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# **Beyond continuity?**

## **Understanding change in the UK welfare state since 2010**

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### **Abstract**

One approach to identifying policy change stresses policy instruments, settings and policy paradigms (Hall 1993), while another also considers the process and culmination of various shifts and consequent outcomes (Streeck and Thelen 2005). This paper illustrates the debate through an examination of how far developments in social security policy between the 1997-2010 New Labour and 2010-15 Coalition governments in the UK constituted real policy shifts. It shows that, despite continuities in instruments and approach there have been substantial changes in the impact of welfare state policies related to short-term benefits, employment and housing. The paper identifies new policy directions leading to a different kind of welfare state concerned less with living standards and equality and more with individual responsibility and paid work. It suggests that this has been achieved without the need for radical changes in instruments and their settings.

**KEYWORDS:** Social security, welfare policy, UK Coalition, Conservative Party, New Labour, policy change

### **Introduction**

The UK has been characterized as the paradigmatic majoritarian democracy, allowing the party of government to exercise considerable authority over policy directions. In theory, a new government is in a strong position to redirect policy. The tendency of UK parties to offer

sharply contrasting characterisations of their policy approaches in their manifestoes, and the adversarial style of British party politics, certainly supports this impression.

Few areas over the 2010 to 2015 period have been as hotly debated as the main parties' approaches to welfare policy. There is now good quality evidence of the different effects of these approaches, and clear sets of 'new' policies can be identified from 2010, rendering this a fruitful area in which to examine the extent of change under the Coalition. Yet, analyses of social security policy over the period from New Labour, in power since 1997, to the Coalition diverge significantly on the extent of ideological and policy change since 2010. In this paper we use the 1997 to 2015 period to illustrate debates over how and whether change occurs, in what circumstances, and how it can be identified and characterised. These matter for two reasons.

Firstly, there is a practical implication. General elections represent the main point of political engagement for the vast majority of citizens in modern democracies. Understanding the capacity of such events to produce 'real' change, through a change of government or leadership, is important in understanding the capacities and limitations of party systems. Some strands of welfare state theory suggest that opportunities to achieve significant shifts in policy direction in majoritarian democracies are limited (Pierson 1994). These may focus on notions of 'path dependency' or the 'increasing returns and positive feedback that sustain and reinforce institutions through time' (Streeck and Thelen 2005: 6). In explaining where observable shifts do or have occurred, some writers draw on the idea of 'punctuated' path dependency (Krasner 1984). This approach suggests that change is driven by exogenous 'shocks', with long periods of stasis interspersed by periodic ruptures (Thelen 2004: 28-30). The possibility of agent-led change is therefore inhibited in 'settled' times, with the ability of actors to cultivate change realised largely in times of upheaval (Katznelson 2003).

The UK's recent experience challenges this understanding. Alongside many other countries, it experienced a large exogenous 'shock' in the 2008 financial crisis. The pace of policy change in welfare has however remained slow, such that some analyses are reluctant to recognise it as change at all and instead identify broad continuity (Lister and Bennett 2010, McKay and Rowlingson, 2011, Deacon and Patrick, 2011, Driver, 2011). The tendency is to explain 'what might seem to be new as just another version of the old' (Streeck and Thelen,

2005: 3). Such analyses tend to proceed from a more or less-explicitly identified ‘orders of change’ approach (Hall 1993), focusing on policy instruments and settings, and tend to be more common in political science analyses. The absence of third-order ‘paradigmatic shifts’ suggests that the capacity of the incoming Coalition to enact change was limited even in apparently conducive circumstances.

This observation leads to the second important aspect of the debate on how, when and whether change occurs. Different analytical starting points lead to different conclusions. A more outcomes-based analysis suggests that significant change can occur without a definitive rupture or paradigm shift occurring: the CASE series of analyses offer the most comprehensive example of this (Hills, 2015a). They identify significant changes in approaches to welfare policy, particularly with respect to attitudes towards poverty and redistribution, which may have major implications for future governments’ policy directions. The models of change deployed in the accounts outlined above appear to miss, or to be unable to account for, these significant shifts.

In part, we suggest, this is because accounts focusing on policy structure lack sufficiently sophisticated tools – examining processes and outcomes of change alongside intentions – to fully understand the implications of gradual, iterative policy development. They therefore tend to understate the extent to which iterative change over a longer timespan (beyond an identifiable ‘rupture’, which may not be observable) can point towards a more radical policy shift overall.

