has been observed that smaller local authorities with less expertise in this area have recently reduced their activity. By contrast, large local authorities with a history of poverty and anti-poverty policy, such as Glasgow, are more likely to keep up their activity independent of central government directions.

Interestingly, and notwithstanding the general drive to empower local authorities in Scotland, there have also been attempts to re-ring-fence Scottish government money for certain political projects recently. Through the introduction of three so-called 'change funds', starting from 2010, central government money is being passed on to local authorities which has concrete policy and delivery prescriptions attached.

So, although they [Scottish government] have stopped it all with the Concordat and said 'it's all your money, local government', the centre [Edinburgh] is reinventing ways to control, or to direct or prioritise activity locally.

They want to maintain their political ability to claim credit for certain things, which is why they parachute this discretionary money they hold. They want to say that they've done something for young people, so they are putting a pot of money here or there. They parachute things in that actually don't support delivery, but this is about them as politicians being seen as having done something. (Interviewee 15, Scotland)

In other words, a trend to re-ring-fence limited amounts of money can possibly be attributed to the desire of central level politicians to claim credit for becoming active in politically sensitive areas, such as youth unemployment.

Another peculiarity of local government in Scotland with consequences for delivery of services for MIP claimants is the institution of the so-called Community Planning Partnerships (CPPs). CPPs can in principle be seen as a way to overcome fragmentation of service delivery by bringing together different national and local actors – including national agencies like SDS – in order to coordinate delivery of their respective services. Similarly, so-called ‘local employability partnerships’, a sub-division of CPPs, deal with joined-up delivery of employability and employment-related services in particular. The continuous commitment to partnership working through CPPs, not least promoted by Scottish government, has led to gradual changes in local policy delivery.

Fundamentally it's been successful in the sense that it has completely changed how people think about delivery. There is no other game in town. We do things as a community, we have to plan together. Entrenchment and protecting your own organisation over the services and the people that you serve is no longer an acceptable way of thinking -- although it obviously still happens. But the principles are embedded. (Interviewee 15, Scotland)

In principle, the success of CPPs is hampered by the same factors that are creating obstacles for better inter-agency cooperation in the examples highlighted above, including the City Strategy or, currently in England, City Deals. The fact that key actors – most importantly JC+ and private Work Programme providers – are pursuing relatively straightforward national agendas with tight national control over their budgets, limits their capacity for manoeuvre locally. The already mentioned narrowing of JC+'s focus, as well as the particular set-up of the Work Programme to be discussed below (see section 4.3), has arguably made partnership working more difficult. Similarly, Scottish national agencies like Skills Development Scotland are pursuing agendas designed at the central level and therefore find it more difficult to adjust their provision in line with local CPPs. Consequently, the benefit of local coordination may accrue mainly to local authorities and third sector service providers.

Inter-departmental relations

Looking more broadly at the issue of how inter-departmental relations shape MIP in Scotland, two things have to be highlighted. First, despite the fact that CPPs are not always effective in bringing together different national agencies, this may be an issue to a lesser degree than in England because of an arguably greater coherence of policy formulation at the central (here: Scottish) government level. Allegedly there are there less barriers between the different responsible departments within Scottish government than within the UK government – possibly again related to the different sizes of the two governments.

The Scottish Government is the paymaster, and in that circumstance a certain amount of (brigading) of all these public agencies is possible. You don't have that in England. And that makes a big difference. There is more coherence here. But the coherence is more at the centre, not at the local level... There is more coherence, but there isn't a joined-up-ness. (Interviewee 4, Chief executive Scottish Council for Voluntary Organisations)

Looking at an even more abstract level and comparing the gist of provision from Scottish government, local authorities and UK government (DWP/JC+), one can observe a somewhat spontaneous distribution of labour between these three big players: While the DWP is interested mainly in providing services to those benefit claimants who form JC+'s main clientele, namely adult short-term JSA claimants, Scottish government focuses on young people primarily. Local authorities are left with all other groups, turning them into some kind of 'employability service provider of last resort'.

The recent re-establishment of the Scottish Employability Forum has aimed to address this spontaneous distribution of responsibility, which – especially from the point of view of local authorities – is not unproblematic.

It's not seen as "Team GB" -- you do have this [mindset], 'this is your job, this is my job, and never the two shall meet. I'm certainly not paying for something that you should be doing'.

That's why there are gaps, and it's not as cohesive as it should be, and it is competitive -- even in the accounting of what they've done. It is something that you can't do separately, but this is what we're doing at the moment. And in a way, this is what Scottish Employability Forum is going to have to tackle if it's successful. (Interviewee 15, Scotland)

The Scottish Employability Forum aims to overcome the fragmentation between those players involved in CPPs on the one hand and the UK policy delivery agencies on the other hand, bringing together the Secretary of State for Scotland (i.e. the representative of the UK government), the Scottish Cabinet Secretary for Finance, Employment and Sustainable Growth and a spokesperson for local authorities to regularly chair meetings of the major players in employability in Scotland. This is intended to better align the services provided by Scottish Government, local authorities and UK government.

3.4. The EU's influence on national-level policy development

3.4.1. The role of Europe for MIP policy in the UK

The European Union, which in the period under analysis has reinvigorated its interest in anti-poverty policies, is another potential influence on national policy development in this area. However, UK political and policy actors have traditionally been relatively indifferent, or alternatively outright hostile, to European Commission proposals and initiatives in the area of social policy. Over the time period under analysis, the government's position regarding the influence of the European Union in the area of social security has been relatively uncontroversial, as both Labour and Tories have been more than reluctant to cede any competences in this area to the EU. In this respect, noteworthy differences exist between the UK and the Scottish government, which for various reasons is more positive about the role of European institutions in general and policy learning from other countries in particular.

Relations between European Commission and UK government in general

There is a widespread perception among most interviewees that the role of EU policy in the area of MIP provision is marginal. Conversely, where the role of the European Commission is seen as (potentially) increasing, this is generally not welcome. Government is almost

openly disinterested in learning lessons from other European countries, and rather turns to America or Australia for ideas and expertise.

The [position of the] UK government, and this was true of the last one as well, is that we've got nothing to learn from the foreigners over this one. I would say that American or Australian debates on social policy have more impact on UK policy development than Europe. (Interviewee 7, Trade Union Congress)

Consequently, proposals from the European Commission in the area of social policy are welcome only as long as they fit what the DWP is already doing, or where they have been clearly influenced by the UK government itself. In this sense, the UK government has been positive about European child poverty targets, as child poverty had already been a big issue in the national political arena before it was then picked up by European Union policy recommendations. Similarly, the UK government has welcomed the Commission's policy recommendations relating to the activation agenda, especially the idea of conditionality in working-age benefits.

The focus on child poverty by the UK government was obsessive in the late 1990s and early 2000s. Whether Europe wanted child poverty strategies or not, it was a very high priority. So, it was never a problem for government to write a child poverty strategy for Europe, because it was all over it at home. (Interviewee 2, Policy director at the Centre for Economic and Social Inclusion)

The activation agenda, the idea of conditionality in working-age benefits, the idea that you bring together activation measures through the PES and the benefit delivery, these are all things that the UK led, they're a perfect fit for us. (Interviewee 12, UK)

Interestingly, another example of good fit is said to be the Commission's recommendation on Active Inclusion, which is sufficiently ambiguous as to allow the UK government to interpret it as fundamentally in line with already existing UK policy. In the words of a DWP official, Active Inclusion is a good policy recommendation because it is "not prescriptive". The appreciation of the Active Inclusion recommendation also reveals the DWP's interpretation of Active Inclusion as a concept to promote the combination of minimum (in the sense of very low) income benefits with the provision of activation measures. In other words, it is mainly seen as a strategy to help people return to the labour market, and not interpreted as a strategy for social inclusion in a wider sense, as it does not reach beyond the narrow understanding of inclusion as labour market integration.

On a more general level, the UK government is firmly opposed to closer European integration in the area of social security, stressing that social security has never been part of the European treaties. There is some concern among officials within DWP that the Commission does not respect its (according to them) limited role in this policy area, and does not adequately recognise national member states' expertise.

There are a couple of hundreds colleagues working on UK domestic policy in DWP. The Commission genuinely believes that with a few desk officers and good intentions they can suggest very specific reforms to our own reforms, that

*in some way are superior. We find that difficult, ministers find that difficult.
(Interviewee 12, UK)*

The replacement of the Lisbon strategy with the EU2020 agenda has led to an increasing focus on economic policy integration, namely issues related to the creation of a single market – which the UK is lobbying for – and a reduced emphasis on integration and surveillance in the area of employment policy and social security policy. In line with the UK government’s general reluctance to engage with Commission recommendations in the area of social security policy, this shift has been generally welcomed by the DWP. However, there are concerns within the department that the Commission’s country-specific recommendations to the national member states (which are only *politically* binding) will eventually become more concrete and *genuinely* binding in terms of a contract between a member state and the Commission. The DWP much prefers the way relations between the European Commission and national governments are structured currently, as this allows them to accommodate the specifics of the country-specific recommendations within their own interpretation in a rather flexible manner. Accordingly, DWP opposes linking country-specific recommendations to conditions of distributing ESF-money (see below).

NSR / NRP reporting and stakeholder involvement

Within DWP, the preparation of National Reform Programme reports (NRPs) has the reputation of being mainly a bureaucratic exercise, without any feed-back effect on the national political agenda. NRPs are largely seen as “lip-service”, employing EU jargon in order to present the current governments’ policies.

I've been involved in a few rounds of national reports, and they've tended to just describe what the government is doing anyway. My experience is that in this field, specifically in unemployment and skills, it is largely paying lip service. (Interviewee 2, Policy director at the Centre for Economic and Social Inclusion)

Consequently, efforts for preparing these reports are kept to a minimum. The DWP therefore is not keen on involving stakeholders in the preparation of NSR and NRP reports. While it has done so previously, though institutions like the ‘Social Inclusion Advisory Group’, which included representatives of various stakeholders like EAPN, it has recently scrapped such initiatives in order to cut costs.

The UK believes it consults in the proper way. We consult at the policy formation stage, where it actually makes a difference. So, if we're having a new policy, it would be subject to a public consultation, some informal soundings as part of the creative thinking stages. (Interviewee 12, UK)

ESF

Currently, the ESF funding rules are set up essentially by national governments – the UK government (DWP) for England, and the Scottish government for Scotland – in the form of so-called ESF operational programmes. In England, the operational programme currently focuses on two priorities ('Extending employment opportunities' and 'Developing a skilled and adaptable workforce') and six target groups (disabled people, lone parents, people aged

over 50, people from ethnic minorities, people without good qualifications; and young people not in education, employment or training). The Commission's policy recommendations – like the Active Inclusion agenda – do not play a role in the specification of the operational programmes. In fact, the DWP opposes potential moves towards a greater role of the Commission in specifying the use of ESF funding in the future, such as linking conditions for distribution of ESF money to country-specific recommendations. A bigger influence of the EU in ESF funding would be seen as violating the principle that social protection policy is a national competence.

What the Commission is struggling with is that they think that by being more and more prescriptive, they will get a greater impact. And I think that's wrong. To get a greater impact, they need to be more open to a discussion and a compromise with the member states.

We believe, first of all, that social protection policy is a national competence, and that money is spent most effectively at the local level. The Commission sees it differently, it sees more gain from spending at EU level. So there's that fundamental tension around the budgets. The UK is arguing for an overall smaller budget. Part of that would mean a smaller Structural and Cohesion Fund, including the ESF. (Interviewee 12, UK)

In England, the way of distributing ESF money has changed fundamentally in 2003 with the introduction of the so-called 'co-financing organisations'. Co-financing organisations constitute a new, intermediate governance level which manages ESF funding and raises national match funding.

The main change in how ESF is managed came in at the start of the last programme, around 2002, when the current co-financing system was introduced. Before that, there'd been an open bidding system, whereby potential applicants bid to the managing authority, or our representatives in government offices. Voluntary organisations were able to bid directly. The disadvantage for them was that they had to find their own match funding, which for many of them was quite a complicated process, and led to problems when audits took place. Under the current system they don't have to write the match funding, that's done by the co-financing organisation.

The co-financing is a bit more strategic and better aligned with government programmes. It's those who procure who are setting out what the needs are and what they want to buy, rather than the people who are coming forward with their applications. (Interviewee 17, DWP)

As a consequence, ESF money is nowadays rarely accessed directly by local (third sector) organisations. Instead, it is more closely aligned to government policy (see below for similarities in the development for Scotland). Currently, the main co-financing organisations are the Skills Funding Association (the national delivery agency of the Department for Business, Innovation and Skills), which manages about 70% of the funding, as well as JC+. Furthermore, the national offender management service has recently become a (smaller) co-financing organisation. Next to these national level agencies, there are only three local authorities who act as co-financing organisations.

