

## RUPTURES AND CONTINUITIES IN THE UK SOCIAL MODEL: THE EROSION OF “LIBERAL COLLECTIVISM”

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While the UK was never a fully paid up member of the European Social Model, largely because Thatcher's early neoliberal agenda limited development significantly, it had nevertheless by 2010 developed certain strong elements of a liberal collectivist social model. This included universal healthcare, decent housing benefits, a purposeful anti-poverty strategy, a raft of EU employment directives, equality rights, and active public sector industrial relations, among others. The election of a right-wing coalition government in 2010 has in a very short period led to the reshaping of this model by reinforcing market principles in all three features of Britain's social model, consisting of welfare, employment and civil society reforms. The paper critically analyses the main post-2010 policy actions and assesses the degree to which they constitute a continuation or reversal of past policy reforms.

Nonostante il Regno Unito non abbia mai fatto parte a pieno titolo del Modello sociale europeo – principalmente perché il programma neoliberale della prima ora lanciato dalla Thatcher ne ha fortemente limitato lo sviluppo –, aveva, però, senza dubbio sviluppato fino al 2010 alcuni elementi fondamentali propri di un modello sociale collettivista liberale. Questo comprendeva, tra le altre cose, un'assistenza sanitaria di tipo universale, sussidi per un alloggio dignitoso, una strategia mirata per la lotta alla povertà, un insieme di direttive europee, diritti di uguaglianza, e relazioni industriali nel settore pubblico di tipo attivo. Tuttavia, l'elezione di un governo di coalizione di destra nel 2010 ha portato in breve tempo ad una ridefinizione di questo modello attraverso il rafforzamento dei principi di mercato all'interno dei tre capisaldi del modello sociale inglese; tale ridefinizione è consistita in riforme del welfare, dell'occupazione e della società civile. Il presente saggio analizza in modo critico le principali azioni politiche successive al 2010, e specifica in che misura esse costituiscono una continuazione o un'inversione rispetto alle riforme politiche del passato.

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### 1. INTRODUCTION

In comparative perspective, Britain's social model has long been perceived to reside at the edge of Europe, closer to the United States in many respects. The undermining of welfare and employment rights during the 1980s and much of the 1990s certainly brought the UK closer to the United States (Annesley, 2003) and a similar politics now sharply defines the post-2010 austerity period (Taylor-Gooby, 2011). However, there are important differences that underpin Britain's idiosyncratic, path dependent trajectory. Until 2010 its

social model can be described as marrying a liberal and a collectivist approach (Clarke, 2004; Grimshaw, Rubery, 2012), the latter characterised by its universal healthcare provision, the relatively generous welfare payments to assist with housing costs, a concerted effort during the 2000s to address child poverty and the adoption of several EU directives that have improved employment standards. But since 2010 the balance has shifted, following a change in government from New Labour (centre-left) to a strongly ideological Conservative-led coalition (right) in a context of economic recession and sovereign debt crisis.

This paper analyses the reforms to each of the three pillars of Britain's social model – spanning welfare, employment (including social dialogue) and civil society – and assesses their significance against the backdrop of an incremental building of a liberal collectivist social model during the 2000s. It argues that the UK has swerved onto a new path which seeks to embed market principles across the multiple functions of the social model. Some reforms continue and intensify the 2000-2010 direction of travel, but many represent a new path: examples of the latter include the reduced role of the state as employer, liberalisation of public health services, privatisation of welfare and job search services, cuts to employment protection and the decimation of local government services. Imposition of market principles (broadly defined in this paper) ought not to be interpreted as a withdrawal of the state, since many parts of the social model are subject to stricter centralised control and authority. Rather, the new direction of travel constitutes a subjugation of the weakly established collectivist values of the UK's social model to governance principles aligned with a centralised state and marketisation. These principles are unlikely to provide the necessary shelter and protections for vulnerable groups of society, as well as for a growing number of middle-income groups of citizens.