The value added by this paper is therefore to illustrate how minor policy shifts – which would be understood as first or second-order in Hall’s framework, can lead to major – paradigmatic or transformative – change. In doing so, we use, and illustrate the utility of frameworks that direct attention to outcomes and processes alongside policy intentions – notably Streeck and Thelen’s (2005) ‘beyond continuity’ approach. In focusing on the full range of working-age social security policy enacted by New Labour, the Coalition and the Conservatives, the paper additionally takes a different approach to much social policy analysis which has tended to focus on discrete areas, illustrating how seemingly small changes across a range of areas can cumulate to produce an overall transformation.

This paper therefore contributes to the understanding of both ‘what counts’ as policy change, and of how governments achieve this: ‘[cultivating] change from within the context of existing opportunities and constraints’ (Streeck and Thelen 2005: 19). This leads towards related concepts of ‘strategic action’ (Hay 2002) or ‘situated agency’ (Bevir and Rhodes 2005), focusing on how actors negotiate and challenge constraints. Analysing the application of strategies in pursuit of change provides a means of bridging the gap between broad continuity in higher-level programme structure, and the details of these that engender change in ground-level outcomes. Both approaches are illustrated in existing analyses; in this paper, we attempt to address the disjuncture between their respective conclusions. The use of an alternative theoretical approach provides a different perspective on the extent and significance of reforms since 2010.

The following section of the paper situates it within the current literature, in relation to analyses of change between New Labour and the Coalition. This discussion illustrates how the same sets of policies have been interpreted as displaying both continuity and change. We then outline Streeck and Thelen’s theoretical approach and apply it as a means of challenging the dominant perspective in political science-based analyses of the New Labour/Coalition years, which tend to stress continuity. Overall, we suggest that while looking at current instruments highlights continuity, a focus on wider outcomes, and early stage developments under the Conservative government foregrounds change, re-asserting the capacity of parties to act in accordance with their ideological goals and to pursue divergent policy agendas.

### **Interpretations of UK Welfare Reform**

Policy changes can be analysed along a number of dimensions. In this section we focus on two areas of analysis which have led to different accounts of the extent of change between New Labour and the Coalition: accounts based on policy structures and on policy outcomes.

Policy structure-based accounts of the transition between New Labour and the Coalition have tended to emphasise continuity between the two administrations. This is in spite of the adversarial party culture in which the main UK parties compete and govern, resulting in a need to emphasise the radicalism of ones’ own position compared to that of rivals (Cairney

2011: 231). Such accounts juxtapose the rhetoric of innovation with the apparent tendency towards ‘business as usual’ in policy making. They represent a challenge to the identification of the UK system as an exemplar of majoritarian democracy (Lijphart 1999) in which governments have a relatively free hand in terms of policy-making. Instead such accounts suggest that UK policy processes ‘may be best seen as consultative and non-radical’ (Jordan and Cairney 2013: 240), with less change evident between governments than might be expected.

Hence Lister and Bennett (2010) contend that Conservative welfare-to-work plans in the run-up to the election did ‘nothing to break out of the policy paradigm established by Labour’, simply taking it ‘further and faster’. McKay and Rowlingson suggest that although changes in policy settings occurred as the new government took office, the Coalition’s approach ‘seems to be an intensification of existing policies rather than a new direction’ (2011: 146). Deacon and Patrick (2011: 161) state that the incoming parties offered ‘not change, but more of the same’. Driver (2011: 106) identifies continuity around welfare-to-work and employment policies, meaning there was ‘little to divide government and opposition in the run-up to the 2010 general election and beyond’ (2011: 108). Patrick (2012) and Dwyer and Wright (2014) further identify continuity around concepts of social citizenship, including an emphasis on the responsibilities of citizens.

Looking back on the Coalition, Page (2015: 69) suggests that New Labour failed to challenge the residualisation of social security that began under Thatcher, while the Conservatives subsequently downplayed their own social modernisation in government as it proved an uneasy fit with their (un-reconstructed) economic ideology (2015:70). Beech (2015: 265) reflects that on domestic policy, the Coalition presented ‘a mixed bag of reform with both continuities and discontinuities, rather than a *transformative*’ politics (emphasis in original). The overall theme and direction, therefore, is a level of continuity.