3.4.2. The different role of Europe for MIP policy in Scotland

At least in principle, the Scottish government is much more positive about policy learning from other European countries than the UK government. This can be attributed to the current SNP administration's desire to portray Scotland as a small Northern European country with strong left-of-centre political traditions, somewhat in line with other Northern European countries like Denmark, Sweden, Norway and Finland. The good economic and social performance of these countries is contrasted with the less impressive performance of the UK, suggesting that an independent Scotland would do better economically but also in terms of social protection. Norway in particular is referred to as an exemplary case of a successful small country because it does, similarly to Scotland, rely on substantial revenues from the exploitation of North Sea oil. While the Nordic countries, and Norway in particular, are not at the heart of the EU, this context encourages the Scottish government to open to international learning more generally.

Part of that is about representation. It's about saying 'here we are, we are Scotland, we're a country. We're taking this seriously, as if we were a member state. This is not us messing about as part of a UK thing, we're doing our own one'. [It is also] a political thing about saying, 'these are small independent countries, we want to be like them'.

But actually, part of it is genuinely about wanting to learn and to understand more from others' experiences. The 'arc of prosperity' and the Scandinavian countries in the area of early years is a good example of the government saying, 'we don't know all the answers to this, we're prepared to learn from other people'. (Interviewee 13, Scotland)

Some of our Scottish interviewees have also reported that they are or have been involved in EU-wide learning networks similar to, but different from the peer review in social protection and social inclusion organised by DG Employment, Social Affairs and Inclusion. This includes activities through the so-called 'Grundtvig' programme, which is part of the Lifelong Learning Programme under the European Commission Directorate-General for Education and Culture, as well as the Mutual Learning Programme organised by the European Commission Directorate-General Employment, Social Affairs and Inclusion.

Scotland (as well as Wales) is also more interested in the NSR and NRP reporting obligations than the UK government. While not obliged to do so in principle, Scotland has prepared its own NRP report. Again, this is clearly linked to the Scottish government's effort to be recognised as an independent player on the European stage, and also to build strategic partnerships with other European countries (in particular the Nordic countries). Also, the Scottish government is more in line with Commission suggestions (and at odds with UK government practice) in that it is keen to involve stakeholders in the national reporting process. It organised a stakeholder conference to inform their NRP report, just as it generally places more importance on stakeholder involvement. This can be attributed to the fact that government operates in Scotland in a less top-down fashion than in England, and also simply to the smaller size of the country which makes it easier to do so.

Generally, the way government operates in Scotland is a lot less top-down than in England. There is a lot more genuine consultation -- not necessarily with the individuals affected, but with their representative bodies. In Whitehall, there

may not be a high level of understanding of some of the same stakeholders with whom we work quite a lot.

*That's perhaps not surprising given that Scotland's a lot smaller. If you want to get the main child poverty organisations around the table, you can! Consequently, our relations with them are closer. That doesn't necessarily mean that they're better, but generally they are, because the more time you spend with someone, you may not agree with them, but you'll understand them.
(Interviewee 13, Scotland)*

In terms of ESF policy, the Scottish situation is in a sense similar to that in England. Since ca. 2003, ESF money has become controlled more centrally by the Scottish government, and more difficult to access for third sector organisations through independent applications. While previously, ESF money could be accessed directly by local (third sector) organisations and thereby was seen more as a capacity building, campaigning budget to address social exclusion, current use of ESF money is more streamlined and adjusted to overall government policy. The largest single chunk of ESF funding, for example, is used up by the national SDS agency. However, unlike the situation in England, most ESF funding is used for projects led by local government, which again reflects the bigger role of local authorities in policy design and delivery in Scotland (see section 3.3)

4. The National Policy Framework for Active Inclusion

As a result of reforms adopted in recent years, the UK's system of MIP and its articulation with services has changed. This section analyses the current structure of provision, again focusing mainly on the key traits of the system as they apply to England. Where applicable, key differences with the policy framework in Scotland will however be discussed. The presentation of the current British MIP system is complicated by the fact that wholesale reform is being implemented over the course of 2013, which, most notably includes the roll-out of Universal Credit, described in some quarters – perhaps somewhat exaggeratedly - as the biggest reform to the British welfare state since the Beveridge reforms in the immediate post-war years. The discussion therefore first focuses on the structure of minimum income rights at the beginning of 2013, before turning to highlight the key traits of the system resulting from its current transformation.

4.1. The structure of minimum income rights

4.1.1. *The structure of minimum income rights until the beginning of 2013*

Institutionalisation

As described in detail in section 2.1, at the beginning of 2013 the key MIP schemes in the UK are those that existed in the mid-2000s (see section 2.1), namely JSA, Income Support, working and childcare tax credits, as well as discretionary Social Fund loans, housing benefits, council tax benefits and various other locally administered passported benefits. While JSA, Income Support and the Social Fund are administered and paid by the DWP, in-work-benefits in the form of tax credits are paid directly by the Treasury. Passported in-kind benefits, as well as housing benefit and council tax benefit, fall within the responsibility of local authorities, who are in turn reimbursed for their cost by the relevant central government department or devolved administration (see the list in the following subsection).

The relationship between DWP and the Treasury is important for understanding the current institutionalisation of MIP provision in the UK. In section 3.3, it was already highlighted how the role of the Treasury evolved under Gordon Brown, leading to the Treasury developing a major role in MIP provision through the system of tax credits. Another more recent development of the DWP-Treasury relations should also be discussed briefly, namely the so-called 'AME-DEL switch'. Transfer payments like JSA or Income Support are paid by the DWP out of its so-called 'annually managed expenditure' budget (AME), which in turn is refunded in full by the Treasury. In other words, the DWP's budget for transfer payments fluctuates with actually incurred costs (i.e. case-load). Employment services, by contrast, are paid from the DWP's own, fixed budget ('departmental expenditure limit', DEL), which is fixed for a certain period and does not automatically fluctuate in line with case-load.

A social investment-type argument put forward by David Freud already under the Labour government suggested that effective investment in employment services would potentially lower transfer spending in the future. Therefore, part of the expenditure on employment services (which are traditionally paid out of the DWP's fixed DEL budget) could be paid for by future savings in transfer expenditure (which traditionally accrue to the AME budget, and therefore the Treasury). To a limited degree, this so-called AME-DEL switch has been implemented with the Work Programme's financing system. Parts of Work Programme

expenditure are now paid for by the Treasury (i.e. out of the AME budget) rather than out of the DWP's fixed DEL budget. However, the part of Work Programme expenditure paid for by the Treasury is relatively small, and essentially 'tops up' programme expenditure. One reason why the AME-DEL switch has not been followed through more wholeheartedly is that it is unclear whether the presumed benefits of the AME-DEL switch would actually work in practice. Critics have pointed out that it is based on a flawed understanding of the claimant population, the majority of whom either frequently 'cycle' between work and worklessness, or are low waged workers who top up their incomes through in-work-benefits. In view of this, the potential benefit savings of integrating claimants into the labour market through extensive use of employment services are likely to be low.

Benefit levels for JSA and Income Support are determined through annual parliamentary review. For tax credits, a formal review process is not obligatory. As discussed above, the current government has recently passed a law which suspends the annual review for three years in a row, committing to below-inflation increases of 1% annually to 2015.

As already noted, the discretionary power of local benefit administrators for most means-tested benefits – including Income Support, JSA and tax credits – is very limited, especially compared to some other European countries (e.g. Sweden). Furthermore, claimants (whether granted the benefit or not) have a formal right of appeal to a 'first tier tribunal' if they are dissatisfied with the outcome of their claim. This first tier tribunal is the key institution of a nationally uniform and highly regulated appeals process. The tribunal consists of at least one first tier tribunal judge, and, depending on the nature of the case, further persons with financial or medical qualifications, or with experience of disability issues. Due to the highly codified benefit claims process, the key activity of the tribunal is to review the decision in the light of the existing rules and regulations, rather than to review any discretionary decisions made by benefit administrators. In a further step, if the appellant is dissatisfied with a first tier tribunal decision, they can appeal to an 'upper tribunal'. To do this, they require the permission of the first tier tribunal, or, if this is not granted, of the upper tribunal itself. If dissatisfied with the decision of the upper tribunal, finally, claimants can appeal to the Court of Appeal in England and Wales or the Court of Session in Scotland.

The appeals process is different for discretionary Social Fund benefits, such as budgeting loans or crisis loans (see below). Here, so-called social fund inspectors carry out reviews of contested cases. Social fund inspectors, in turn, are responsible to social fund officers, of which there are four (one for each of the UK's nations). To challenge decisions from social fund inspectors, claimants can appeal for judicial review to the regular court.

Benefit structure and generosity

In the tax year 2012/2013, the Income Support and JSA rate for all claimants aged 25 and over was £71 per week. Claimants aged 16 to 24 receive a lower rate of £56.25 per week, with the exception of single parents, who can access the higher rate already once they reach the age of 18. Families with children or claimants with disabilities receive 'premiums' on top of the basic rate. For couples where both partners (both aged 25 or above) are claiming JSA, only the lower rate is paid (DWP, 2012a).

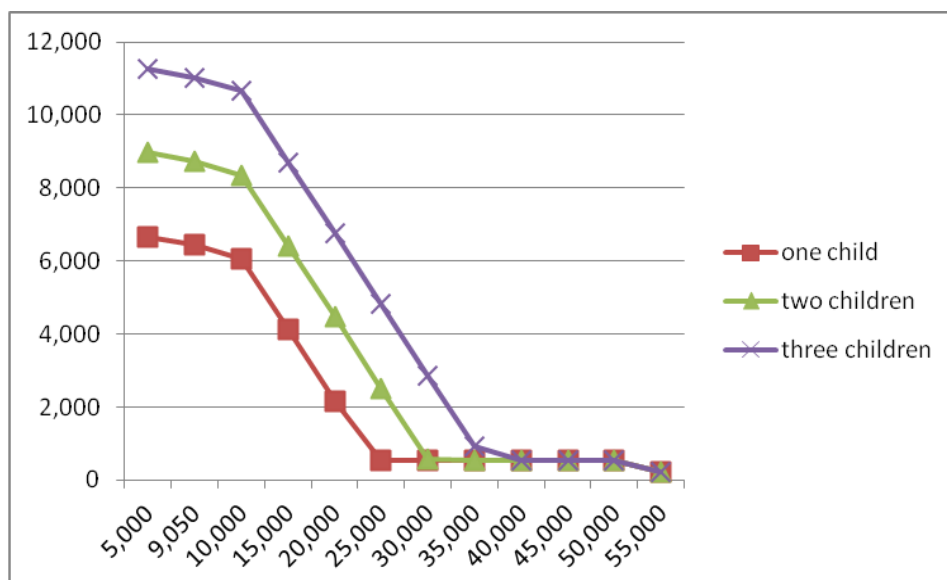
Benefits are paid fortnightly, directly into claimants' bank account. Claimants have to be aged 18 or over, under state pension age, and legal residents in the UK. Claimants' incomes must not surpass the so-called 'applicable amount', which is calculated by subtracting an

earnings disregard (£5 weekly for singles, £10 for couples and £20 for single parents) from the sum of the personal Income Support or JSA allowances and premiums. In 2012, singles with weekly incomes below £66 would usually be entitled to the maximum amount of Income Support or JSA, provided that their individual savings do not surpass £6000. Individuals with savings of over £6000 can still claim reduced rates (up to savings of £16000), with weekly benefits being reduced by £1 for every £250 in savings.

Income Support and JSA claimants are allowed to engage in part-time work (maximum 16 hours per week), however additional earnings that increase incomes above the mentioned earnings disregard reduce benefit payments by the same amount. Part-time workers claiming JSA are expected to continue looking for work above 16 hours per week. Anybody working more than 16 hours per week is not entitled to JSA or Income Support, but can claim tax credits instead (Jin et al., 2010).

JSA claimants who have left their job of their own account, or lost it because of their own actions, do not receive JSA for 26 weeks from the start of their claim. Only one person per couple can make a claim for JSA, and, if both are unemployed, this will be considered a ‘joint claim’. If one partner is working for more than 24 hours per week, the other partner is not eligible to claim JSA, as it would be assumed that the unemployed person is subsidised from their partner’s income. If this income is low, tax credits can be claimed (Jin et al., 2010). Income Support can be claimed by carers of a disabled person or an ill family member, as well as by single parents, provided their youngest child is not older than 5 years. Once the youngest child reached the age of 5, single parents have to claim JSA. The age threshold was reduced in several steps from previously 16 years (until 2008) to 5 years in 2012. Income Support is also the benefit of last resort for all those not eligible to one of the other social security benefits.

