A Job, Any Job: The UK Benefits System and Employment Services in an Age of Austerity

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Résumé

This paper looks at the recent past of the benefits system and employment services in the UK and how they have operated through more than five years of austerity. The UK presents an interesting case, as the unemployment rate following the financial crisis has recovered faster than expected. The major reforms to welfare-to-work programmes and cuts to the public sector, together with continued labour market flexibility, have been identified as the source of this triumph. Yet behind this apparent success story is another picture. Many public employment service programmes in the UK were contracted out to private employment agencies following the Coalition Government's 2011 reforms. A much more restrictive and punitive benefits system and an emphasis on pushing people into work, whatever its quality or stability, has driven the rise of precarious and part-time employment.

It is an important time to take stock of the effects of continued austerity and public sector job cuts, as well as the extreme shift to a deterrent model of benefit provision. Using the UK context, we might question what makes for a 'successful' story on job creation and what kind of social toll there is to advocating "a job, any job" through the benefits and employment services systems. In particular, I suggest that by paying attention to the experience of those who use the benefits and employment services systems, we might learn about the effects of austerity and welfare reform on public services in a more meaningful way.

Mots clés: Employment Services, benefit sanctions, austerity, welfare-to-work, welfare conditionality, job creation

Introduction

In a report on the UK published in July 2016, the United Nations Committee on Economic, Social and Cultural Rights noted a number of deep concerns it had with reforms that had been made to the social security system. It cited: changes in entitlement and cuts to benefits; the benefit cap, which limits the total amount in benefits people of working age can receive; the removal of the spare room subsidy (or 'bedroom tax' as it is more commonly known); the four-year freeze on particular benefits; and the extensive use of benefit sanctions, which highlighted issues of an "absence of due process" and "access to justice for those affected."

The nature of these concerns stand in contrast to the often triumphant tone of the body charged with overseeing social security and employment services policy in the UK, the Department for Work and Pensions (DWP). That same month, they announced another 'record' set of employment figures and an unemployment rate of 4.9%, down from its peak of 8.5% in September-November 2011 following the Great Recession. Indeed, the reforms to the benefits system and employment services, as well as the cuts to the welfare budget, have been cited as the reasons for the unemployment rate recovering.

We might scratch beneath the headline figures for employment and unemployment, though, and take a look at how changes to employment services and the benefits system have affected those who rely on them, and how a more detailed picture of the labour market can tell us a different story. There have been significant changes to the delivery of employment services in Britain over the last five years, and while these are sometimes viewed as a mere continuation and deepening of previous reforms made under New Labour, here I suggest that there have been qualitative changes in the nature of provision. This has led us to a situation in which the latest reforms — namely the gradual introduction of Universal Credit, a single, monthly payment for people both in and out of work that replaces some of the previously existing benefits and tax credits — present claimants with a system of 'ubiquitous conditionality'² and what might be called a model of extreme deterrence.

The contracting out and underfunding of employment services, the punitive approach to the administration of benefits and the cuts to the public sector, together with weak real wage growth and the rise of insecure work, present us with an altogether different impression of the UK labour market. With major cuts to the new flagship employment programme and the (mostly uncertain) after effects of 'Brexit' in store, including the eroding effects of inflation on frozen cash benefits,

prospects for a meaningful recovery in the labour market, built on good quality, well paid and stable employment, look slim.

During the Coalition Government (2010-2015), changes to the benefit system meant that welfare spending was reduced by £17 billion up to 2015/16, and a further £12 billion in reductions are planned up to 2020/21. This second round of welfare cuts, as well as changes to taxes, are expected to mean that living standards for almost the whole of the bottom half of the working-age income distribution will fall, heralding the biggest rise in inequality since the 1980s.⁴

The paper is divided into four further sections. The first deals with the valorisation of work, and 'hard-working people', and the related stigmatisation of the unemployed and other benefit claimants in recent years. It takes a look at issues of low pay and insecure work that are often masked by headline employment figures. The second explores the different logics at play within employment services; in particular, how a punitive logic associated with sanctions has operated alongside a superficially caring logic that focuses on unemployment as an issue of physical and psychological health. The third section explores the great experiment of contracted out employment services that took place from 2011 onwards. The conclusion reflects on the future of employment services and the emerging debates about radical reforms to the social security system that seek to do away with the majority of conditionality altogether.