This is at odds with the policy positions and rhetoric of the Conservatives in opposition. The Conservative Social Justice Policy Group (2007), for example, developed an extensive critique of New Labour’s approach to welfare. This subsequently significantly influenced Iain Duncan Smith’s approach to the policy area as Secretary of State for Work and Pensions (see, for example, Duncan Smith 2011a and 2012), with the Conservatives leading on welfare

policy development in government (McEnhill 2015). Certainly, the new government was perceived as having introduced a significant shift by some activist groups that campaigned vigorously against the Coalition's policy approaches (Williams-Findlay, 2011). Yet, the analyses above suggest that this was a process that may have generated more heat than light.

Figure 1 represents working age welfare policy in the UK since 1997. The policies are divided into sets representing disability and incapacity benefits, active labour market policies, low-income supplements and measures, housing benefit, child benefit, and the new 'austerity' policies introduced by the Coalition and Conservative governments.

*Figure 1: UK<sup>1</sup> working-age welfare policy, 1997-2018*

Clearly, many over-arching policy structures do remain very similar across all three administrations. The clearest examples of 'change' – which were not available to those writing some of the analyses above – are those enacted by the Coalition and extended in George Osborne's 2015 Emergency Budget. These are the 'austerity' responses represented at the bottom of figure 1. They include the benefit cap, changes to benefit up-rating mechanisms and levels, and a freeze on all working-age benefits for four years effective from April 2016. The up-rating changes in particular represent significant structural change: they will reduce the value of benefits relative to wages, and will substantially reduce incomes for those who rely on them whether in or out of work. However, they take effect over time, and their impact and effect takes time to become apparent (Hills, 2015a). The benefit cap affects a much smaller number of households but has been expected to increase relative poverty, particularly for children (Browne 2012: 23; Children's Society 2013). A further important change within the existing programme structures is the extension of the system of sanctions for non-compliance with increasingly onerous requirements for JSA and ESA claimers, now denying some ten per cent of them full entitlement for periods of between three months and a year (Oakley 2014: 17).

Even despite this, there is little so far that would be easily considered 'third order' change (reframing the policy paradigm) as understood in Hall's (1993) framework, as McKay and

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<sup>1</sup> The Scotland Act (2016) makes provision to devolve some areas of welfare, including welfare-to-work, disability and housing payments, to the Scottish Government.

Rowlingson (2011) observe. Rather these seem to be changes to settings or levels (first or second order change). Later accounts, focusing more on the outcomes achieved by New Labour and the Coalition respectively, tell a somewhat different story. This divergence points to the wider limitations of looking for change or continuity by examining policy structures alone.

A particularly clear divergence emerges in looking at the respective governments' approaches to poverty and redistribution. Although reducing inequality was not the main focus of New Labour's social policy (Stewart 2007), there was a distinctive focus on both child and pensioner poverty. Both had increased markedly under the previous Conservative governments, and New Labour set about tackling this using a raft of tax and benefit changes (Piachaud and Sutherland 2001). Overall under New Labour, poverty fell, whether measured before or after housing costs (Hills 2013: 23). Hills consequently suggests that a 'striking success' of New Labour's welfare reform programme was the smoothing of incomes across the life cycle, which reflects the prioritisation of child and pensioner poverty (see figure 2) (2013: 7). Continuing New Labour policies maintained this pattern after the 2007/8 recession (Hills 2015b: 39).

*Figure 2: Percentage of people in low-income households*

Source: DWP 2015a

Evaluations of the Coalition's approach based both on currently available data and modelling beyond this, offer a contrast. The 2010 to 2015 period saw changes to benefits that took away more income from the bottom half of households, than was gained in increased tax allowances (Hills 2015b: 39). Changes to up-rating have also cut the value of benefits in real terms. These changes and trends are projected to continue (Hills 2015b: 44), although Universal Credit 'may deliver more money to some poorer households' if it improves benefit uptake (2015b: 5).

These decisions have tilted policy in favour of pensioners, reducing New Labour's inter-generational smoothing effect (Hills 2015a: 5). Cash transfers related to children fell significantly under the Coalition after 2010/11, while spending on pensioner benefits increased (2015b: 34-35). Increases in child poverty are forecast over the period to 2020



(2015b: 44). The (now deferred) tax credit cuts, benefit freezes and further lowering of the benefit cap announced in the July 2015 Budget were projected to reduce the living standards of the lowest decile by some four per cent and the next decile by seven per cent (Hood 2015). The most recent official statistics (figure 2) show no increase in poverty overall (constant at 21 per cent of the population after housing costs), but only cover the period up to early 2014 when inflation was low and before Coalition cutbacks had much effect. Progress on reducing child poverty appears to have stalled as a consequence of spending decisions (McGuinness 2015: 11).