## 2. WELFARE POLICY

The UK has generally been characterised as having a residualist welfare model with a strong use of means-tested entitlement rules, commitment to individual incentives, a low purchasing value of welfare transfers, strong use of market mechanisms to deliver public services and a strong bias towards the traditional male breadwinner regime (Lewis, 1992). This is exemplified by its low level of unemployment benefits (defined since 1995 as the 'Job Seekers' Allowance'). It is paid at a flat rate for six months and amounted to just £71 (€83) per week in 2012 (aged 25+). The gross replacement rate is estimated at only a little more than 10% of average wage income; indeed, the OECD ranks the UK 23<sup>rd</sup> out of 29 countries<sup>1</sup>. Due to stringent entitlement rules, many women with a history of unstable, short-hours part-time work are not covered. For those unemployed for longer than six months, a second, means-tested unemployment benefit applies – 'Job-Seekers' Allowance (income-based)'. It is paid out of general taxation, has unlimited duration and

<sup>1</sup> A lower amount is paid to persons aged 18-25 years old (£56.25 per week). The self-employed and anyone with a partner who works more than 24 hours are not entitled. All beneficiaries must be available to take up a full-time job (40 hours per week) and, importantly, must be able to demonstrate active job search activity. Individuals with a work history of very low pay or frequent interruptions are therefore not entitled. 2012-13 rules require paid national insurance contributions on at least £2,782 (26 times the weekly lower earnings limit) in one of the preceding two tax years, paid employment of at least 26 weeks in one of the previous two years and paid or credited contributions (eg. while unemployed) of £5,350 in both years.

eligibility depends on a means-test of household income and savings<sup>2</sup>. Despite the UK's low standing in international rankings, the opposition Labour Party has felt the need to promise a further erosion of entitlement conditions for Job Seekers' Allowance if elected in 2015 by requiring five years employment rather than two.

Other areas of Britain's welfare state have also for many years been similarly residualist. Pension provision has primarily involved a flat-rate state pension (topped up by a means-tested pension credit), indexed to prices (1981-2011), although middle-income earners have traditionally relied on occupational or company pensions. Education provision has also been marked by relatively weak state intervention. The UK is only marginally above the OECD average in the share of the population with secondary school attainment and expenditures per student in compulsory schooling are below average on a 'purchasing power parity' basis of estimation. Moreover, the elite and upper middle classes have long been serviced by expensive and exclusive private schools (around 7% of all children in 2010). At the other end of cradle-to-grave welfare provision, social care provision for the elderly is underfunded and, since the 1980s, has been subcontracted to the private sector.

Nevertheless, four key features of the policy approach towards the welfare state up to 2010 did not fit with the notion of a liberal residualist model, certainly not when compared with say the United States. First, a longstanding and strongly collectivist pillar of Britain's welfare state is the National Health Service, which, unlike social care, is financed by general taxation, provided free at the point of use and mostly delivered by public sector organisations; less than one in five people (16%) had private medical insurance in 2009 (OFT, 2011). Second, under the New Labour government (1997-2010), a residualist welfare policy approach was complemented by an explicit focus on reducing poverty, especially among children. During 1997-2010, welfare benefits increased closely in line with rising GDP, which was far more generous than the preceding period when benefits increased only in line with inflation (Adam, Browne, 2010). Third, there was a commitment during the 1999-2010 period to raise overall public expenditures, leading to an increase from 35% of GDP to 47%<sup>3</sup>. Fourth, the UK has for many years provided relatively generous financial assistance to cover housing costs for low-income households (Bradshaw *et al.*, 2008). Housing benefits are available to both unemployed persons and low-wage workers, people of working age and pensioners, as a means-tested contribution towards rental costs (not mortgage payments) in both the private and social rented sectors. These benefits have therefore traditionally distinguished the UK from the liberal welfare state regime of the United States and prior to 2010 considerably improved its position in international country rankings of social protection for the unemployed (Priemus *et al.*, 2005); OECD data suggest income for a household with a married couple and two children increased from 36% to 59% of net median household income, raising the position of the UK in country rankings from the bottom third to top fifth<sup>4</sup>.