Figure 26 Annual amounts of WTC and CTC combined, by annual income and number of children



Note: X-axis: annual income; y-axis: annual amount of tax credits

Source: HMRC (2010)

Next to the system of out-of-work-benefits, at the beginning of 2013 there are two different types of tax credits: Child Tax Credit (CTC) and Working Tax Credit (WTC). WTC is conditional on recipients' being in work for a minimum of 30 hours per week in the case of workers without children, and 16 hours per week in the case of families with children as well as workers aged 50 and over. The minimum age for claiming WTC is 25. By contrast, eligibility to CTC does not come with any restrictions related to either age or labour market participation. Claimants of means-tested JSA or Income Support are automatically entitled to the maximum amount of CTC. Tax credits can be paid either weekly or monthly, depending on the claimant's choice, directly into their bank account.

Both WTC and CTC are means-tested at the family level and decrease with rising income. Figure 26 shows how tax credits (CTC and WTC combined) are tapered off as earnings increase. Income from benefits such as Child benefit or Housing / Council Tax Benefit (see below) is not included in the calculation. The family means-test takes into account current income, as well as income during the past tax year. It is estimated that this long reference period leads to a considerable problem of under- and overpayments, as it often does not adequately mirror current incomes (and needs) (Jin et al., 2010, p. 14 f). Both WTC and CTC consist of several separate elements, which, depending on the circumstances of the claimant, are added up⁴. For the WTC, there are a basic element per single claimant or couple (£1920), a couple element or a single parent element (both £1950), a 30 hour element for claimants working more than 30 hours (£790), a disability (£2650) and a severe disability element (£1130), a 50+ return to work element, with different rates depending on weekly working hours, and a childcare element (weekly £175 for families with one and £300 for families with two children). The childcare element covers a maximum of 70% of actually incurred childcare costs, which is down from 80% before 2012. For the CTC, there are a family element (one per family, £545), a child element (one per child, £2555), which is substantially higher in the case of disabled (plus £2,800) or severely disabled (plus £1130) children, as well as an extra amount for babies under 1 year old (maximum £545). The latter was abolished in 2011 (HMRC, 2010).

As described in detail in section 2.1, the 'Social Fund' provides financial help to citizens with exceptional needs. It consists of two different schemes, discretionary grants and loans to help respond flexibly to exceptional needs on the one hand, and a more regulated – i.e. not discretionary – form of subsidising poor citizens to help cover maternity, funeral, winter fuel and heating expenses on the other hand. The latter can be considered part of the broader category of 'passported benefits'.

The most important passported benefits are listed below. Unless otherwise stated, eligibility always depends on receipt of income-based JSA or Income Support. Most information is taken from DWP and SSAC (2012). In-kind benefits are marked **IK**, cash benefits are marked **CASH**. For each benefit, the responsible governmental agency or level are noted as applicable for England: DWP (Department for Work and Pensions), DfE (Department for Education), DH (Department of Health), MoJ (Ministry of Justice), NOMS (National Offender Management Service), or local authority. In Scotland, Wales and Northern Ireland, departmental responsibility may differ, e.g. most benefits provided by central government agencies in England, such as DWP, are provided by the Scottish Government in Scotland.

⁴ All amounts are, unless otherwise stated, maximum rates per annum for the tax year 2011/2012, see HMRC and ONS (2012).

Education-related benefits:

- *Free school meals* and, where provided by local authorities, *free school milk* (DfE). This is also available to CTC recipients, providing they are not entitled to receive WTC. **IK**
- From September 2013: *Free early education for 2 year olds* (DfE). It is also available to CTC recipients, providing they are not entitled to receive WTC. **IK**
- *School travel costs*, paid depending on the age of the child and the distance of the school (DfE and local authorities). It is also available to children whose parent(s) receive the maximum amount of WTC. **IK**
- *Clothing grants* are offered on a discretionary basis by Local Authorities, but most commonly this is made available to claimants of JSA or Income Support as well as CTC recipients, providing they are not entitled to receive WTC. **CASH** or **IK**
- *Individual Learning Accounts* (Scottish Government): This is available only to Scottish Residents with an income of £22,000 or less or who are on benefits. **IK**
- The *16-19 Bursary Fund* aims to help young people on Income Support continue attend school (DfE). It consists of two parts – bursaries of £1200 a year to the most vulnerable young people and a discretionary fund for schools, colleges, academies, training providers and local authorities (providers) to distribute. **CASH**

Health-related benefits:

- *Free prescriptions, sight tests and optical vouchers, dental treatment, wigs and fabric supports*, as well as *travel costs* are provided to Income Support, JSA as well as to all CTC claimants (DH). This applies to England and Wales only; NHS prescriptions and eye tests are free of charge to *all* patients in Scotland and Northern Ireland. **IK**
- *Healthy Start vouchers* support pregnant women and new mothers to buy milk, plain fresh and frozen fruit and vegetables, infant formula milk and vitamins (DH). This is also available to recipients of CTC. **IK**
- *Sure Start Maternity Grants* (through the DWP's Social Fund): a £500 one-off payment to pregnant women or mothers who have recently given birth. This is also available to certain groups of tax credit recipients. **CASH**

Access to Justice benefits:

- *Exemption from court fees* (MoJ). This is also available to recipients of tax credits (CTC and WTC). **IK**
- *Legal aid* helps pay for legal advice and legal representation at courts (MoJ). **IK**
- *Help with prison visiting costs* (MoJ). This is also available to recipients of tax credits (CTC and WTC). **CASH**

Utility-related and other benefits:

- Various social tariffs, including *BT Basic* (phone line rental), *Warm Home Discount*, etc. (**CASH**) / **Discounts**
- *Funeral payments* (through the DWP's Social Fund), covering the whole funeral fees. This is also available to certain groups of tax credit recipients. **CASH**
- *Cold weather payments* (through the DWP's Social Fund): These consist of £25 for each period of seven consecutive days below 0°C (DWP). **CASH**

Both Council Tax Benefit and Housing Benefit are means-tested benefits. Income Support or means-tested JSA claimants are automatically entitled to the full amount of either benefit. Low waged workers may also be entitled as long as their incomes do not surpass the so-called

‘applicable amount’, which is calculated by subtracting an earnings disregard (e.g. £5 for singles) from the sum of the personal housing or council tax benefit allowances and premiums. In 2012, singles aged 25 and over with incomes below £66 would usually be entitled to the maximum amount of housing or council tax benefit, given that their individual savings do not surpass £16,000 (With savings above £10,000, each £500 of savings results in an extra £1 a week in income being assumed in the calculation of income). Tax credits are also counted as income. For incomes above the threshold, the Housing Benefit is tapered off at a rate of 65%, and Council Tax Benefit at a rate of 20%.

Housing Benefit pays rent up to a maximum amount which is based on exemplary local mid-range rents. Regulations were more generous before 2008, when housing benefits covered actually incurred rent (Evans and Williams, 2009, p. 107 ff). Council Tax Benefit is basically a full council tax waiver for recipients of Income Support or means-tested JSA who are living alone. For claimants who live in a household with other people who do have an income, the discount will be less than 100%, depending on household income.

4.1.2. Key changes to the structure of minimum income rights during 2013

The introduction of ‘Universal Credit’ in autumn 2013 significantly changes the structure of MIP benefits in the UK. Universal Credit replaces both Income Support and JSA as well as tax credits – in other words, it becomes the single means-tested benefit for working-age claimants in the UK. The scheme is fully administered by DWP, thereby bringing to an end the large-scale involvement of the Treasury in delivering in-work-benefits.

Key features of Universal Credit include:

- A single withdrawal rate for all benefits, in-work or out-of work. This however does not extend (currently) to locally administered passported benefits (see below).
- A linear withdrawal rate for in-work-benefits, doing away with the current 16 hours cliff-edge.
- In-work-conditionality for in-work-benefit claimants who work low hours and earn less than the equivalent of working full-time at the National Minimum Wage.
- Abolition of disability-premiums, and instead introduction of higher earnings disregards for disadvantaged groups.
- A move to monthly payments (currently: fortnightly), made to the head of the household (currently, working tax credits are paid to the member of household who is actually working).
- A move to ‘digital by default’, meaning that all claims are processed through an online form.

The policy community more or less across the whole political spectrum agrees that this move can – at least potentially – have a number of significant benefits for claimants. First, it is expected that the simplified Universal Credit system will lead to higher take-up of benefits. This is simply because all personal circumstances relevant for determining eligibility of any benefit will be recorded through one single (online) form. This is expected to reduce non-take-up of benefits, especially of in-work-benefits where the sense of entitlement is still comparatively low, with feelings of stigma acting as deterrent. Second, the introduction of Universal Credit is expected to reduce work disincentives as a result of merging the systems for in-work and out-of-work benefits. The merger smoothes the currently cumbersome transition from one benefit system to the other, which is commonly considered a barrier to work. Third, Universal Credit is expected to reduce work disincentives by homogenising

taper rates across in-work and out-of-work benefits, as well as abolishing the 16-hour cliff edge.

However, more critical observers have questioned whether this potential effect will indeed materialise. Critics point out that there are many other barriers to employment for benefit claimants which are not tackled by the introduction of Universal Credit, including costs for childcare provision or other costs that incur when taking up work. Also, there are currently concerns that the introduction of Universal Credit may come with a number of serious disadvantages for benefit claimants. It is feared that many claimants will suffer from financial exclusion as a result of the move to monthly payments, to payments to the head of the household, and to digital by default. These concerns are on the one hand fuelled by the expectation that vulnerable groups may find it difficult to change to the new system, and on the other hand by doubts about the capacity of DWP to implement such a large-scale IT system without putting claimants at risk of missing their benefit payment. Also, the fact that receipt of Universal Credit as an in-work-benefit is conditional on increasing working hours up to full-time employment, as well as the fact that in-work Universal Credit benefit is withdrawn at a higher rate than under previous tax credit regulations, are seen as potentially increasing poverty risks. Finally, campaigners are concerned about the abolition of disability premiums. While claimants who receive Universal Credit as in-work-benefit are compensated for this loss through a higher earnings disregard for disabled people, this obviously does not help those claimants who receive Universal Credit as out-of-work benefit. It has to be stressed that there will be no or only little financial disadvantages for current claimants due to generous transitional regulations. However, these will not apply to future cohorts of benefit claimants.

Our interviewees have stressed that while the overall principle underlying the Universal Credit may be sensible, the reform is being pursued in the context of significant welfare cuts overall. As already pointed out above, this includes a cut in childcare subsidies for WTC claimants from 80% to 70%, the below-inflation benefit up-rating of benefits over the following three years, as well as changes in terms of benefit conditionality (see below).

The principle of having a simpler system, and one that doesn't have the cliff edges, and so on, anybody would agree with that. But mix the cuts and George Osborne into that and you have a disaster. (Interviewee 15, Scotland)

The introduction of Universal Credit will require the restructuring of eligibility conditions of passport benefits, which have often been granted quasi-automatically to claimants of means-tested assistance benefits (Income Support or JSA). Since Universal Credit replaces both in-work and out-of-work benefits, its scope is much wider than that of Income Support and JSA taken together. It is therefore unlikely that passported benefits will in the future simply be linked to Universal Credit receipt, as this would increase the size of the population eligible for passported benefits considerably. There is currently no definitive proposition as to how to resolve this issue. A document containing a number of suggestions prepared by the Social Security Advisory Committee along with responses from government (DWP and SSAC, 2012) is indicative at best. However it looks likely that in the long run, passported benefits that currently are provided in-kind may be 'cashed up', similar to the model of childcare subsidies for in-work-benefit claimants. In other words, in-kind benefits would be transformed into dedicated cash benefits, and paid for actually incurred costs of services (or for a fixed percentage thereof). Such a transformation of passported benefits would come with two advantages. First, a simple and unified one-stop-service could be used for

administering eligibility to a wide range of passported benefits and services. Second, cashing-up in-kind benefits is a precondition for a gradual withdrawal of passported benefits, thereby avoiding ‘cliff edges’ and the kind of work disincentives that the Universal Credit seeks to abolish (DWP and SSAC, 2012). However, such a far reaching transformation is unlikely to happen in the short run. A probable temporary solution is that passported benefits will for some time be provided in-kind to all Universal Credit claimants up to a certain earnings disregard (with the disadvantage that ‘cliff edges’ and work disincentives temporarily remain in place).