Work Ethic in Twenty-First Century Britain

Employment and unemployment are deeply enmeshed: how we comprehend and measure the one will necessarily affect our understanding of the other. For example, today, as defined in the Labour Force Survey, anyone undertaking one hour or more of waged work per week is classified as 'employed'. In these circumstances, employment comes to cover a host of activity between salaried work and intermittent jobs. To be strictly unemployed is an ever more niche identity. You may, for example, be claiming unemployment benefits, but still be classified as employed because you are engaged on a welfare-to-work placement, in work experience or work-related training.

It is important, then, to pay attention to the way in which employment figures are heralded, because it appears to signal a moral investment in work as something that is always and everywhere good. Much of the political contention around the Coalition Government's

employment success story, especially around the 2015 general election, was based on questioning the (perhaps wilful) ignorance towards the nature and quality of work in contemporary Britain. This is particularly the case for the kind of work that is attained through employment services, as such work tends to be poor in terms of both security and pay.

The discourse of work as an imperative is an evolving phenomenon. Under successive New Labour Governments (1997-2010) a new objective for policy was fashioned in the problem of 'non-employment'. It signalled efforts at an 'active society' in which integration into paid work would be the appropriate route not only for the unemployed, but also "for a range of identities previously constituted and provided for as the 'non-employed' – mothers, students, people with disabilities, [and] the partners of the unemployed." Work became the measure of society as never before, and 'worklessness' among an inactive population was taken as illustrative of their being outside society. Increasingly, employment services sought to draw the whole household into the incentivization to work.

This shift has been reflected, more recently, in the rise of rhetoric targeted at 'workless' households, intergenerational worklessness and the focus on family breakdown as a cause of unemployment. During the Coalition Government a set of 'underclass' tropes were revived, which attributed poverty, low levels of social mobility and unemployment to an etiolated work ethic, an absence of personal responsibility, but also drug and alcohol dependency, behavioural delinquency and criminality, broken marriages and absent fathers. These were captured in the dark image of a 'Broken Britain', and promoted by centre-right think tanks such as the Centre for Social Justice, whose founder, Iain Duncan Smith, was Secretary of State for Work and Pensions from 2010 to 2016.7

Underclass rhetoric, and the images of 'hard working people' contrasted with welfare dependents, embodied in the distinction between 'strivers and skivers', has heightened animosity towards the unemployed and bred a distorted view of the labour market and benefits system. The mantra that work is the best form of welfare, though, has run into the issue of in-work poverty – in 2013, for the first time, most people classed as being 'in poverty' lived in a household where someone works. Squeezes on living standards and disposable income, owing in part to a mix of rising housing costs, freezes on pay and enormous cuts to local and central government services (the former having seen spending cuts of 37% since 2010⁹), have called into question the claim that people are starting to feel the effects of economic recovery.

Other aspects of the labour market further complicate the picture. Self-employment has boomed in the last decade, with an estimated one in seven (nearly 5 million workers) currently working on their own account. Their earnings are not captured in official statistics, but a recent study calculated that typical earnings were lower in 2014-15 than they were in 1994-5 for this group. 10 Low pay in the UK is an enduring problem, with roughly a fifth of employees on less than twothirds of median pay. The most insecure forms of employment, such as zero hour contracts, are concentrated among the young and put them at risk of progressing both in term of pay and job security. Public sector jobs, which, where they were found in higher proportions tended to offer better conditions than the private sector, have been cut back on an unprecedented scale, and the regions and devolved nations outside London and the South East have borne the brunt of both cuts to jobs and services. 11 Total public sector employment dropped by 373,000, or 7%, between 2010 and the end of 2015, and local government employment by around 660,000 in the same period.¹²

The situation, then, is one in which the imperative to work and the stigma attached to worklessness is prevalent in political and public discourse. Yet, at the same time, the rewards of waged work when set against the costs of living are much worse than before the crisis and have barely improved in years. In this scenario, it matters deeply what kind of support, as well as what kind of compulsion, exists within employment services.