Reforms since 2010 have in some areas continued the direction of policy reforms during the previous decade but in others represent a shift to a new trajectory that is

<sup>2</sup> Also, where two adults in a household are unemployed, benefits are calculated at 160%, not 200%, of the individual benefit payment.

<sup>3</sup> 'Total managed expenditures' from 'Historical series of fiscal aggregates', available at the OBR website, <http://budgetresponsibility.independent.gov.uk/category/topics/public-finance-forecasts-topics/> (accessed February 2013).

<sup>4</sup> OECD statistics *Income levels provided by cash minimum-income benefits*, in [www.oecd.org/els/benefitsandwagesstatistics.htm](http://www.oecd.org/els/benefitsandwagesstatistics.htm) (accessed June 2014).

eroding considerably the weak, albeit significant, collectivist features of UK welfare policy. Table 1 categorises policy reforms into either continuation or rupture accordingly. The categorisation is rather simplified but is meant as a heuristic to facilitate this brief analysis of policy reforms.

Table 1. The character of welfare policy reforms during 2000-10 and post-2010

	Key policy areas	Main changes	
		2000-2010	Post-2010
CONTINUATION			
	Unemployment benefits	Stricter work tests	Reduced value of annual uprating index, even stricter work tests, tougher sanctions
	Lone parent benefits	‘Work First’ approach increased value of benefits and increased pressures to find work by reducing eligibility for income support	Reduced real value of benefits; intensified pressure on lone parents to find work by reducing eligibility for income support
	Disability benefits	Controversial health test required for means-tested benefit	Abolished mobility allowance payment, stringent application of health tests
	State pension	No change in pension age (65 men, 60 women) but initiated plans for reforms	Accelerated changes, to 65 (women by 2018), 66 (men & women 2020), 67 (2026); plans to link retirement age to life expectancy
	Higher education	Introduced student fees, policies to improve equality of access	Tripled maximum fees, reduced state expenditures
	Elderly care	Continued privatisation and restrictive funding	Continued privatisation and spending cuts (decisions delegated to local authorities)
RUPTURE			
	Working tax credits	Increased expenditures; key pillar of New Labour approach to address poverty	Basic element frozen value for 3 years, reduced entitlement (higher weekly hours threshold), reduced value of annual uprating index
	Child benefits	Expanded raft of benefits (child tax credits) guided by policy goal to reduce child poverty	Cuts in entitlement, some benefits abolished, overall tax credit value reduced

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Table 1. (continued from previous page)

Key policy areas	Main changes	
	2000-2010	Post-2010
Housing benefits	No significant reforms	New cap at 30 <sup>th</sup> percentile of local rents; new time-based reductions in benefits; reduced value of annual uprating index; raised age threshold for shared accommodation
School education	Substantial increase in expenditures, including capital investment programme	Real trend decline, abolition of school building programme, removal of increasing number of schools from local education authority governance
Childcare	New interventions to expand and improve provision (subsidies, SureStart centres in low-income neighbourhoods)	Reduced provision (many SureStart centres closed, reduced subsidies), no policy to contain rising childcare fees
National Health Service	Substantially raised spending, controversial privatised hospital building programme (PFI), small-scale use of private healthcare provision	Reduced real spending, wholesale liberalisation of services provision from 2013

Considering first those reforms that continue or intensify policy actions implemented during 2000-2010 we find key examples in the arenas of social protection, education and care. In social protection, the real value of unemployment benefits has been degraded by switching the annual uprating index from the Retail Price Index, which includes housing costs, to the Consumer Price Index (from April 2011) and the government introduced a new ‘upfront work search’, which imposes a 7-day wait for Job Seekers’ Allowance. The Treasury expected significant aggregate savings: the June 2010 budget, which set out the initial austerity plan, estimated that the downgraded index would save £5.8 billion over four years, which amounted to more than half the total projected £11 billion cut in welfare spending<sup>5</sup>. However, slow progress in reducing unemployment meant that unemployment expenditures continued to rise during 2010-13<sup>6</sup>. The approach towards benefits for lone parents and people with disabilities perhaps more explicitly continued the pre-2010

<sup>5</sup> Results derive from forecast planned spending levels over the 2010/11-2014/15 period (HM Treasury, 2010, table 2.1).