An important change in the area of passported benefits, effective from April 2013, is a drastic cut in eligibility to legal aid in England and Wales. As a consequence of cutting the legal aid budget by £350Mio, civil legal aid is no longer available for cases involving divorce, child custody, clinical negligence, welfare, employment, immigration, housing, debt, benefit and education (Wintour, 2013).

Furthermore, the system of social housing and housing benefits is being changed from April 2013 through the introduction of a so-called ‘bedroom tax’ and changes to council tax benefits. The bedroom tax consists of a heavy cut in housing benefits for under-occupied flats by 14% (25%) of housing benefit for working-age households with one (two) spare bedrooms. Also, council tax benefit is subject to cuts in 2013. The provision of Council Tax Benefit, currently a single nationwide system administered by DWP, is being devolved to local authorities. At the same time, the funding from national taxation going to local authorities to pay for council tax benefits is being reduced by 10%, leaving it to the local authorities whether they implement benefit cuts or make up for income losses through cuts in other areas (Wintour, 2013).

Over the course of the year 2013, the system of discretionary Social Fund payments will also undergo significant changes. From April 2013, the Social Fund is abolished and replaced by support systems at the local level, which are however a devolved matter – i.e. there will be fundamentally different arrangements in place in Scotland compared to England. In England, one of the elements of the discretionary Social Fund – the so-called community care grants – are abolished entirely. Crisis loans evolve into a new national scheme of Short Term Advances, administered by DWP. Budgeting loans continue to be available until Universal Credit is fully rolled out, and then replaced by a new system of Budgeting Advances for Universal Credit claimants (DWP, 2013b). In Scotland, by contrast, the previous system of loans is replaced by grants which are not repayable. In particular, Scottish government and the Convention of Scottish Local Authorities have developed a system consisting of ‘community care grants’ (intended to enable independent living and to prevent the need for institutional care) and ‘crisis grants’ (to provide a safety net in emergency situations, e.g. when there is an immediate threat to health or safety). Both benefits are discretionary and will be delivered through local authorities (Scottish Government, 2013).

Finally, the current government has introduced a so-called benefit cap, effective from April 2013. This limits total benefit income per household to a maximum amount that equals the average annual household income after tax and national insurance. Since there are large disparities in terms of rents and living costs across the UK – and large differences in calculated benefit income – this means that especially benefit claimants in expensive areas like London are likely to fall (further) below the poverty threshold, unless they move to cheaper cities.

4.2. The activation of minimum income claimants

4.2.1. Activation in England

Service provision

This section discusses in turn three key categories of employment or employment-related services. First, services provided by or on behalf of JC+ for all claimants during the early stage of their claim. Second, services contracted by JC+ to private Work Programme providers, which generally target claimants at later stages of their claim, or those considered more distant from the labour market. Third, it briefly turns to employment and social services provided through local authorities.

As noted under section 2.2, one of the key services provided at JC+ is the in-depth interview at the beginning of each claim, which is repeated at regular intervals. In between, claimants engage in self-directed job search activities and sign on at the JC+ every other week. In addition, claimants can be referred to a number of measures out of the ‘Get Britain Working’ portfolio, including ‘Work Clubs’, ‘Work Together’, ‘Work Experience’, ‘Enterprise Clubs’, ‘Mandatory Work Activity’, or ‘Sector-based work academies’. These options partly resemble those under the ‘Intensive Activity Period’ of the New Deals discussed above. However, while these options previously were timed according to length of the claim (in line with the model of the ‘customer journey’), advisers are now tasked to allocate these measures more on a needs-basis, making use of their judgement and discretionary power. This is consistent with a greater emphasis on case-loading, giving more influence and power to the individual adviser.

Overall, JC+ employment services – i.e. all those services delivered either directly by JC+ or by contracted private providers during the initial stage of a claim – can be characterised as almost ideal-typically ‘work-first’. There is only low investment in training, and the limited training provision is typically short-term, hardly exceeding 6 to 12 weeks. The core provision focuses on short and cheap advice measures to improve soft skills (CV writing, interview presentation, etc.), as well as work experience schemes.

Admittedly, there have been (very modest) modest steps to increase skills provision in the wake of the so-called ‘Integrating Employment and Skills’ agenda, which instigated co-location of advisers from the careers services at the JC+ (‘Next Steps’ advisers in England and Wales, ‘Skills Development Scotland’ advisers in Scotland). Beyond these steps, the current government has introduced ‘skills conditionality’, making participation in certain training courses obligatory from 2011 where lack of skills are identified as main barrier to employment. However, this applies mainly to basic skills such as literacy and numeracy, as well as vocational skills up to NVQ level 2⁵ (DWP and DIUS, 2008; BIS, 2009, 2010). It can include provision like Training for Work (in Scotland) or SFA employability training (in England and Wales), as well as courses delivered by regular Further Education providers, such as colleges. This can be interpreted as Further Education losing its voluntaristic character, as it receives a defined place in the process of labour market integration of those claimants considered fit for work (i.e. JSA and ESA-WRAG). At the time of writing, it remains an open question whether this will revise the traditional hostility of JC+ towards training and all forms of longer-term interventions.

⁵ Level 2 of NVQs (National Vocational Qualifications in England, Wales and Northern Ireland) or SVQs (Scottish Vocational Qualifications) correspond to level 2 of the European Qualifications Framework.

Apart from work-first interventions and training provision, the changing attitude towards job creation measures over the period under analysis is noteworthy. Generally speaking, job creation had been in continuous decline over the course of the 1990s and 2000s. However, in the wake of the economic crisis, there has been a brief (but noteworthy) revival in the form of the so-called 'Future Jobs Fund'. The fund was implemented by the previous Labour government. It constituted a job creation programme which aimed to mitigate the effects of the crisis, addressing mainly young people. However, the fund proved short-lived and was scrapped by the current coalition government in order to cut costs, ending the temporary revival of job creation. While the current strong emphasis of the UK government on promoting apprenticeships to combat youth unemployment in England may still indicate a (very modest) shift in emphasis towards demand-side measures in general – see also the discussion under 3.1 – 'proper' job creation is unlikely to return to the agenda any time soon due to the high costs involved.

During the period under analysis in this report, the provision of specialist employment services for long-term unemployed persons or other claimants considered more 'distant from the labour market' has undergone gradual change. During the middle of the 2000s, the main investment in this respect took the form of the so-called New Deal programmes (see section 2.2). Beginning from 2009, the New Deal for Young People and the New Deal for long-term unemployed people (as well as Employment Zones) were replaced by the so-called Flexible New Deal (FND). The FND came with a slightly different programme structure than the New Deals it replaced and, most importantly, gave private and third sector providers a greater role both in front-line delivery as well as in supply chain management and further sub-contracting of employment services.

Since 2011, and as a result of the election of the new government, FND provision has been replaced by the so-called 'Work Programme', which is however overall rather similar in design. Access is generally governed by the length of benefit claim: Claimants aged 25 or over are automatically referred to private Work Programme providers after 12 months, younger claimants already after 9 months. Previous claimants of incapacity related benefits who have been transferred to JSA in the wake of recent reforms are referred to the Work Programme after three months already. Single parents on Income Support are not obliged to participate in the Work Programme at any time of their claim, however they can voluntarily register with a Work Programme provider at any time.

As with FND, providers operate under a 'black box' contract, i.e. they have complete autonomy in choosing the appropriate tools and level of investment to support claimants. Providers are paid largely based on outcomes – both for job entry and for sustained job outcomes. Unless claimants move into work, Work Programme providers work with them for up to two years. Due to the 'black box' nature of provision, the content of the 'Work Programme' is, in theory, difficult to grasp. Based on previous experience with the FND, however, diversity and local innovation likely remains limited. Overall, the Work Programme can be considered a straightforward work-first programme, which focuses primarily on work-focused interviews, as well as short-term interventions such as employability training, courses to boost motivation or improve job-search related skills (such as CV writing). Work Programme providers are adamant that they don't see it as their responsibility to provide training interventions, despite the fact that they are *in principle* expected to deliver whatever it takes to help people find and retain employment. Instead, they consider skills provision the job of the SFA (in England) or SDS (in Scotland).

I think it would make perfect sense [for claimants] to access skills support (...). We wouldn't include it in our supply chain though, because we're not responsible for providing that. (...) We're here to provide employability support. (Interviewee 5, Work Programme provider)

Whether the fact that the current contracting regime puts relatively high emphasis on providers helping claimants into *sustained* employment will lead to more investment in longer-term training or more costly measures to help claimants very distant from the labour market is therefore more than questionable. While the DWP has recently identified job retention and job progression as important goals of the benefit system, this is supposedly to be achieved solely through the incentives set by its Work Programme funding model. Concretely, Work Programme providers are paid higher sums if claimants retain work for a period of up to 2 years, in the hope that this will lead to a refocusing on bringing claimants in more stable kinds of employment (see also section 4.3). The other element of MIP reform that may ultimately lead to a greater emphasis on job progression of in-work-benefit claimants is the introduction of in-work-conditionality under Universal Credit. As noted above, in-work-benefit claimants can (potentially) be forced to increase their working time if their earned income falls short of the equivalent of working full time at the national minimum wage. All things considered, it looks unlikely that these initiatives based on financial incentives are successful in improving job retention and progression.

While JC+ and Work Programme deliver the majority of employment services, provision of social services is in the remit of Local Authorities, who in turn contract out front-line delivery of services to private or third sector providers. Charitable companies play a significant role in this. Social services are characteristically provided to all citizens alike – either for free (e.g. counselling and financial advice) or on a fees basis (e.g. childcare). MIP claimants do not have privileged access.

The main differences in terms of social services compared to the situation during the middle of the 2000s (see section 2.3) all relate to the area of childcare provision. It was already described that the bulk of childcare provision in the UK is delivered through the market. The main support for low-waged workers is the childcare funding through the tax credit system, which was reduced in 2012 from 80% to 70% of actually incurred costs, making access to childcare for low-income families more difficult. Consequently, single parents who enter low paid 'entry-level' jobs can do so only by relying extensively on their personal networks to provide informal (unpaid) childcare. Beyond these limited subsidies to in-work-benefit claimants, the existing system of free and universal early education for 3-4 year olds (see section 2.3) was expanded from 12.5 to 15 hours in 2010. It will be further expanded from autumn 2013 to include children from 2 years for low-income families.

Sitting in between social services on the one hand and employment services on the other hand is the so-called 'troubled families programme'. It exists since 2012 in England and, similarly to other social services, is delivered through local authorities, which receive an extra funding of £448 million over 3 years on a payment-by-results basis (GOV.UK, 2013). It aims at helping workless households with 'multiple barriers to work', such as those who suffer from issues like drug or alcohol misuse, as well as relationship problems in families. While eventually framed as a programme to help adults back to work (and children into school), its overall character could be considered closer to more holistic, social work-type interventions, and less concerned with achieving short-term job outcomes. Consequently, it sits outside the

core provision of JC+ and is co-funded by ESF and the Department for Communities and Local Government.

Personalisation

One can distinguish two sources of personalisation or individualisation: a diverse ‘range of programme offerings’ as well as a suitably organised ‘staff client interaction’ (Jewell, 2007) are both important determinants of personalisation. The critical role of the diversity of employment service portfolios for a tailor made / differentiated / personalised service provision is discussed comprehensively in Goerne (2012). Above, it was already highlighted that the current character of services provided by JC+, as well as by Work Programme providers, is rather one-dimensional in that it consists mainly of short-term, work-first type measures. In other words, the very limited diversity of the service portfolio can be considered an obstacle to a personalised provision of employment services for MIP claimants in the UK. This subsection comments on the second element of personalisation, namely the organisation of ‘staff client interaction’. It does so by analysing existing approaches to profiling, as well as processes of matching claimants to services, and relates these issues to the wider problem of creaming and parking.

Within the current JC+ regime, a limited degree of personalised interventions is combined with otherwise rather standardised procedures. As noted above, most services at the JC+ are directed at claimants closer to the labour market. Therefore, claimants are mainly required to engage in self-directed job-search, without much intervention from JC+ advisers. Most interaction between staff and claimants occurs during the obligatory fortnightly signing-on. These sessions are typically very short and last as little as five minutes, effectively limiting the possibility of in-depth engagement. Beyond regular signing-on, advisors conduct more personalised interviews at the beginning of each claim, where they also draw up an individual action plan. Further in-depth interviews are scheduled after three and six months. Only after that period, staff will schedule longer appointments on a more regular basis. However, it is only since very recently that JC+ has started to introduce so-called ‘caseloading’, which means that a claimant will always talk to the same personal adviser. Previously, claimants would speak to a different adviser each time, arguably limiting the personalisation potential of these interactions.