Punishment and Care in Employment Services

Historically, a tension has been present at the heart of public employment services in the UK and elsewhere. They have existed to help the unemployed with finding work, through organising the labour market and providing a point of information exchange between workers willing to supply their labour and employers seeking to hire such labour, as well as administering benefits and offering various training opportunities. Yet, they have also acted to discipline the unemployed, compelled claimants to accept work or work placements and aimed to exclude certain groups from social provision. The first of these logics is what David Price, in his history of the public employment service in Britain, called the 'labour market transparency model'; the second he titled the 'benefit control' model. Both logics can, and have, operated in tension with one another, ever since the founding of the labour exchange system in the early-twentieth century.

These logics, however, always operate through interaction with, among other things, a changing labour market and changing discourses surrounding benefits and the wider welfare state. In a further twist, since the late 1990s and the development of welfare-to-work or 'workfare' in the UK, systems of support and discipline have increasingly come to resemble one another. In 2001-2, the DWP was created, and the Employment Service and Benefits Agency were brought together in one place – the Jobcentre Plus (JCP) – in order to facilitate more efficiently the conditional attachment of social security to finding work, as well as encouraging work on one's own employability. Today the JCP is explicitly designed to support a flexible labour market, and its benefit control logic has become part of this objective.

Since 2012, as part of the push to boost the Government's austerity drive and stated objective of reducing public spending, conditionality has been employed as an extreme deterrent to claiming unemployment and disability benefits. The gap between the number of people claiming unemployment-related benefits and the number of people experiencing unemployment grew from a difference of 472,000 in 2007 to 684,000 in 2015, and fewer people are claiming benefits now than at any point in the last 15 years. A major part of the reason for this is that in October 2012 the Government introduced a new sanctions regime that was unprecedented in its severity. Under this regime, claimants could be sanctioned for a minimum of four weeks and a maximum of 156 weeks, or three years. In the 11 months between October 2012 and September 2013, 1.93 million sanction decisions were made, with 820,000 'adverse decisions', where the sanction was applied.

Sanctions, it seems, became a blunt tool for shifting masses of people off benefits and deterring others from starting to claim in the first place. One result of this has been a large rise in the use of foodbanks, and recent research has confirmed that areas experiencing high rates of sanctioning have experienced greater increases of foodbank use. There are questions over whether this policy of *extreme deterrence* appears to be effecting an off-flow of people from the claimant count without a concomitant in-flow into employment. A study last year found that each 100 'adverse' (applied) sanctions was associated with 42.4 fewer people on unemployment benefit. The manner in which sanctions are applied and the legal recourse claimants have to challenge them has led the leading academic specialist to brand them the regime a "secret penal system". The manner in the regime a "secret penal system". The manner in the regime a "secret penal system". The manner in the regime a "secret penal system". The manner in the regime a "secret penal system". The manner in the regime a "secret penal system". The manner in the regime a "secret penal system". The manner in the regime a "secret penal system". The manner in the regime a "secret penal system". The manner in the regime a "secret penal system". The manner in the regime a "secret penal system". The manner in the regime a "secret penal system".