Prior to the 2015 election, Hills cautioned that ‘if further “welfare cuts” beyond those already agreed became part of deficit reduction [...], losses at the bottom would be increased’ (2015b: 8). The policy developments announced in the Emergency Budget (HM Treasury, 2015a) shortly after the election included further cuts to tax credits, housing, incapacity and child benefits, and a lower benefit cap. Moreover, the planned increase in the minimum wage (retitled the National Living Wage) will not be sufficient to offset losses experienced by the majority of low paid people (Johnson 2015: 3). The tax credit cuts were postponed in the Autumn Statement, but significant cuts to entitlements will still take place as part of the shift to Universal Credit (HM Treasury 2015b, 35-7; Finch 2016) At the start of Theresa May’s tenure as Conservative leader and Prime Minister, the cuts announced under the previous leadership remain in place.

Looking at outcomes also suggests some evidence of discontinuity in other areas. Welfare-to-work and activation programmes are widely identified in the analyses above as an area of continuity between New Labour and the Coalition, and ‘active’ labour market policies have been a significant element of UK employment policy since the late 1980s (Conservative Party 1987). However, analysis of outcomes between New Labour and the Coalition points to one potentially interesting divergence: the extension of conditionality as an element of activation, and attendant use of sanctions.

The number of JSA claimants facing a sanction each year more than doubled between 2008/09 (the last full year of New Labour) and 2013/14. There was also an increasing disparity between the numbers of sanctions enforced (‘adverse’ decisions) and those not enforced or overturned (‘non-adverse’ decisions) (figure 3) for this group. Subsequent decline

in the number of sanctions largely, but not exclusively, reflects a fall in the claimant count (for JSA) and in referrals to the Work Programme (for ESA – see figure 4) (Webster 2014).

*Figure 3: JSA sanction decisions, 2006 – 2016*

*Figure 4: ESA sanction decisions, 2009 – 2016*

*Source: DWP 2016a*

A focus on policy structures would not readily identify discontinuity in either tax and benefit policy, or welfare-to-work: two important areas of the benefit system. Yet in both cases the argument has been made – especially by disability activists in relation to the latter (Benstead et al. 2014; Williams-Findlay 2011) – that significant changes have occurred in the implementation and practice of particular benefits and policies, and that this is evident in outcomes. The general continuity in policy structures is thus not matched by continuity in outcomes. This illustrates the point that analyses focussed on different issues lead to different conclusions so far as continuity and discontinuity are concerned. However, it also points to where we might look to understand this disjuncture, drawing attention to the details of broad policies and the issue of how implementation itself can produce change.

### **Displacement, layering, drift and conversion: identifying system change between New Labour and the Coalition**

In the absence of a definitive rupture in UK welfare policy, our focus must be on what Streeck and Thelen identify as incremental change that produces transformative or discontinuous results (2005: 9). We focus on four of the five processes of institutional change they identify (2005: 19-29): ‘displacement’, ‘layering’, ‘drift’ and ‘conversion’. Streeck and Thelen’s fifth mode, ‘exhaustion’, which occurs when a policy direction becomes ineffective and loses all support, is not discussed here since it does not appear relevant to current developments in the British system.

After briefly outlining the main features and mechanisms of each process we go on to identify and discuss notable developments associated with each. We consider how these examples conform to theoretical types and suggest some extensions and modifications to

Streeck and Thelen's framework. Our analysis suggests that in the area under discussion, displacement, supported by significant elements of layering, has been the dominant modes of enacting change. There is some more limited evidence of drift and conversion.

It is important to note that these are processes rather than discrete moments of change. Many of the processes identified are still unfolding. Further changes and shifts may take place, particularly if the surrounding economic and political context also changes. We necessarily take what Hay and Farrall (2014: 16) refer to as an 'implementation perspective' in trying to understand the significance of current developments. The full impact of these changes is not currently clear and may remain unclear for some years. Changes – in context, leadership, and, of course, government – is likely to have a significant effect on the process of development and may alter it.

Displacement occurs because institutional frameworks are never entirely coherent or uncontested. Less powerful logics may exist residually alongside more dominant strands and ways of thinking, and dominant logics may be pushed aside or discredited in favour of these at particular points in time. This could be facilitated by an external shock, although it 'helps if endogenous change has prepared the ground for this' (Streeck and Thelen 2005: 22). This is because it is difficult for one logic to supplant another if it lacks legitimacy or perceived authenticity, or if key actors have failed to 'buy in' to it.