Nevertheless, the general development over the past few years has to be interpreted as a decline in JC+’s capacity to deliver personalised services. Concretely, JC+ has recently narrowed its focus, emphasising more than ever generic, short-term goals. This is expressed in the reduction of the number of (centrally imposed) targets: the key performance indicator today is the proportion of people who leave JSA within 12 months.

Arguably, this has been detrimental to the personalised delivery of services in three ways. First, the narrowing of JC+’s focus has led to a decrease in local partnership working, as well as a decrease in outreach activity (e.g. through action teams for jobs, which were about outreach in the community). Since JC+ has never seen its role as providing specialist support to claimants with multiple barriers to work, it basically relies on linking up with all kinds of non-contracted social services (typically delivered through local authorities) in order to help their claimants who are most ‘distant from the labour market’. The recent decrease in outreach activity has arguably led to a decrease in service provision for this most vulnerable group of MIP claimants, leaving them to the private Work Programme providers. Second, there has been a noticeable decrease in numbers of specialist advisers at JC+. During the

second half the 2000s, JC+ had somewhat departed from its otherwise rather general and low-intensity form of service provision by introducing various kinds of specialist advisors, including lone parent personal advisers, unpaid carer advisers or incapacity benefit advisers. As a result of large scale redundancies in 2008, JC+ are now again focussing on more generic adviser support, targeting primarily JSA claimants without any additional barriers to work, and leaving all other – more ‘difficult’ – claimants to the private Work Programme providers. Third, a recent change in categorising benefit claimants at JC+ means that single parents are not any longer identified as a special group with potentially special needs. By contrast, they are now counted as ‘normal’ jobseekers.

These developments all contradict the political discourse on benefit claimants, which focuses very much on the ‘hardest-to-help’ rather than on the mass of ‘normal’ benefit claimants (see above 3.1). Looking at longer historical trends, however, it could be argued that this narrowing of JC+’s focus is very much in line with the traditional character of public employment services in the UK, including JC+’s predecessor, the jobcentres of the ‘Employment Service’. In that sense, the somewhat heavier reliance on a team of specialised personal advisers during the middle of the 2000s constituted more of an anomaly than the norm.

Interestingly, the decline in local flexibility and personalised service provision is more down to what central targets *do not* specify, rather than what they actually require from local jobcentres. Jobcentres *in principle* have nowadays more flexibility than five years ago and therefore could decide to provide a more diverse and personalised service offer. *In practice*, however, a lack of resources is getting in the way of systematically providing more personalised forms of support. The creation of a ‘Flexible Support Fund’ which JC+ district managers can distribute locally has not been sufficient (and possibly not intended) to counter this trend.

It's an interesting parallel with a lot of public services here. JC+ now have a lot more flexibility in how they spend their money, but they've got less money to spend. So, in practice, they are less able to have good quality discussions about how they could use their flexibility. (Interviewee 2, Policy director at the Centre for Economic and Social Inclusion)

Furthermore, even if resources were sufficient, increased flexibility through abolition of central government targets has not necessarily translated into real flexibility on the ground. In fact, it has been observed that JC+ district managers continue to employ a plethora of both output- and outcome-targets at the local level (see also section 2.4).

Profiling instruments at JC+ – i.e. the matching of claimants to services – have traditionally not been very fine-grained. In fact, efforts to identify those claimants in need of additional support have always been extremely low. Instead of offering a form of personalised profiling, e.g. supported by statistical profiling tools, JC+ relies on what one could call ‘automatic profiling’: all claimants who fail to find work within a period of 12 months are considered somewhat ‘distant from the labour market’ and automatically referred to external support, currently in the form of private Work Programme provision. This also means that they do not receive any form of specialist support through JC+ before the end of the 12 month period. There are a number of exceptions for claimants who are generally considered as being at a higher risk, and who are therefore referred on to the Work Programme from an earlier point during their claim. For example, claimants under the age of 25 are referred to the Work

Programme already after 9 months, and previous claimants of incapacity related benefits who have been transferred to JSA in the wake of recent reforms are referred after three months already. This rather low-key approach to profiling is strongly driven by cost-saving considerations. Since most unemployed people will find employment within the first six month of their claim, it is considered inefficient to provide a more intensive form of provision to new claimants.

The current approach of the Work Programme can also be characterised as extremely un-personalised. This is somewhat remarkable as the Work Programme is now the key provider of services to claimants with ‘barriers to work’, after JC+’s narrowing in focus. It was noted above that the portfolio of services provided through the Work Programme is of a relatively one-dimensional work-first character, and there are substantial concerns that creaming and parking effects are strongly present.

You take that group of people at the top of the pool of unemployed and you throw them at the labour market as hard as you can and hope that they stick. This is what the Work Programme is designed to do. It's not designed to provide any serious level of support to individuals who are some distance away from being able to get a job. (Interviewee 4, Chief executive Scottish Council for Voluntary Organisations)

If you look at the level of risk attached to the Work Programme providers, at the payment structure, it does sharpen your focus to really think about at what level can (you) invest in this contract, given the risk profile, (and given the) outcomes (you) need to deliver. (...)

I think it's important to recognise the Work Programme is never going to get the majority of customers into work. It's not designed as such. It's designed to get those people who can work into work. And it will only ever help a certain percentage of those people into work. (Interviewee 5, Work Programme provider)

Both these quotes – the first from an outspoken critic of the Work Programme, the second from a Work Programme provider – demonstrate that it would be simply unprofitable for Work Programme providers to invest heavily in those claimants considered more ‘distant from the labour market’. Therefore, Work Programme providers increasingly stick to the provision of a rather generic set of services in the vein of a work-first approach which is likely to benefit only those without any serious barriers to work, if anyone at all. Furthermore, evidence collected during our fieldwork suggests that (some) Work Programme providers are moving away from identifying single parents as a group that requires a tailored approach, similar to current practice at JC+. Work Programme providers have also been observed to be rather unenthusiastic about integrating specialist support from third sector providers into their supply chain – less so than previously under comparable schemes like FND or Employment Zones.

A key reason for this trend in the character of contracted-out employment services can be seen in the specification of Work Programme contracts, which are entirely designed as ‘black boxes’, freeing providers from the obligation to provide a certain type or amount of specific services. The only way of steering providers is by paying higher outcome payments for groups that are considered more distant from the labour market (and therefore requiring higher investment) and by releasing the full amount of performance-related pay only in the

case of sustainable job outcomes, i.e. long-term job retention. This is discussed in more detail below under section 4.3.

Conditionality

In terms of behavioural requirements, JSA claimants are required to actively look for work, or undertake steps to improve job search skills (attend CV writing courses, etc). What exactly is required is determined individually for each claimant by the personal adviser at the JC+, and written down in a so-called 'Jobseekers' agreement'. At the discretion of the personal adviser, JSA claimants have to sign on at the JC+ in regular intervals in order to report back on the steps they have taken in the meantime. This enables the advisers at the JC+ to check whether claimants act in line with their 'Jobseekers' agreement'. Generally, claimants are requested to sign on every other week.

Claimants who fail to sign on, or who do not take up employment or training offered to them from an adviser at the JC+, breach their 'Jobseekers' agreement' and face sanctions. A first 'offence' leads to benefit withdrawal of two weeks, a further 'offence' within 12 months to a cut of four weeks. A third 'offence' within 12 month after the second one leads to the maximum benefit withdrawal of 26 weeks.

Single parents on Income Support have to take part in so-called 'lone parent work focused interviews' every six months. During the year before Income Support eligibility ends (based on the age of their youngest child), such interviews are conducted every three months (Lane et al., 2011). While it is compulsory to participate in these interviews, any further steps – e.g. job search or other work-related activity – remain entirely voluntary. Conditionality for single parents has been tightened considerably through successive reductions in the age of the youngest child until when single parents are eligible to claim Income Support. Currently, single parents are re-categorised as 'jobseekers' and shifted from Income Support over to JSA from the time when the youngest child reaches the age of 5. Consequently, single parents on JSA are subject to the same conditionality regime as 'regular' jobseekers. In practice, this means that they are no longer able to opt to stay at home or to take part in further education for more than 15 hours per week.

There are contradicting views on how the tightening of conditionality for single parents has impacted on poverty. While it is held (certainly within government, but also beyond) that this has resulted in an increase in female employment and thereby reduced poverty, critical observers have pointed out that some single parents may have withdrawn from formal assistance altogether as a result of the stricter conditionality regime. Furthermore, tougher conditionality in the context of the UK's large low-wage sector inevitably forces many job seekers into accepting unstable and low-wage jobs, and to enter a cycle of worklessness and low pay (subsidised through in-work-benefits). To be sure, the very same issues apply to any other, 'regular' unemployed person. However, single parents face the additional problem of finding adequate childcare provision while in work, which also constitutes an additional drain on their income.

The introduction of Universal Credit in autumn 2013 leads to a further tightening of conditionality for work-able working-age benefit claimants. The greatest novelty of Universal Credit in this respect is that it introduces in-work-conditionality for those (in-work) claimants on low weekly working hours. They (potentially) will be expected to undertake efforts to increase their working hours until they earn the equivalent of working full time at the

National Minimum Wage. Furthermore, Universal Credit introduces a new regime of four different conditionality groups, which amounts to an overall tightening of conditionality:

- ‘Full conditionality’ will apply to all ‘normal’ jobseekers and is similar to the current regime under JSA.
- ‘Work preparation’ will apply to claimants who are currently claiming incapacity related benefits while at the same time being deemed fit to undertake some work related activity⁶. For them, the introduction of Universal Credit leads to a tightening of conditionality, as they become obliged to participate in work-related activities. Currently, they are only required to attending Work Focused Interviews.
- ‘Keep in touch with the labour market’ will apply to single parents or carers with a child aged 1 to 5. This covers the group of single parents who are currently claiming Income Support. It involves participation in work-focused interviews, but no obligation to participate in further work-related activities. This does not constitute a change in terms of conditionality compared to the current Income Support regime.
- ‘No conditionality’ will apply to disabled claimants currently in the ESA-S group. This also does not constitute a change in terms of conditionality compared to the current ESA regime.

4.2.2. Activation in Scotland

Since the fundamental provision of MIP benefits is not a devolved matter, the conditionality regime also does not differ between Scotland and the rest of the UK. However, a number of peculiarities can be observed in the Scottish context in the area of employment services provision, which lead – at least potentially – to a more personalised portfolio of services in Scotland than in England. Differences can be observed basically in three areas, namely job creation, local authority employability services, and extra funding from the Scottish government for vulnerable groups. Furthermore, demand-side job creation measures enjoy a slightly higher popularity in Scotland than in England.

After a brief interval in the form of the ‘Future Jobs Fund’, job creation currently plays a tiny role in the portfolio of ALMP in England. By contrast, the Scottish government has decided to fund the so-called ‘Community Jobs Fund’ programme for young people in order to counter-act the high youth unemployment as a result of the economic crisis. Initially designed as a short-term programme, its lifetime has subsequently been extended. With annual budgets oscillating between £6 Mio and £10 Mio between 2011 and 2013, by May 2013 it had reached a total of 3200 young people (McTier et al., 2012; SCVO, 2013). The Community Jobs Fund is funded by Scottish government and run by the Scottish Council for Voluntary Associations, who give young people the opportunity to gain work experience through employment with voluntary organisations.

In terms of service provision, the Scottish government is funding a number of extra services that do not exist in England for vulnerable groups. This includes, most notably, advice services for single parents who want to return to work. The most significant difference between England and Scotland, however, is the high investment into local authority employability services by Scottish government (matched by ESF funding) and local authorities. While this corresponds somewhat to the ‘Troubled Families programme’ in England, it is different in size and design. Currently, the amount of money spent on local authority employment measures in Scotland is ca. £70 Mio, of which £39 Mio come from the

⁶ From 2008 until 2013, this group was called ‘Employment Support Allowance – Work Related Activity’ (ESA-WRAG).

ESF. The ‘Troubled Families programme’ in England is worth roughly twice as much, with the population in England being approximately 10 times larger than in Scotland. The total value of the Work Programme in Scotland is only £55 Mio per year, indicating the enormous significance of local authority employability provision not least in quantitative terms.