This punitive approach has been joined by a new policy agenda that is ostensibly caring in nature and that has sought to link work and 'wellbeing' in a number of ways. Alongside efforts to make employment services more personalised, there has been a great deal made of the health benefits, both physical and mental, of work in recent years. This, in part, has been linked to the long-term objective of moving people off out-of-work disability benefits, re-categorising them as 'fit for work' and placing them in more 'active', 'job-ready' benefit groups. Ken Loach's latest film released in October 2016, *I, Daniel Blake*, has brought unprecedented attention to this agenda, demonstrating the struggles of a man with a serious heart condition who has nevertheless been deemed 'fit for work'. Between 2010 and 2013, over a million people on disability benefits had their eligibility reassessed through the Work Capability Assessment (WCA), a process that has, ironically, been linked with additional suicides and mental health problems.¹⁸

The epidemiological approach to employment support has developed even further recently. The successor to the Coalition's flagship 'Work Programme', begun in 2011, has been recommissioned as the 'Work and Health Programme', due to begin in mid-2017. There are recommendations for health commissioning bodies to help design the delivery of this new programme. ¹⁹ Already to date, there has been controversial involvement from therapists and non-professionals employing 'therapeutic' approaches to employability within Jobcentres and private employment service providers. Critics have pointed out that, because of the architecture of conditionality and threat of sanctions, targeting claimants' personalities and their attitudes towards work as a primary obstacle to them gaining employment represents a form of 'psychological coercion'. ²⁰

Discourses of welfare dependency often present the idea of the rationally self-interested claimant as a subject who takes advantage of a lenient, over-generous welfare system that undermines the work ethic, permitting unemployment as a viable choice. Under the Coalition, however, new welfare activation techniques were developed that constitute individuals as essentially irrational in the welfare decisions that they take, as subjects who are unable to see what is best for themselves. An array of behaviour change techniques have been developed to tackle these irrationalities including 'libertarian paternalism', or 'nudge' policies, and positive psychology.²¹

One peculiar way in which this manifested itself under the Coalition Government was in the rise of 'character' as a target of policy. In both education and employment services, character has been linked to the making of successful, morally aware, employable and socially mobile citizens. ²² For example, the Behavioural Insights Team (BIT), the former Cabinet Office unit that has since been privatized, delivered

a mandatory psychometric testing programme to claimants, which assessed their 'character strengths' and sought to work on their positive dispositions.

The BIT has also advocated the use of techniques such as 'growth mind-sets' in order to boost 'character skills' and get claimants to think differently about their possibilities for attaining employment. The principal adviser on labour market issues at the BIT has talked about the importance of perseverance, and techniques that encourage "people to be more adaptable and essentially to work harder when confronted with challenges." Those on disability benefits who are "less psychologically resilient" and struggle with change, he noted, can be encouraged "to act as if they have these character traits, whether or not they actually do". 23

Aside from the resuscitation of what might be assumed by many to be a distinctly Victorian concept, the focus on character is further evidence of the increasing concentration on psychology and habits in explaining social problems. Work is posited as a panacea for social and health issues, including within employment service provision. But, as we shall see below, there is little concern for the quality of work, and approaching unemployment as an issue of moral and pathological deficit is both stigmatising of those who find themselves relying on the benefits system, and also develops a causality between personal attitude and gaining employment that unduly burdens individuals.

Contracting Out and the Employment Services Industry

The Coalition Government rolled out its major welfare-to-work scheme, the Work Programme, in 2011. This initiated a series of contracts between the DWP and private providers – companies, charities and social enterprises (for-profit and non-profit businesses with a social or environmental mission) – to deliver employability and training services to the unemployed, among other services such as job placement. Eighteen 'prime providers' – including multinational companies like G4S, Serco, Seetec, Maximus, A4e and Rehab – secured five-year contracts for the Work Programme in different regions of the UK. The list of organizations to which the provision of services could be sub-contracted from these 'primes' ran into the hundreds.

The decision for increased contracting out displayed a fetishization of private-sector values and an ever-closer relationship between public welfare services and private business. Value for money, which was of primary importance in reducing the welfare bill, was supposed to be assured by a competition for contracts and 'outcome-

based' payments – or 'payment by results' – to providers for successful job placement and employment retention for their clients.