Displacement may also entail the 'rediscovery or activation of previously suppressed or suspended possibilities' (2005: 21). Streeck and Thelen suggest that a representative example of this kind of change is the shift from Keynesian to neo-liberal economic logics that accelerated under the Thatcher governments in the 1980s (2005: 20). This is understood as actively cultivated rather than economically and socially inevitable, as the prevailing political narratives of the time may suggest (Hay 2010). Such logics can be viewed as shaping and justifying attempts at welfare state retrenchment under the Thatcher governments. Despite a broad failure to save cash, these resulted in a significant ideological shift in thinking on welfare that subsequently acted as a partial influence on New Labour (Taylor-Gooby 2014).

Detecting processes of displacement involves examining the ideas underpinning policy change within existing policy frameworks. Detail matters here. Just as residual logics exist

alongside more dominant ones in wider political thinking, the ideas informing specific policies are rarely monolithic, but are likely to reflect the multitude of co-existing logics that inform policy structures. Differences are likely to result from the extent to which one logic overshadows another. Parts of New Labour's reforms were influenced by strands of Thatcherite thinking. These ideas included an emphasis on supply-side labour market strategies, embodied in the New Deals and the increases in conditionality applied to the receipt of benefits, drawing on the idea of responsibilities attached to the 'right' to receive welfare. This influence also underpinned New Labour's hesitancy in promoting income redistribution, with the consequence that: 'cash transfers from the state (benefits and tax credits) were not identified – rhetorically, at least – as the central instrument to achieve the Government's objectives' with regard to poverty (Hills 2013: 2).

Some of these elements were broadly sustained and accelerated by the Coalition and Conservatives. Notably, the Work Programme and various work experience schemes imposed a more stringent conditionality regime on claimants, with welfare-to-work accordingly identified as an area of considerable continuity in several of the analyses above, and one where it is difficult to detect displacement. It is important to note that displacement is only one mechanism of change, although it may seem to be the one that exerts the most decisive effect. The absence of processes of displacement in the sub-policy area of welfare-to-work does not preclude the possibility of other types of change occurring within it, as we return to below. Similar, somewhat continuous ideas and logics may still be repurposed to different goals and purposes.

In the areas of policy focused on reducing poverty, there is more evidence of displacement occurring between New Labour and the Coalition. New Labour was, as discussed, hesitant to place redistribution prominently in characterising its approach to poverty. However, the policy instruments deployed in relation to disadvantage addressed relative financial poverty, representing an implicit belief that the welfare state could provide an effective means of dealing with this problem. The 'responsibilities' emphasised by New Labour were therefore, in practice, very much underpinned by a 'right' to support. For example, an integral part of New Labour's strategy with regard to poverty was the targeting of tax credits towards families, deployed in support of the aim of eliminating child poverty by 2020. Some progress

was made towards this goal, but further advances depended on increases in in- and out-of-work benefits that kept pace with inflation. This was a strategy that endorsed the value of spending on welfare. Structurally, parts of the Coalition's approach endorse this. Universal Credit, for example, will continue to 'top up' low wages, and will have a small redistributive impact on the poorest families (Brewer, Browne and Joyce 2011: 3).

However, underneath the broad structures of the Coalition's approach, it is possible to discern more negative perspectives on welfare spending. Partly this can be explained in relation to the identification of the need to reduce public spending as the 'most urgent task' facing the incoming Coalition (HM Government 2010: 7). Indeed, New Labour also proposed cuts to spending in 2010 and 2015, responding to the altered economic context. However, the Coalition's approach was underpinned by a narrative on welfare spending that drew heavily on narratives of welfare as 'waste' (Hayton and McEnhill 2014; see, for example, Duncan Smith 2011b) This is a different logic to that which dominated under New Labour, rendering spending on measures such as tax credits to relieve poverty undesirable on a moral as well as financial basis. Both the Conservatives and Liberal Democrats criticized New Labour's approach, claiming it focused excessively on income transfers and excluded more holistic measurements of poverty (Clegg 2011). The response from the Conservatives in particular has been prolonged discussion of alternative measurements, culminating in Duncan Smith's 2015 announcement of changes to child poverty measurements (DWP 2015b).