<sup>6</sup> Adjusted to 2012-13 prices, a rise from £5.4 to £5.9 billion (2010-13) (PESA, 2013, table 5.2).



approach by continuing with the policy of restricting rights of both groups to means-tested benefits – in the case of lone parents by extending to those with children as young as five years old and for people with disabilities through a vigorous implementation of health and disability checks subcontracted to private sector firms. A further continuation of social protection reforms includes the state pension, involving increases in the retirement age and harmonisation for men and women. A positive development is the linking of pensions to average earnings (or inflation, or 2.5%, whichever is the largest) and the merging of the previous two state pensions to form a flat-rate pension, although implemented with no additional funding and with unequal gains and losses.

In education and care we also find instances of an intensification or continuation of past reforms. The coalition government ratcheted up the price of university education, a policy introduced by the New Labour government, by tripling fees to £9,000 in 2012-2013, alongside a substantial reduction in state funding and anticipated ballooning of student debt. Elderly care continues to be underfunded but may be approaching a tipping point of crisis with sustained real spending cuts. Most care is financed by public spending and largely provided by private sector (and some voluntary sector) organisations that are commissioned by local authorities. Despite demographic pressures, central government has reduced funding to local authorities since 2010 from £3.5 billion to £3.2 billion in 2012-13<sup>7</sup>.

While these policies represent an incremental downgrading of key elements of the UK's welfare state model, other reforms are more radical in nature and may be said to have caused a rupture or transformation in the path-dependent trajectory. Moreover, reforms have explicitly targeted the four collectivist features identified above. This diagnosis concurs with the assessment by Taylor-Gooby (2012, p. 62):