As to the concrete content of local authority employability services, much resource has flown into the development of local case-management systems in order to better connect different providers of employment and social services. This is related to the desire of local authorities to provide a more ‘holistic’ set of employment services than the JC+, especially as JC+ is increasingly retreating from providing more specialist advice and from partnership working with local (third sector) specialist providers. More generally, however, it has to be noted that ‘local authority employability provision’ is merely an umbrella term, which should not conceal that there is little cohesion in terms of the content of provision across local authorities. Local authorities provide the services *they* consider necessary complements to the narrow provision of JC+. Furthermore, local authorities use employability spending as tool for boosting local economies.

In principle, local authority employability provision targets a similar group of benefit claimants as the JC+ provision, i.e. benefit claimants who have not (yet) been referred to the Work Programme. However, local authorities in Scotland arguably take a more varied approach to furthering employability than JC+, and do not only focus on those closest to the labour market. Local authority employability provision is generally portrayed as an attempt to fill the gap left by JC+ provision on the one hand and other forms of centrally devised Scottish government provision (which focuses mainly on youth unemployment) on the other hand.

Basically, JC+ has to deliver to the targets and outcomes that the UK government has applied to them. We don't. We have more flexibility. Each local authority will make their own decisions on how they apply that flexibility. There is no national cohesion, because it depends on local needs and circumstances.

There is a lot of stuff for under25s, for helping young people, skills, giving employers subsidies in order to employ people. But there is also stuff for the adult working population, where they have additional learning needs. So, there are different populations that we're helping in very different ways. (Interviewee 15, Scotland)

At the same time, Scottish local authorities are explicitly trying to preclude Work Programme claimants from accessing their employability provision in order not to provide unpaid support to Work Programme providers. This issue is taken up again below under section 4.3.

4.3. The organisation of active inclusion delivery systems

4.3.1. Operational policy in the UK and England

Structure and operation of lead agencies

JC+ is the lead agency for the delivery of benefits and front-line employment services. While the 2000s saw the growth of a plethora of output- as well as outcome- targets within JC+, this

development was reversed recently, leading to a focussing on a single central outcome-target, namely the proportion of people who leave JSA within 12 months.

The new administration decided that there were too many targets, that they were distorting behaviours. They thought as a tool, as a device, it'd become too intrusive and was distorting policy formation and service delivery behaviour. There are still some targets, but it's now much more a case of management by objectives, management by performance measures. So, a move from outcome to output measures. (Interviewee 12, UK)

It was already noted that this development, which has in principle increased local flexibility, has not led to a more flexible and personalised form of service delivery for potentially two reasons. First of all, resource constraints have limited the room to manoeuvre locally, and therefore led to a narrowing in focus on the single remaining national outcome-target. The overall outlook of JC+ has changed – or possibly radicalised – towards an agency providing low-intensity, general advice and support that is likely to benefit mainly claimants closer to the labour market. Also, the task of policing the ever tighter conditionality regime attached to benefit receipt becomes increasingly important in JC+.

A second reason why the abolition of many of the more fine-grained output-targets at central government level may not have led to increase flexibility and innovation on the ground can be found in the pervasive culture of managing through (output-) targets at JC+'s intermediate and local management levels. In fact, controlling and steering through (output-) targets at JC+ has been observed to continuously play a high role for (local) management. This can possibly be seen as a repercussion of public service restructuring in general over the past decade (see also the analysis in section 2.4). Public service reform has resulted in the thinning-out of technical expertise above the very street-level of the local advisory workforce who delivers the fortnightly signing-on and general employment services. Such a system, of which technical expertise has evaporated at various levels of the hierarchy, is in fact dependent on a system of targets in order to control staff behaviour.

This point relates to the wider issue of staff qualifications within JC+. Compared to other European countries, advisers in JC+ have relatively lower qualifications. The move away from specialist advisers, towards a more generic form of provision, certainly plays a role in lowering the overall qualification profile of JC+ adviser staff. However, the degradation of staff qualification has been even more radical in the area of benefit administration. Starting with the introduction of JC+ agencies in 2002, the actual task of benefit administration was transferred from public offices to call-centres. Here, benefit advisers follow a heavily prescriptive routine, consisting of online screen-prompts, thereby requiring only a minimum of technical expertise and qualification.

It's not actually feasible to give people the almost one year training and grounding in Income Support that they genuinely need in order to cope with all aspects of the benefit.

So, [instead] you have people who are working with enquiries working of scripts, with IT support telling them what to say. That works in 80% of the cases, but not in the other 20%. (Interviewee 14, DWP)

Having pioneered the use of call-centres since 2002, in 2013 JC+ is set to move towards online systems of benefit administration. Part of the overall attempt to go 'digital by default',

the main route to claim Universal Credit from autumn 2013 is through an online form. However, this move is not restricted to Universal Credit. For example, the Scottish national agency Skills Development Scotland (SDS) is similarly planning to rely more on online advice services in the future. While these innovations clearly bear the potential of huge efficiency savings, observers point out that this move may increase poverty risks.

Inter-agency coordination

The delivery of benefits (e.g. JSA and Income Support) and employment services is integrated within JC+. While the main elements of benefit administration have been located in call-centres outside the local JC+ offices since 2002, local JC+ offices still play an important role for claimants as the place where the fortnightly signing-on as well as further in-depth interviews take place, and from where they are referred to provision from contracted-out employment service providers (see section 4.2). There are however difficulties in inter-agency coordination, i.e. barriers to effective joined-up delivery and cooperation between JC+, private Work Programme providers and other, non-contracted provision.

Detailed prescriptions regulate referral from JC+ to the government's main ALMP programme, the Work Programme (see 4.2). By contrast, referral to other, non-contracted provision – such as skills or social services – is not well regulated and consequently rather precarious. The main reason for this is that different service providers – both national players (JC+ or Work Programme for employment services, SFA and SDS for skills provision) as well as local providers of social services – are 'working in silos'.

Work programme providers and colleges are each trying to achieve very narrow specific targets in order to access their funding or meet the requirements of their sponsors. That's the biggest constraint. There is less coordination of new policy initiatives than there used to be. Departmental silos and boundaries create problems.

Young people are a great example: Department of Education is largely focused on keeping young people in school and on qualifications, Department for Business, Innovation and Skills is largely focused on keeping people in training and preventing them from dropping out, and Department for Work and Pensions is largely focused on getting everybody into a job -- any job as quickly as possible. And across that, people fall into the cracks. There is a lack of joining up. (Interviewee 2, Policy director at the Centre for Economic and Social Inclusion)

Our interviewees have invariably identified the relatively uncoordinated planning of services at the national level as a problem for local joined-up delivery of services. The discussion of these issues builds on the analysis of inter-departmental relations under section 3.3.

The interplay between JC+ and skills advice – which is commissioned by the Skills Funding Agency (SFA) under BIS in England and provided by Skills Development Scotland (SDS) in Scotland – is traditionally precarious due to JC+'s work-first orientation. Training is generally considered something that should be paid for either by employers or out of participants' own pocket. Substantial pre-employment training is not seen as one of JC+'s functions. However, starting from a very low – i.e. barely existent – level of cooperation between JC+ with training providers, there has been significant progress over the past 5 years

or so. The so-called ‘Integration of Employment and Skills’ agenda has led to the closer alignment of skills advice and employment service provision. A key component of this strategy has been the co-location of careers advisers from SDS (Scotland) or ‘Nextstep’ (England) at JC+ offices. While this has been a significant move, it has to be said that the job of careers advisers can be diametrically opposed to that of JC+ advisers due to the fact that the latter implement a strict work-first agenda. Also, given that unemployed JSA claimants are in fact not allowed to take up full-time training while on JSA, skills advisers’ task is limited to giving advice – they cannot refer claimants to more substantial skills provision from, for example, local Further Education colleges. In this sense, it can be said that a certain degree of joined-up delivery locally (in the form of co-location) cannot make up for the disconnectedness of employment and skills policy at the central level.

Coordination problems also prevail in the case of joining up delivery between JC+ and services provided by or on behalf of local authorities. This relates primarily to the provision of social services, such as debt or drug counselling. Also, services funded centrally or through ESF and delivered through local authorities – the ‘troubled families initiative’ in England or various local authority employability programmes in Scotland – constitute relevant components of the overall service portfolio available to MIP claimants. Here, joined-up delivery of services looks even more problematic than in the case of skills and employment. Apart from the lack of cohesion at the level of central planning, there is also only very little – and decreasing – effort to create connections locally (as in the case of co-location between skills and employment service advisers). It was already described above that the number of specialist personal advisers at JC+ has been decreasing, reflecting a general trend within JC+ to narrow its focus and concentrate on the provision of generic services. This has reduced the capacity of JC+ advisers to engage in partnership working, a prerequisite for effectively linking up with providers of external (social) services.

For example, I chaired a conference yesterday of the South East London Housing Partnership. More than half of people in social housing are out of work, and more than half of those have been out of work for more than 12 months. About a quarter of people on the Work Programme will be on social housing. So, social housing and worklessness go hand in hand. And there was not a single person there from JC+. The whole conference was basically about how you tackle worklessness. There were people from the Work Programme there, mostly just doing advertising. That's one example. JC+ is far less involved in local strategic partnership fora. (Interviewee 2, Policy director at the Centre for Economic and Social Inclusion)

Improving link-up of employment services with (social) services provided through local authorities had been the key component of the so-called City Strategy, a pilot project which was implemented in 15 areas across the UK between 2007 and 2011. It aimed primarily at enhancing co-operation between different actors who deliver services to non-employed persons, including JC+, private and voluntary service providers, local authorities and the NHS, through mechanisms like increased use of co-location and outreach (Green et al., 2010). While in many places the City Strategy in fact achieved a better coordination of services from different providers, it has also been observed that this applied mainly to the various services provided outside and independently of JC+, whereas engagement of JC+ can be described as reluctant at best (Goerne, 2012).

While the City Strategy was phased out in 2011, the need to improve joined-up delivery of services locally currently informs other initiatives by the current coalition government, such as the so-called ‘City Deals’ or ‘Community budgets’. Both initiatives are led by the Department for Communities and Local Government and have a wider remit beyond the area of benefits and services for MIP claimants. Forming part of the government’s localism strategy, they are more generally about tackling the problem of ‘working in silos’ through devolving power and competences to local authorities (see section 3.3 for more detail). However, it has to be stressed again that in the area of services for MIP claimants, these initiatives suffer from the fact that key actors such as DWP / JC+ are not involved and express only limited desire to link up.

In a sense, the narrowing focus of JC+ on what it perceives to be its ‘core business’ at the expense of specialist advice and link-up with local non-contracted provision is surprising given the fact that JC+ had long been considered by many an ‘institution in waiting’ to become a true one-stop shop.

10 years ago, you would talk about JC+ being the sort of 'government on your doorstep' if you like, the way in which you access all sorts of services, the lynchpin, the sun around which everything would orbit. But the reality now is that that simply doesn't exist any longer. (Interviewee 2, Policy director at the Centre for Economic and Social Inclusion)

While previously, JC+ was potentially seen as a place where citizens would access all kinds of benefits and services, the current narrowing of focus has pushed back this vision. Again, while this constitutes a decisive shift compared to JC+’s outlook at the middle of the 2000s, it may be argued that this new orientation is in fact more true to the traditional character of public employment services in the UK over a longer time frame.

Finally, it is currently an open question how non-contracted social services can be integrated into the supply chain of private Work Programme providers. While the latter seem keen to offload some of their (more difficult) claimants onto the (free) provision from local authority funded charitable providers, the latter are reluctant to accept this in view of profits (potentially) accruing to Work Programme providers only. In other words, the fact that Work Programme providers’ ‘normal’ mode of partnership working is to create supply chains and to further sub-contract delivery of specialist services (ideally based on performance-related pay), makes it difficult for them to link up with social services that are typically not provided on a performance-based model (for lack of soft outcome measurements). In practice, this has meant that under the Work Programme the degree of coordination of service delivery between different specialist organisations has decreased.

Marketisation

There is a strong emphasis on marketisation of service provision in the UK, especially of employment services for those considered more distant from the labour market. The Work Programme is a privately provided form of employment service, to which claimants are referred from JC+ after 12 months, or earlier in the case of claimants with disabilities or other more complicated needs. Under Work Programme regulations so-called ‘prime providers’ are paid a mix of registration fees, job outcome payments and sustainable job outcome payments. Job outcome payments are generally higher for claimants who are – based on a very crude categorisation process – more distant from the labour market (Figure 27). The Work

Programme differs from its predecessor, the FND, in that the maximum payment for sustained job outcomes can be claimed only after claimants have stayed in work for an extended period of up to 104 weeks, depending on the characteristics of the claimants (DWP, 2010a, p. 10). The Work Programme thus radicalises previous contracting regimes in that it relies *exclusively* on ‘black box’ contracts – i.e. it does not specify the services that Work Programme providers should deliver locally, but leaves this specification to the individual providers who are assumed to know best ‘what works’.