These changes focus less on inequality and more on individual and societal problems. The implication is that poverty cannot be addressed without resolving these issues, downgrading the importance of income transfer measures (Hayton and McEnhill 2015). Consequentially, measures such as changes to up-rating and the benefit cap which will increase relative child poverty (Brewer, Browne and Joyce 2011: 25-31; Browne 2012: 23) can be framed as unproblematic because they purport to tackle behavioural issues: notably, the apparently longstanding challenge of 'welfare dependency' (Hickson 2009).

This move away from New Labour's more relative approach indicates a shift towards a different concept of social citizenship. The Coalition's extended use of conditionality and benefit sanctions implies a more strongly communitarian notion of citizenship, dependent on reciprocity and 'fairness' construed as 'deservingness' and achieved through compliance with

the rules of the system. Alongside this, the focus on welfare as ‘waste’ seems to imply – *contra* New Labour – that the goal of morally upstanding citizens should be to move away from state support altogether. Displacement is also inferred in policies such as the cap and up-rating changes, which frame deservingness not in terms of need but in terms of fulfilment of conditions and compliance. For some individuals, the ‘right’ to financial support is accordingly reduced, while the responsibility borne by the state for alleviating poverty is also limited.

Thus while some policy elements of New Labour’s framework have been maintained by the Coalition, displacement is nonetheless in evidence. This has been able to occur in a relatively seamless fashion because of the existence of different logics alongside one another throughout New Labour’s time in power. On the one hand, New Labour recognised the need to address relative poverty and saw a role for the state in doing so. On the other, as Blair stated, there was a strong view that ‘rights and opportunity without responsibilities are engines of selfishness and greed’ (quoted in Craig and Porter, 1998). Under the Coalition, the latter view has been expressed strongly to the detriment of the former, with ‘rights’ far more conditional on fulfilling ‘responsibility’. This translates relatively smoothly to downplaying the more egalitarian elements of New Labour’s approach, and focusing to a greater extent on the responsibilities of individuals (Hayton and McEnhill, 2015).

Indications from the early months of the Conservative government suggest that this process will continue and become further embedded in the policies and goals of welfare. For example, as the gap between a higher National Living Wage and benefits for those out of work widens, the welfare system is likely to play a smaller role in reducing poverty. This further reinforces the assumption that financial independence from the state is the primary form of social obligation and responsibility, diminishing the role of the state as a provider of security. This shift is supported by other changes through layering, drift and conversion.

Layering is used as a means of effecting change because buy-in to long-existing systems renders them costly and difficult to dismantle, both financially and politically. Actors seeking to reform such systems have to work around existing elements, and layering can be a means of smoothing the transition between systems embodying differing logics and ideas. It involves the deliberate promotion of differential growth: a new system is introduced to run on

top of an existing one, but is set up in such a way that it will grow faster. In the long run, this ‘can effect profound change’ (Streeck and Thelen 2005: 23), as the earlier system is less and less used and eventually becomes obsolete.

Layering strategies are visible in the Coalition’s austerity-focused reform programme, extending further under the Conservatives. The clearest example is in the group of policies represented in purple in figure 1. These include, for example, steps to over-lay all benefits paid to non-working households layered with the benefit cap, initially £26,000, then cut to £23,000 in London and the South East and £20,000 elsewhere.

There are tensions inherent in introducing such limitations within a system designed to pay out amounts that the Government evidently believes are too high. As Robert Joyce of the Institute for Fiscal Studies suggests, although such policy measures ‘may well be politically expedient [...] for a Government to set a system of benefits which it evidently thinks gives some families excessive entitlements, and to then attempt to “right this wrong” with a cap’ seems incoherent (2012). A more consistent approach might have been to limit overall payments: the opportunities offered by the introduction of Universal Credit for such extensive change could have been used to better effect in this case.

However, introducing such sweeping change would be politically and administratively challenging at a time when the Coalition was already committed to extensive administrative reform. The extra conditionality introduced through layering these policies on top of the existing structure can be interpreted therefore as a means of reducing the cover provided by the system, and buttressing the appeal to ‘responsible’ behaviour. It may ultimately contribute to shaping expectations of the level of state support available. Such a method of bringing about change and shaping expectations is gradual and piecemeal, offering a more risk-averse strategy compared with a comprehensive overhaul.

These policies are vulnerable to being viewed as electoral manoeuvres, more concerned with rhetoric than with financial savings (Taylor-Gooby and Taylor 2015), especially as the amounts involved are small in relation to the UK’s spending deficit (HM Treasury 2013: 67; 2015: 73). They also offer a means of reinforcing the ‘displacement’ activity outlined above and are consistent with its implied logic in relation to reducing the role and responsibilities of

the state in providing financial support, while emphasising the responsibilities of individuals and households for their own financial situations.