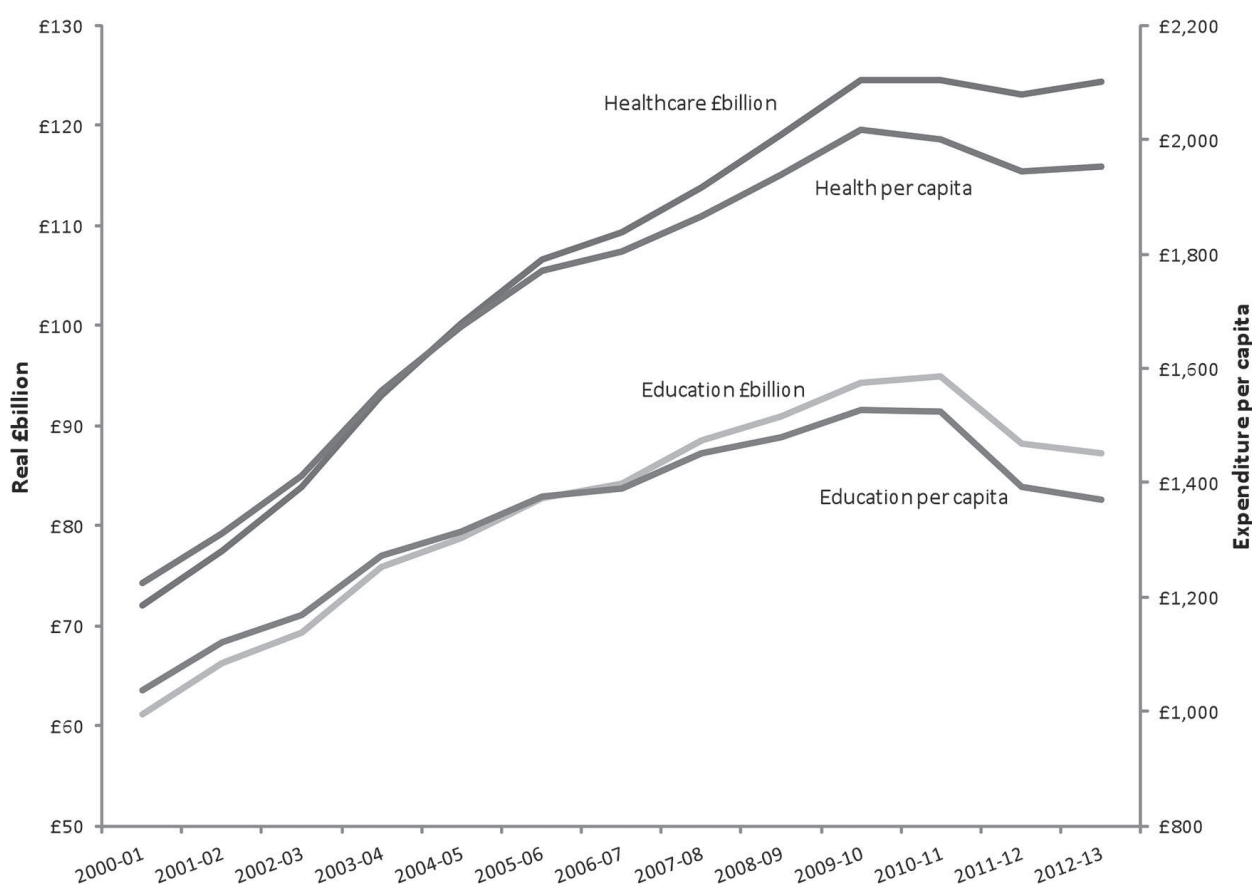
The objective [of the coalition government] is to set the UK on a trajectory of permanently lower spending, lower debt and market-led growth. Future pressures on the state will be contained through a shift of responsibility in many areas from state to private providers, citizens or the community. Market principles will permeate social life to a greater extent than at any time since the inception of the modern welfare state.

A first rupture from prior trends was the decision to cut overall public expenditures – a decision that was of course in line with neoliberal/austerity economics but also in keeping with the coalition government's purposeful desire to reduce government activity in the economy. Moreover, in successive budgets the government has lengthened the projected period of austerity in response to a mismatch between economic performance and actual reductions in debt and deficit levels. Total public spending contracted sharply from 47% of GDP in 2009-10 to 43% in 2012-13 (especially significant given the flat level GDP during this period), representing a real terms reduction of £41 billion (from £716 billion to £675 billion) over just three years. Moreover, the official forecast in 2012 (OBR, 2012) projected public spending to fall below 40% by 2017-18. Figure 1 shows the changing trend to date in two areas that were erroneously claimed by coalition government politicians to be 'ring-fenced' from cuts, namely health and education. Adjusting total spending to the growing population of the UK (from around 62 million to almost 64 million during 2010-2013) provides a picture of how these pillars of the social model are experienced by a

<sup>7</sup> Health Investor magazine, [www.healthinvestor.co.uk/ShowArticleNews.aspx?ID=2449&AspxAutoDetectCookieSupport=1](http://www.healthinvestor.co.uk/ShowArticleNews.aspx?ID=2449&AspxAutoDetectCookieSupport=1) (accessed June 2013).

growing population. During 2010-2013 education spending fell by 8% but by more than 10% when adjusted per capita, and health spending fell by 2% per capita.

Figure 1. Real trends in total and per capita education and health expenditures, 2000-2013



Source: ONS Public spending by function, own compilation (PESA, 2013).