Compared to earlier programmes such as the New Deal (and even FND), the current Work Programme framework strongly favours large private providers. Accordingly, the role of third sector organisations in the delivery of employment services has continually decreased. This development can be attributed mainly to the introduction of the system of ‘prime providers’. These are large companies who bid for the entire volume of Work Programme contracts for an entire region, and then develop a supply chain, further contracting out those elements that they cannot deliver on their own. This procedure requires prime providers to raise large amounts of money upfront, and also constitutes a considerable transfer of risk from the state to private providers. It therefore favours large, private organisations (Bennett, 2012).

Figure 27 Financial incentives for Work Programme providers, 2011

Benefit	Participant group	Maximum payment, in £			
		Start	Job outcome	Sustainment	Total
JSA	18-25			2200	3800
	25+	400	1200	2800	4400
	“Seriously disadvantaged”			5000	6600
Income Support	Single parents	400	1000	2300	3700

Source: DWP (2011c)

In theory, competition between Work Programme prime providers should create innovation. However, the current practice of large-scale commissioning and the need to precisely account for risk within extended supply-chains has arguably stifled innovation and capacity for local adjustment, and generally driven a process of further centralization of service provision. Three related lines of criticism with respect to the Work Programme have already been discussed above: that it has been observed to lead to a decrease in partnership working, to an increase in creaming and parking, and it is generally characterised by a strong emphasis on generic work-first interventions and a very one-sided service portfolio.

Possibly the most fundamental of these issues has been the widespread incidence of creaming and parking. It is widely admitted that the particular way of specifying ‘black box’ contracts has led to the fact that Work Programme providers focus their resources on claimants relatively close to the labour market, as they are not obliged in any way to provide services to claimants whom they do not consider ‘safe bets’. The DWP’s approach to avoid creaming and parking while at the same time maintaining black box contracts has been to award higher outcome payments for claimants in (rather broad brush) benefit categories that were associated with higher barriers to work – such as single parents, or JSA claimants who previously were receiving an incapacity-related benefit, etc. (Figure 27). However, it is more than questionable whether this goal has been achieved.

Providers are routinely segmenting people into three groups -- the easiest to help, the harder to help, the hardest to help. And the easier to help are largely left to sort themselves out, then the next group are the ones where they chuck everything at, and that's really face-to-face job searching, job matching, job brokering support. And the hardest to help group are seen less frequently, there is less evidence of packages of support of specific support to meet their needs. (Interviewee 2, Policy director at the Centre for Economic and Social Inclusion)

Related to that very narrow focus on a specific – relatively easy to help – target group, Work Programme providers have come to provide a very narrow range of employment services. Their range of services includes mainly personal advice from local Work Programme advisers, and possibly referral to short (and rather generic) courses in order to improve participants' CV writing or presentation skills. Conversely, more intensive investment, such as longer-term skills provision or interventions to improve soft outcomes, is largely absent (see section 4.2).

Actual performance figures have also been very low. The public accounts committee delivered a damning judgement, writing that

The Work Programme's performance for its first 14 months of operation—from June 2011 to July 2012—fell well short of the Department's expectations. Overall, only 3.6% of claimants on the Programme moved off benefit and into sustained employment, less than a third of the 11.9% the Department expected to achieve, and well below the Department's own estimate of what would have happened if there had been no Work Programme running at all. (HC Public Accounts Committee, 2013, p. 3)

While analysts have highlighted that a key factor in the drop in performance has been the deep and continuing economic crisis in the UK (CESI, 2012), it has to be noted that the Work Programme was designed and introduced in 2011, i.e. in the middle of the crisis. This suggests that the programme specification and contracting arrangements – including the heavy reliance on the 'black box' – were not based on a remotely realistic modelling of economic reality. Whether performance issues as a result of dire economic conditions could have been foreseen or not, the equity issues around creaming and parking certainly were factored in when opting for the Work Programme's relatively 'pure' black box approach.

If you ask people to jump through many hoops, hoops cost money every time you jump through them. And they were keen to get Work Programme onto a different kind of cost structure from previous contracts. (Interviewee 5, Work Programme provider)

The key reason for accepting inequity in delivery has to be attributed to ministers' determination to cost-cutting. Furthermore, a supporting cause may have been the profound belief that government agencies are not able to deliver employment services effectively and efficiently, while at the same time granting the private sector some kind of ontological advantage in helping bring people back into work (see above 3.1).

4.3.2. Key differences in operational policy between Scotland and England

Again, operational policy arrangements in Scotland differ from those in England. The main differences relate to the larger role of local government in Scotland, as well as the high importance attributed to local partnership working through institutions like Community Planning Partnerships (CPPs) or Local Employability Partnerships. These key institutional peculiarities in Scotland have already been described under section 3.3.

While the strong position of local authorities and CPPs has likely improved joined-up delivery of services, more critical observers have highlighted the limits to joined-up delivery even under such relatively favourable institutional conditions. Already under section 3.3, it was pointed out that key players like JC+ or Work Programme providers, but also Scottish national agencies like SDS are reluctant to engage in these fora for a number of reasons. The most practical reason is that coordination in CPPs is resource intensive and cannot be afforded by all organisations. More fundamentally, agencies with nationally controlled budgets and nationally defined, statutory obligations will inevitably struggle to join-up delivery of services at the local level without subordinating their own nationally defined agendas. Finally, key players like JC+ have re-oriented recently towards providing more generic services and have become rather uninterested in investing much time or resources in service provision beyond this core.

Furthermore, coordination of services between private Work Programme providers and non-contracted social and employability provision through local authorities is made more difficult as a result of the Work Programme's profit-making character, and the local authorities' and Scottish government's deliberate choice not to cross-subsidise Work Programme providers' profits by providing services for core Work Programme clientele.

Local authorities would provide services to Work Programme claimants that they would get whatever their circumstances. If it's a subsidy for something that local authorities think the JC+ should be doing as part of the Work Programme, then local authorities aren't necessarily going to pay for it. (Interviewee 15, Scotland).

Effectively, the particular set-up of Work Programme contracts has led Scottish government and local authorities to withdraw from supporting the Work Programme through providing non-contracted employability or training services for claimants on the Work Programme.

Therefore, the true extent to which the particular Scottish institutional set up of local partnership working is effective in coordinating service delivery is a moot point. However, it has to be acknowledged that various local authority and third sector providers have used institutions like CPPs to better coordinate the delivery of *their* services. In a sense, this mirrors the experience of those areas involved in the City Strategy pilot projects across the UK (see above). This has led, for example, to the development in many local authorities across Scotland of case-management approaches for claimants more distant from the labour market.

There are attempts, particularly around young people who were at risk of becoming long-term unemployed, to make sure that they were supported. What you did see at local level was attempts between key workers -- social workers, key figures -- to work together around that and (...) to share cases and look at

how it would be best to work with a young person. (Interviewee 4, Chief executive Scottish Council for Voluntary Organisations)

It could be argued, then, that in some areas local authorities have tried to react to the development of JC+ retreating from its former (potential) role of a one-stop-shop for all kinds of services by picking up the pieces and providing a more holistic service for benefit claimants. This has likely been helped by the traditionally greater emphasis of local authorities in Scotland on delivering their own portfolio of employability services.

5. Assessment

5.1. A national strategy?

While the concept of Active Inclusion as drawn up by the European Commission (EC, 2008) itself does not play a role in either the UK or the Scottish discourse, its key components – the provision of an adequate level of minimum income benefits, of ALMP and of quality social services – are largely designed and controlled at the UK level. In this sense, the UK does have a ‘national strategy’ regarding minimum income provision and anti-poverty policy.

The UK has a national benefit system which ensures standard benefit rights across the country. Conversely, local variation and discretion play no or only a minor role for the UK’s system of means-tested benefits. The only (and relatively small) element of social security in the UK that is different in this respect is the reformed ‘Social Fund’, a system of discretionary crisis benefits for which, in Scotland, Scottish government and local authorities in Scotland have become responsible since 2013. There is also a UK-wide strategy for activation, which – although on paper seeking to encourage personalisation – is delivered in a highly standardised format. It is delivered mainly through the network of local offices of the national Jobcentre Plus agency, as well as a privatised system of service provision (the so-called ‘Work Programme’), which is contracted-out out to large provider companies also at the national level.

By contrast, there is no national strategy for how activation and benefit provision should be reconciled with locally provided social services. While previously the ‘City Strategy’ and currently initiatives like ‘City Deals’ and ‘Troubled Families Initiative’ have attempted to increase local coordination, this has to date not amounted to a coherent national strategy for local coordination. This is one of the key areas where Scotland is different from England and Wales. In fact, as local governance is an area of devolved competence, Scottish Government has put in place policies (such as ‘Community Planning Partnerships’) for coordinating policy locally which do not exist in England. Generally speaking, this has meant that local authorities in Scotland play a more powerful role and are more independent from central government directives than their counterparts in England.

Scottish regional and local government also constitute an important additional layer which impacts on the area of ALMP in Scotland. While ALMP is, in theory, a policy area for which responsibility lies solely with the UK government, in practice Scottish government and local authorities in Scotland are providing a considerable range of employability services on top of the UK government funded Work Programme. Facilitated by the fact that both skills provision as well as European Social Fund are devolved policy areas, there is consequently more ALMP provision – both in terms of quantity and quality – available in Scotland than in England. Due to the stronger role of local authorities and a longer tradition of local partnership working through mechanisms such as ‘Community Planning Partnerships’, there is also more articulation between different kinds of services from various (local) providers than in England, possibly benefiting particularly those MIP claimants with more complex support needs.

Furthermore, while not having any formal responsibility in the area of minimum income benefits, Scottish regional and local government have arguably been able to mitigate the effects of UK policy to a limited degree. For example, while not being able to influence either

the level of the NMW or of tax credits, the Scottish government and Scottish local authorities in particular have signed up to the voluntary commitment to pay a ‘living wage’, which is set at a level above the current NMW. Also, by committing to a strategy of ‘income maximisation’ – rather than minimum income provision – local authorities in Scotland, through advice and advocacy support, are actively trying to increase take-up of all sorts of UK-level benefits.

These differences between Scotland and England can partly be explained with reference to ideological differences. Scottish politics is generally more left-wing than politics in England. For example, the current Scottish government emphasises the need to address poverty as part of a wider struggle against income inequality, whereas the (current) UK government focuses increasingly on the alleged behavioural determinants of poverty. Also, the portrayal of benefit claimants as ‘skivers’ and working people as ‘strivers’, as well as the accompanying mood for ever increasing benefit conditionality, is rather less prevalent in Scotland than in England. In general, while the overall UK discourse is currently leaning heavily towards ‘negative activation’, in Scotland there seems to be more of an appetite for both ‘positive activation’ as well as (limited) demand-side investment. These differences go along with a general openness with respect to policy learning from other European countries, as well as a more sceptical view towards privatisation in general and the current privatisation of employment services in the form of the Work Programme in particular.