However, policies such as ‘bedroom tax’ differ slightly from the understanding of layering set out by Streeck and Thelen. The same might also be said of changes to housing benefit via a series of restrictions, including limitations for young people and the ‘bedroom tax’. These changes are not designed so much to replace one system with another as they are to gradually reduce entitlement to financial support *without* replacement. Such policy instruments conform to the definition of layering, since they run alongside and aim to halt and reverse the growth of a range of existing benefits. However the aim appears to be retrenchment, rather than the development of state welfare in an alternative direction. This suggests that governments may use layering in a slightly different way from that identified by Streeck and Thelen. Where retrenchment and reducing expectations of support is a key objective, somewhat counter-intuitively, the introduction of new layered policies can also be used to scale down existing programmes gradually, rather than scaling across to new, replacement systems.

In contrast, the Coalition’s approach to welfare-to-work seems to offer a more conventional example of layering. Labour’s New Deals, Flexible New Deals and Employment Zones already incorporated some service provision from the private, voluntary and civil society sectors. The Coalition’s Work Programme extended this greatly, enhancing the role of the private sector in particular. Fifteen out of eighteen ‘prime contractors’ and approximately three in five subcontractors are private companies. To a lesser extent, the role of the voluntary sector is also extended through the Work Programme (McGuinness and Dar 2014:15). This development and the use of Payment by Results have been presented as essential to reducing the costs of welfare-to-work (Freud 2007). In turn this necessarily limits the capacity of the public sector to provide such services, while rapidly expanding the role of the private sector and somewhat supporting third sector organisations.

Interestingly, the Conservative majority government currently plans to reduce sharply outsourced delivery of welfare to work. The Work and Health Programme will be a significantly smaller programme than those it replaces (Work Programme and the specialist disability programme, Work Choice: DWP 2016b). The majority of provision for



unemployed people will therefore move back into Jobcentre Plus, delivered via generalist ‘Work Coaches’. Alongside this, there has been a managed decline in the extent of specialist support provided directly by DWP agents (for example, through Disability Employment Advisors: HC Deb 27 January 2016, Col 130WH). Such support is increasingly to be provided through referrals to external local agencies (DWP 2016c). This may significantly enhance the role played by the voluntary sector. This process could provide an early-stage illustration of how the gradual removal of layered programmes such as the Work Programme contributed to the loss of elements of employment support capacity within the DWP. Developments in the 2015 to 2020 parliament in this respect will be of interest, and may provide further refinement in understanding how layering is used in slimming down welfare state programmes.

The third and fourth types of change are ‘drift’ and ‘conversion’. Drift occurs because policies and institutions are not self-sustaining. They require active maintenance and re-calibration to be able to respond effectively to new risks and challenges. Without this, they are at risk of being increasingly irrelevant and subject to ‘erosion or atrophy’ (Streeck and Thelen 2005: 24). Change by drift therefore takes place predominantly through deliberate non-action by policy-makers. Institutions become increasingly unfit for purpose, and ultimately redundant.

Conversion is the redirection of existing policy instruments towards ‘new goals, functions or purposes’ as a result of emerging challenges or problems (Streeck and Thelen 2005: 26). It is made possible through the gaps between existing institutional regimes and their enactment. If there is a perfect ‘fit’ between idea and implementation, then there is not much space within which change can occur. However, implementation often requires policy to satisfy a number of different and not necessarily mutually supportive ends. As such it is an inherently ‘messy’ process, potentially leaving considerable space for re-interpretations.

Drift and conversion are harder to detect in the Coalition’s approach to the welfare system as it applies to working age people. However, a significant change in the UK context in recent years, related to the developments already discussed, concerns the structure of the labour market. The UK has moved towards an increasingly flexible labour market, characterized by higher levels of part-time work, self-employment, casualization and short-term contract

employment (Jowett *et al.* 2014). It also has a higher incidence of low paid work than many other developed countries (Schmuecker 2014: 2). New Labour's tax credits were partly intended to top up low pay. The Coalition built on this through Universal Credit, which aims to link the tax and benefit systems. In doing so, it should enable people to take work where available (even if only temporarily) without fear of losing too much in benefits, or experiencing under and over-payments. This is one of the central aims of the policy (DWP 2010: 4).