The way the funding model worked for the Work Programme is that providers received an 'attachment fee' for taking on clients from the Jobcentre, and then subsequent payments for 'hard outcomes': for placing someone in a job and for that person retaining the job. A 'differential pricing model' applied to different categories of people that providers took on, so that higher payments were made for those with more 'significant barriers to work' such as those who had been on illness or disability benefit for longer, or who had drug addiction problems.

The result of the marketized, 'payment-by-results' or outcome-based model was that providers relied heavily on attachment fees (for merely taking on clients) and engaged heavily in creaming and parking, where easier-to-deal-with claimants are 'creamed' off the top and those with greater needs are 'parked' and recycled through programmes. A total of 1.2 million attachment fee payments were made in the first 26 months of the Work Programme for JSA claimants in comparison to 240,000 outcome payments, which are paid on evidence of a claimant sustaining a job for 3-6 months.²⁴ By March 2016, for JSA claimants, the Work Programme had delivered 483,827 job outcomes, compared to 843,000 sanctions and 881,615 cancelled sanction referrals. For those on Employment and Support Allowance (ESA), the benefit for those who are unable to work because of illness or disability, the figures were 36,986 job outcomes against 175,000 sanctions and 162,970 cancelled referrals.²⁵

Government now spends around £187 billion on goods and services with third parties each year, about half of which is spent on services that are contracted out. Four firms – Atos, G4S, Capita and Serco – made £4 billion in 2012-13 from various government contracts, including with the DWP. ²⁶ This 'Public Services Industry' was a significant feature of the Coalition Government's period in office. In terms of what this signifies for the relationship between state and market, Colin Crouch has noted how, in the grip of neoliberal ideas, governments have increasingly moved their activities into the private sector in a process viewed as adjusting government to the market when, in actuality, it has adjusted it to the corporation. ²⁷ The effect is what has been dubbed 'herbivorous capitalism': "businesses operate in sheltered franchises grazing contentedly on the public purse and on the purses of private households". ²⁸

Yet in the employment services industry, the margins are tight. Contracts were monopolized by large providers that sub-contracted to hundreds of smaller providers. This was because it was only those specialised in gaining big contracts that could manage the schemes in a commercially viable way. Within the different tiers of sub-contracted providers, smaller providers bore the risk of failure and there was a high rate of turnover through contract termination, especially for non-profit providers.

The design and delivery of services for unemployed people was left largely to the private provider under what is called a 'black box' approach. The DWP had a hands-off stance and providers were supposed to design and deliver 'personalised support' as they saw fit. Reports indicated that, rather than tailored services, unemployed people tended to receive basic online support which saw them re-drafting their CV over and over and group sessions where they were told that their greatest barrier to work is not being positive enough.

Much of the official evaluation of welfare reform so far has concentrated on how well the contracting model has worked for providers, and whether it is providing value for money to the taxpayer. There has been little consideration of what it is like for an unemployed person to be told that the reason they don't have a job is their lack of positivity. Or to be told that they must work in a retail position for more than 30 hours a week without any pay to fulfil the terms of their work placement. Or to realise that, as a lone parent, the increasing conditionality of the Work Programme wasn't designed to take into account their childcare needs. Neither has there been attention paid to what kind of work people must undertake, whether it offers stability and a decent income or the insecurity of a 'zero-hours' contract.

In general, as mentioned in the introduction, the UK historically has spent much less on active labour market policies than its European neighbours and shunned demand-side interventions for many years. ²⁹ Unfortunately, the most recent comparable data on expenditure are only for 2010, but the figures show UK spending at 0.68% of GDP, compared to 2.98% in France, an estimated 2.18% in Germany and an estimated EU-28 average of 2.13% for public expenditure on labour market policies for that year. ³⁰ More accurate UK data for employment policy expenditure give figures of 0.31% of GDP in 2010/11, falling to 0.2% in 2013/14. ³¹ Of course, this expenditure rises and falls with the rise and fall of unemployment so comparisons are difficult and potentially misleading. Outsourcing, though, was undoubtedly seen as a means to greater efficiency (read savings) as part of a drive to reduce welfare spending.