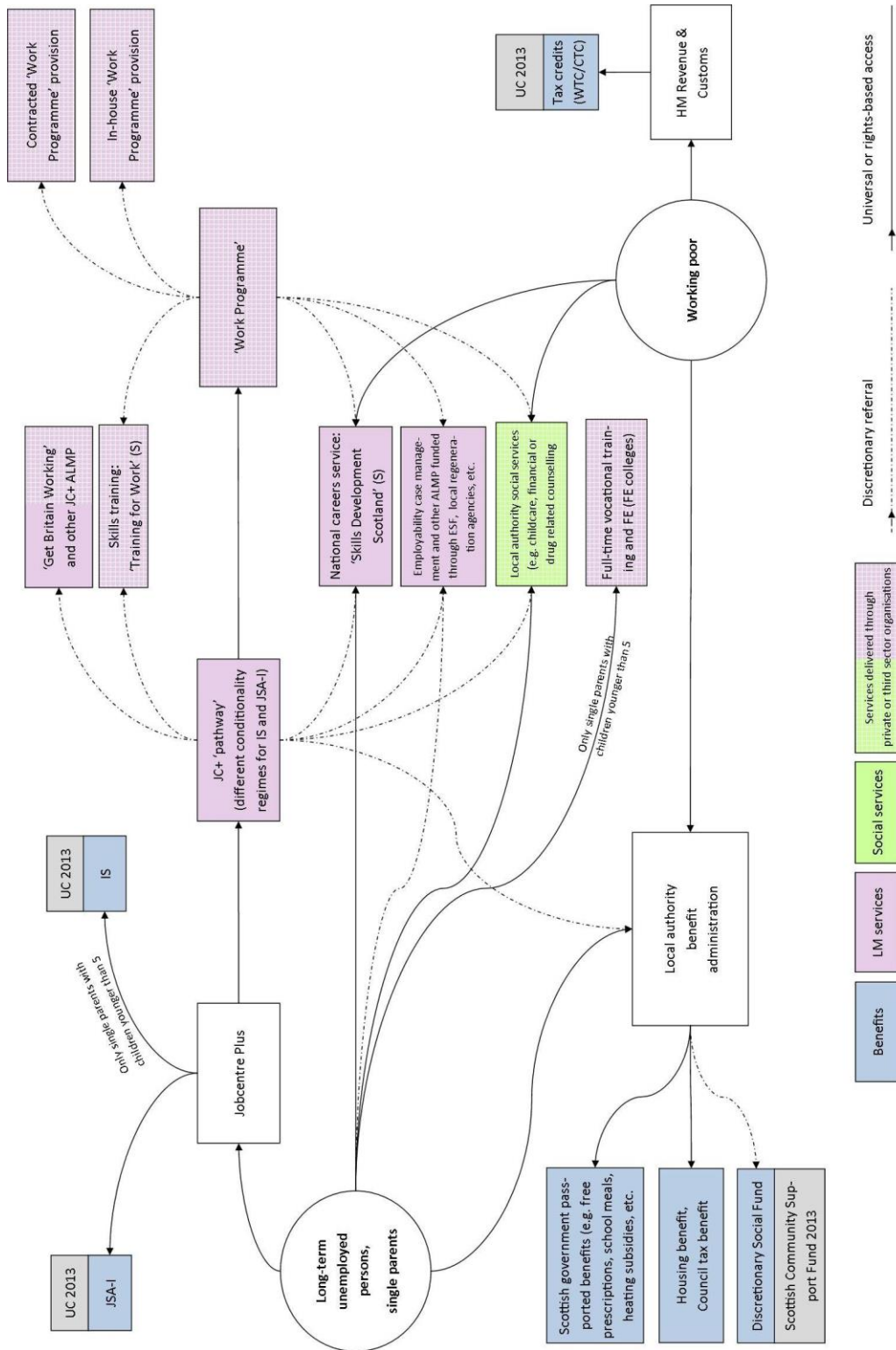
5.2. A strategy for all working-age groups?

The overall policy approach adopted in the UK does not differ much by target group. Work-first policies apply to all groups, including the long-term-unemployed, single parents or the working poor. While arguably more varied and more reliant on elements of ‘positive activation’ midway through the 2000s, recent developments have again cemented the character of the UK welfare system as one based on work-first and ‘negative activation’.

For long-term unemployed claimants, this means that there has been a cut in specialist support as a result of the narrowing focus of JC+ and the introduction of the Work Programme. For single parents, there has been an increase in conditionality, however without any concurrent effort of increasing childcare provision. Quite the contrary, subsidies for childcare have been cut recently. For the working poor, the fact that they are already in low-wage work means that there is hardly any attempt to improve their earnings beyond the subsidies they receive through the widespread system of in-work-benefits (tax credits). Furthermore, the new Universal Credit will, from autumn 2013, implement in-work conditionality, which means that low-waged workers who are working low weekly hours can in principle be required to increase working time if they do not want to face cuts in in-work-benefits.

The story is different in Scotland, where support for long-term unemployed people and single parents may be higher due to the encompassing employability provision which local authorities organise on top of the UK-wide provision through JC+ and the Work Programme. While this may improve link-up between employment-related and social services beyond the level of coordination in England, these developments have unfolded rather unevenly across localities. Regarding provision for the working poor, the ‘living wage’ campaign has recently made inroads in Scotland, with all Scottish local authorities signing up to pay a ‘living wage’ above the current NMW. This clearly constitutes a wholly different way of addressing the issue of in-work-poverty than in the UK as a whole.

Figure 28 Policy map UK



What is the key reason for the gradually increasing emphasis on ‘negative activation’ and conditionality in the UK? In terms of support for single parents and the long-term unemployed, it is obvious that recent cuts in support are the consequence of the broader intention of government to pursue strict austerity policies, including an overall cut in welfare spending. The centralised nature of MIP in England means that local authorities are not in a position to mitigate the effects of this policy development. By contrast, the greater concentration of resources at the local level in Scotland helps to mitigate some of the effects of central level cuts.

In terms of the lacking support for the working poor, it can be assumed that ideological hard-headedness about the inevitable existence of low-waged labour, and possibly complacency due to the existence of a widespread system of in-work-benefits, explains the general absence of a strategy to combat in-work-poverty. The importance of the ‘living wage’ campaign in Scotland does constitute a significant aberration from the overall UK policy context.

5.3. A multi-dimensional approach to working age poverty?

The DWP interprets the European Commission’s Active Inclusion recommendation as fundamentally about ‘activation’, that is labour market integration of benefit claimants.

Active Inclusion? We support all of it. [First,] minimum -- MINIMUM – income. You need to have a degree of realism there, benefits have to be adequate and sustainable, or there's no benefit. [Second,] the basic idea of activation measures links to the provision of services. The previous administration was all about welfare-to-work. A job is the best form of welfare – so Active Inclusion is a perfect fit with us. And Universal Credit is an Active Inclusion policy really! The way we organise service delivery, the move to Universal Credit -- if anything, that puts an even greater focus on activation measures. It ensures above all else that work always pays, with particular adjustments to the benefit reduction tapers. (Interviewee 12, UK)

The UK’s approach to Active Inclusion, then, does not aim at social inclusion of benefit claimants in a wider sense: in fact, the only dimension of the DWP’s interpretation of Active Inclusion seems to be labour market integration. Arguably, the single-mindedness of the UK’s interpretation of Active Inclusion has radicalised even further over recent years. For example, the current scrounger debate, fuelled by the Conservative party, has reduced acceptance for the fact that some claimants may not be able to return to work.


[The current debate at UK level] is about putting people who need support on the idea that they're either scroungers or they need some transition work, therefore the focus is on the transition. There is no acceptance for the fact that some people may require benefits and not be scroungers and not be able to get off the system either, for whatever reason. That national [debate] sees all people as being capable. But actually some people aren't capable. If you don't have various learning tools, if you have addictions that need to be managed -- for all of these reasons, there's very little patience for that at the moment.

It suits the UK government to picture people as either scroungers or needing to get back into work. It is fundamentally about cutting the cost down. And less about support for people. (Interviewee 15, Scotland)

There are two fundamental elements of the activation discourse in the UK, which have been part of the agendas of both the current coalition and the previous Labour government. Since the second half of the 1990s, policies have on the one hand aimed to ‘transform individuals’. Through investment in ALMP and increased conditionality, benefit claimants should be transformed into labour market participants. On the other hand, there has always been a recognition that this needs to go hand in hand with efforts to ‘transform structures’, namely structural determinants of work disincentives such as low wages or complex benefit systems.

Arguably, while these two elements have both been important over the past 15 years or so, more recently there has been a shift from more ‘positive’ to more ‘negative’ variants of activation, with respect to both the ‘people transforming’ as well as the ‘transforming structures’ element of the activation agenda. While the priority on providing support services (such as childcare) or quality ALMP for helping people return to the labour market – i.e. a more ‘positive’ variant of activation – had already been relatively low, this has declined further over the past five years. By contrast, conditionality and simplification, which can both be attributed to ‘negative activation’, have been the defining features of recent policy reforms. This development is summarised in Figure 29.

Figure 29 Key themes of the activation discourse in the UK

	Positive Activation		Negative Activation
Transforming the individual Tackling ‘dependency culture’ through welfare-to-work	ALMP		Conditionality
Transforming structures Creating work incentives, removing work disincentives	Tax Credits		Simplification

Conclusion

MIP in the UK is currently being transformed on an apparently massive scale. With the plans for the introduction of Universal Credit the system of means-tested working-age benefits is in the process of being completely overhauled. The government has claimed on a number of occasions that this is “the most fundamental transformation of the British welfare state since Beveridge”, referring to the report that laid the foundations of the British welfare state in the 1940s.

On closer inspection, however, key traits of the current system will live on under the new Universal Credit regime. Means-tested benefits will continue to account for an overwhelming share of working-age benefits, and in-work-benefits will continue to form a major part of these. In most areas, the current government’s policy can be said to mainly intensify policies developed by the previous Labour administrations. The simplification of the benefit system through Universal Credit had already been envisioned by Labour in the form of a so-called ‘single working age benefit’. The stepping up and rolling-out of conditionality that will accompany the introduction of Universal Credit is in line with the last welfare reform bills of the New Labour era. Finally, the current shape of a quasi-market for employment services, with the key element of the so-called ‘Work Programme’, is not massively different from previous outsourcing arrangements under Labour, including some New Deals and, most recently, the Flexible New Deal.

Where the current government has changed direction, this can be related to their overall commitment to pursue a wholesale austerity programme, including budget cuts also in the area of welfare provision. Most importantly, that relates to the recent moves to cut benefits (or to increase it below the level of inflation for the coming three years), as well as to cost-cutting in the area of employment services provision, leading to a narrowing in focus of both JC+ and private Work Programme providers and the inevitable increase in creaming and parking. All these policy reforms are glued together by a pervasive rhetoric that paints benefit claimants as ‘skivers’ or ‘shirkers’ and undermines perceptions of deservingness of benefits claimants in general. Again, in this the current government is more radical than the previous government, though it picks up the direction of travel already taken by Labour.

This report has shown that recent welfare reforms and anti-poverty policies in the UK are very one-dimensional, focusing single-mindedly on labour market integration and downplaying wider issues of social integration beyond labour market inclusion. Beyond this criticism, it can also be questioned how successful the current turn to more ‘negative activation’ can be in terms of its own narrow goal, namely to achieve a higher employment rate and to reduce what is called ‘benefit dependency’. Scepticism is due because of three blind spots of the current approach. First, the weakening of the economy and the detrimental effects on jobs – i.e. massive changes on the demand side – cannot be reversed, or even cushioned, by supply side adjustments like increases in conditionality. Second, for many claimants, without access to quality services labour-market-integration is unlikely to happen, regardless of the conditionality regime in place. Without adequate funding of childcare provision, which has been cut under the current government, single parents for example cannot take up work. Given the focus of recent labour market reforms on single parents in particular, it is shocking that no major party has formulated a credible strategy to overcome the issue of childcare provision. Finally, since in-work-benefit claimants already outnumber out-of work claimants of unemployment benefits, a strategy of bringing more people into

low-wage work is unlikely to succeed in bringing down the numbers of benefit claimants. The high incidence of low-wage employment and ‘low-pay no-pay cycles’, which relates to the UK’s ‘low skills equilibrium’ (Finegold and Soskice, 1998), cannot be tackled through narrow welfare-to-work policies.

Summing up, while the specific British variant of ‘activation’ is strongly shaped by the previous government’s ‘welfare to work’ agenda, its current radicalisation and increasing lopsidedness towards ‘negative activation’ and cost-cutting can be seen as a direct result of party politics, with the current Conservative-Liberal Democrat coalition government’s strict austerity orientation having aggravated the situation of many working-age benefit claimants in terms of benefit adequacy as well as access to a diverse range of services. Due to the very centralised nature of the UK system of MIP benefits and services, which in any case constitutes a problem for the joined-up delivery of services locally, there has been little effective resistance from local governments, social partners or pressure groups.

A key finding of this report was however that the situation Scotland differs from that in England in certain important respects. While MIP benefits and services are in principle reserved matters for the UK government, the Scottish government and Scottish local authorities have nonetheless attempted to use their limited policy levers to mitigate the detrimental effects of current reforms, not least due to ideological opposition to the coalition agenda in Scotland. Without any powers to change the level of the National Minimum Wage or in-work-benefits, Scottish government and local authorities are instead promoting (and paying) a ‘living wage’, which is higher than the current minimum wage. Though not in charge of the main employment services controlled by DWP, the Scottish government is spending significant amounts of money on employability services through local authorities, which effectively constitute additions to the (meagre) provision from DWP (namely the ALMP delivered directly through JC+ or indirectly through private Work Programme providers). This is helped not least by the specific institutional setting in Scotland, which features a stronger role of local authorities and local partnership working. These institutional factors are arguably also helpful in fostering a practice of joined-up service delivery locally, which is more difficult to achieve in the rest of the UK.

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