As well as cutting education spending, the coalition government has incentivised schools to adopt 'academy' status, which ties them to central government as part of an ambition to strip local education authorities of their responsibility for the coordination and provision of local schools. It also abolished the Education Maintenance Allowance in England, designed to encourage school-leavers from low-income households to pursue further education (£30 per week). In healthcare, real spending cuts are causing ongoing operational problems, but the more radical change is in the governance of healthcare. From 2013 the NHS is being opened up to competition from the for-profit private sector. Government documents repeat the mantra that choice and competition are needed to meet efficiency and equity goals. New Labour had already extended the role of the private sector with Independent Sector Treatment Centres and the signing of hundreds of PFI hospital building programmes. But post-2010 reforms go further and faster. They devolve responsibility for commissioning of an estimated £60 billion of health services to consortia of General Practitioners that will have the task of making available to

patients a choice of ‘any qualified provider’ from the private and public health services sectors. Childcare services have also suffered a partial rupture of policy approach since while a policy of subsidised part-time childcare provision for 3 and 4 year olds was extended from England to the whole of the UK in 2013, the government cut funding for ‘SureStart’ centres, which had been set up primarily in low-income neighbourhoods, and cut childcare tax credits.

One of the more generous benefit transfers identified above as a key collectivist feature is public assistance with housing costs for low-income households. This has been vigorously targeted by government despite a continuing absence of policy to reform or regulate the dysfunctional rental property market. New restrictions on entitlement include new time-based reductions in benefits (translating to a 10% cut each year the claimant is without work) and a raised age threshold for shared accommodation (from 24 to 34 years). Real value cuts in the value of housing benefits are also multi-pronged, involving reduced benefits for social housing tenants with more bedrooms than needed (the so-called bedroom tax), an overall benefit cap for working-age claimants (as part of universal credit reforms implemented gradually from 2014), a switch in the uprating index for the private sector based on inflation (CPI, as above) rather than local rents and the reduction of the maximum benefit at the 30<sup>th</sup> percentile of local private rents (down from the 50<sup>th</sup> percentile).

At the heart of the 2000s anti-poverty strategy was increased spending on a raft of in-work tax credits designed to lift incomes of households below the poverty line. The coalition government has in the first instance downgraded the real value of most components of Working Tax Credits and in the second instance plans to replace it with a single benefit/tax credit known as Universal Credit. Examples of restrictions imposed prior to the transfer to Universal Credit include requiring couples with children to work 24 hours per week between them, up from 16, in order to qualify, a three-year freeze of the basic and 30-hour elements (and maximum earnings threshold), a significant increase in the withdrawal rate of benefits (on earnings above the threshold), abolishing the baby element and downgrading the childcare element. One example of extended eligibility includes for older workers (over 60 years) who are eligible from 2011 if they work at least 16 hours per week, down from 30 hours previously. There were problems with the pre-2010 Working Tax Credits policy, especially in the way it possibly disincentivised employers from awarding pay rises in many low wage jobs. However, its downgrading in the absence of encouraging collective bargaining, skill development or simply better pay practices, is undoubtedly an anti-collectivist and poverty-inducing strategy.

Overall, therefore, post-2010 reforms by the Conservative-led coalition government have questioned the utility of poverty targets and downgraded the associated spending commitments, lowered the value of benefits with a new less generous uprating index, reduced the scope of entitlements and introduced a maximum welfare benefits cap (associated with a delayed rollout of an integrated benefits and in-work tax credits payment). Also, in a clear signal of its pro-capital, anti-collectivist approach the government has accelerated privatisation and has signalled a new ‘presumption’ that all public services ought to be open to private sector provision while at the same time centralising control over primary and second school education (content and governance). Overall, the government intends to reinforce neoliberal principles in the welfare state and has abandoned the pre-2010 policy commitments to improved minimum benefit levels and increased resources for children in low-income families.