In a move that shocked the employment services industry, the Government announced in the spending review of late 2015 that it would be cutting the money for contracted employment services by 80%. 32 No doubt this will mean that the Jobcentre Plus will take on more of the workload in future. But considering that the DWP has experienced large cuts itself in its budget and staff numbers, there are serious questions over what kind of service they will be able to provide. It is in this context of endless austerity and rising precarity for those in work and relying on the benefits system that the success story of UK employment is put into question. A clear concern with 'quantity over quality' in job creation, facilitated by a system of extreme deterrence in the administration of benefits and employment service should bring us to question the labour market accomplishments of the DWP. 33

Conclusion

The argument set out here, that we must look well beyond headline employment figures and ask what kind of employment service system and labour market is serving people, is even more pressing in the short-to-medium-term future. The beleaguered system of Universal Credit is slowly being rolled out, replacing six different social security benefits and drawing both those out of and *in work* into its conditionality regime. Designed to ensure that work pays more than claiming benefits, it tapers payments as people move into employment. We face the perverse situation, though, where someone in work claiming it may face being sanctioned, because they are deemed to not be working enough hours. Mark Serwotka, head of the Public and Commercial Services (PCS) union, estimates that up to 40% of DWP staff might themselves be eligible for UC because of low pay.

Brexit places new stresses on the need to develop a long-term plan for the UK's sliding productivity and labour market conditions in general. Whether or not the referendum result will lock in further austerity, as the former Chancellor promised, or force the need for a more interventionist state, as some commentators are hoping it will, remains to be seen. Improvements in labour market programmes take time to reap results, and rely on effective coordination with other parts of government, such as further education. On the matter of further cuts to welfare, as noted above, the inflationary effects of a weak pound are set to mean an even greater real terms cut for those relying on benefits, with predictions that 11.5 million families will experience a 6% cut in

income equivalent to £360 per year, rather than the £260 they had previously been forecast to lose.³⁴

If there is a positive note to be made for the future, it is that greater scrutiny of low pay and sanctions by a range of think tanks as well as the wider public has put these issues on the political agenda. The Government's 'National Living Wage' already appears to be having a positive impact on low incomes, without any obvious negative employment effects. At least in her speeches, Prime Minister May has acknowledged that many are struggling to 'get by'. Equally, the negative effects of the sanctions regime — such as hunger, mental health problems, and further detachment from the labour market — have been documented by academics, campaign and voluntary sector organisations in detail and have inaugurated a series of reviews.

Yet, there is an appetite for much more radical progressive reform to the social security system and labour market. For example, over the last few years Unconditional Basic Income (UBI) has moved from being considered an unviable fantasy to a costed policy that is debated as a serious alternative for the future of the welfare state. Two reasons for its appeal in the context of the analysis here are that it would displace the fixation on waged work as primary over other forms of work that are not always remunerated, such as informal care work. Secondly, it would totally overhaul the bureaucracy of intense conditionality and surveillance that has built up within the social security and employment service systems. This would leave an important vacuum needing to be filled by an institution that would provide occupational guidance in a radically different economy.

Certainly, the imperative will be to move away from a social security system and employment service that views 'a job, any job' as better than anything else. In the same way that announcements of GDP growth are met increasingly with questions about what is being valued, we need to foster a growing awareness of the complications behind announcements of record employment – the quality of jobs, the unevenness of their distribution, and so on. At the same time, we need to pay attention to the voices of those who are being 'cut out' of welfare. Finally, despite six years of austerity, much of it still locked in for years to come, alternative economic visions might have greater space amid the radical uncertainty that is currently touching the country.

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