Universal Credit therefore offers an example of the conversion of policy instruments to shape the institutions of the welfare state around work. Faced with a labour market that is increasingly characterised by uncertainty, the Coalition's response has not been to address the demand side (for example, by bolstering employment rights), but to make it easier for individuals to work and live with such uncertainty.

The Coalition also weakened the extent to which such instruments can compensate effectively for labour market weaknesses, indicating drift. For example, the cuts in tax credits (benefits originally intended to mitigate low wages) prevent them from fulfilling this function. The uprating of the National Minimum Wage to a National Living Wage by 2020 appears insufficient to outweigh the consequent fall in living standards over the period for low-income families (Johnson 2015). While the objective of Universal Credit is to provide a seamless link between in and out-of-work welfare, appropriate for a more flexible labour market, the decision to cut entitlements for those in and out of work contribute to drift in the policy's ability to compensate for low pay. This reinforces the point that it is essential to consider the detail of implementation in order to understand the extent to which reform bears on policy outcomes. It also indicates that inequality is likely to become more marked in the future, as the direction of policy bears most heavily on the living standards of those on out-of-work benefits and on low wages.

#### **4. Conclusion**

Some commentators suggest that the 2010 Coalition government's approach to welfare policy represents a significant departure from the New Labour model, indicating that further divergence is likely to be a feature of the 2015 Conservative government's tenure. Others

detect much greater elements of continuity. The UK's adversarial political system encourages politicians to exaggerate party differences; yet regardless of whether one ultimately perceives change or continuity, it is often difficult to reconcile the promises of change during election campaigns with overall structures of policy after the dust has settled.

Those who point to continuity tend to emphasize similarities in policy structures, instruments and ideas. Stabilising elements include the civil service, public opinion, and the sheer complexity of policy. Those who stress divergence place greater importance on policy outcomes. A central challenge is whether these two different perspectives can be synthesized. This paper has suggested that a focus on change as a process can prove illuminating in this respect, aiding our understanding of how non-disruptive change can lead to significantly divergent outcomes. The utility of the model that we have used in this paper is therefore as a means of reconciling two divergent accounts of the same period, illustrating the potentially transformative capacity of non-radical change.

We see significant outcome changes in terms of benefit strategy, with the Coalition and Conservative approach focusing on reducing and increasingly targeting benefits on retired people and those in paid work. This has the effect of increasing inequality, and the divisions between those in and out of work. This has been achieved through a large number of iterative changes to benefit uprating, entitlement and level. Individually, these are not of transformative importance, but they culminate in significant inequalities. Around welfare-to-work policy there has also been a significant reduction in state capacity and infrastructure, resulting in a more minimal welfare state apparatus. Thus while there are real similarities in policy frameworks, outcomes differ and the object of the welfare state has shifted from the mitigation of inequalities and the meeting of needs among unemployed groups in particular, to the embedding of a morality of paid work and individual responsibility.

Despite similarities in policy approaches (a stress on activation, with each party portraying the others as the patrons of 'welfare dependency', however defined; an emphasis on the importance of constraining state expenditure; a shift towards much greater use of non-state bodies as agents in policy delivery; attempts to mobilize disabled people into paid work and cut spending on disability benefits; greater targeting of rent benefits and the reduction of the housing benefit budget; a benefits cap; implementation of a minimum wage at a fairly low

level together with supplementation of low wages) the differences in outcomes are sufficient to justify the claim that welfare state policy began moving in a new direction under the Coalition, and latterly under the Conservatives.

We go on to suggest that approaches to policy change which seek to identify first, second and third order changes and do so by differentiating between adjustments to existing policy instruments, the introduction of new instruments and wholesale redirection of the policy paradigm may suffer from weaknesses in the present context. Most changes are first order and some second order. However, these changes add up to a third order redirection of policy because they lead welfare policy towards different outcomes: inequality between ‘insiders’ retired or in work and unemployed ‘outsiders’, versus income smoothing across the life-cycle.

We use Streeck and Thelen’s ‘beyond continuity’ approach to analyse these changes, paying particular attention to the displacement of existing policy logics and the layering of policy instruments to achieve change over time. It is, of course, comparatively early to be assessing the full extent of change enacted by the Coalition. We do not offer a definitive account. However, we suggest that the underlying logics are sufficiently altered that the welfare state in Britain is moving along a new trajectory, underpinned by mechanisms that are cumulatively capable of producing transformation. Attention to both the structure and process of change, and the overall impact, is therefore necessary to capture the full extent of current shifts in the British welfare state, from ‘Third Way’ activation to the morality of paid work as the only legitimate basis for income.

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