### 3. EMPLOYMENT POLICY

In its approach towards employment, especially regarding transitions into paid employment, the duties and responsibilities of employers and provisions for collective worker representation, Britain has for many years fallen short of the standards associated with a European Social Model (CIPD, 2012). The UK spends little, relative to other countries, on active labour market policy and instead relies on what Bonoli (2010) calls ‘incentive reinforcement’ through its extensive in-work system of tax credits and *ad hoc* activation. Since the 1990s it has incrementally developed a controversial ‘Work First’ approach to reducing numbers of welfare beneficiaries, involving a major effort to improve participation among families and lone parents with young children and among people with disabilities. Once in paid employment, workers enjoy limited protection. The UK ranked 28<sup>th</sup> out of 30 countries on the OECD’s (2008) indicator of ‘strictness of employment protection’, with a particularly low score for protecting permanent workers against individual dismissal and regulations for temporary workers (Venn, 2009). Also, while the 1998 implementation of the EU Working Time Directive established the first statutory entitlement to paid holidays in the UK (20 days plus eight public holidays), to get around the 48 hours weekly limit (averaged over 17 weeks), UK law allows employers to ask individual workers if they wish to opt out. The share of workers working long hours has reduced since the mid-1990s but the UK still sits comfortably above the OECD average (OECD, 2011), which suggests use of the 48-hour opt out is widespread.

While other European countries may benefit from supplementary protection negotiated by unions and employers in collective bargaining agreements (such as more generous severance pay or extended notice periods for dismissal), most UK workers are reliant only on the low level legal protection because of weak collective bargaining coverage, especially in the private sector where only 17% of employees’ pay is regulated by collective agreement (Brownlie, 2012, table 2.4). Indeed, social dialogue and workplace democracy in the UK is weak by any measure. Employers opted out of sector-wide associations long ago and union membership has been slowly declining over the last two decades, following a well-known precipitous drop in the 1980s and early 1990s. Estimates from the Labour Force Survey show union density of 29% among women and 23% among men in 2011. The weakness of social dialogue at workplace, sector and national levels in the UK labour market means there is very limited scope to match societal norms of fairness with employment practices. In the case of pay practices, for example, the UK has higher levels of wage inequality than might otherwise be anticipated, witnessed in the form of a high incidence of low pay, a wide gender pay gap, a high concentration of women workers among the low paid and super-high and escalating rewards (pay, bonuses, share dividends) to executives (High Pay Centre, 2012; Lloyd *et al.*, 2008; Pennycook, Whittaker, 2012).

As with welfare policy, however, several features of UK employment policy did not, up until 2010, fit neatly with perceptions of a highly deregulated model and, again, were suggestive of collectivist principles. During the 13 years of New Labour government (1997-2010), the UK enjoyed the introduction of stronger minimum floors and improved basic employment rights (Grimshaw, Rubery, 2012; McCann, 2008). Employment rights for working time, maternity leave, parental leave and with respect to provision of equal rights for part-time and temporary workers were all strengthened as a direct result of the UK’s decision in 1997 to end its opt out from the EU Social Chapter (albeit with the retention of employer prerogative where possible). For example, rights for part-time workers were

introduced in 2000, providing equality of pay, holidays, pension schemes, family leave and training access, among other conditions. In 2002, rights for workers on fixed-term, temporary contracts were brought in line with those on permanent contracts, providing equal pay and benefits, as well as the right to an open-ended contract after four years of continuous employment. Subsequently, new rights for agency workers provided equal rights to pay and other terms and conditions.

Employment rights also evolved in response to the reality of a growing share of dual-earner households and problems of work-life balance, albeit with overall weak employment support for working mothers compared with other countries such as Sweden (OECD, 2011). Reforms included a significant lengthening of paid maternity leave from just 14 weeks prior to 1999 legislation up to the present 39 weeks. However, pay is low – 90% of earnings are only paid for the first six weeks, followed by a fixed £137 per week (or 90% of earnings if this is lower) for the remaining 33 weeks<sup>8</sup>. In an international review of paid leave policies in 27 countries, the UK provides the fewest number of weeks of ‘well paid’ maternity leave (defined as above two thirds of earnings) (Moss, 2013); also, only one in four working mothers receive supplementary maternity pay from their employer. Fathers are entitled to two weeks paid paternity leave (at the minimum statutory level) and may benefit from further leave where mothers transfer part of their paid and unpaid leave (after 20 weeks and before the child is 12 months old, up to a total of 26 weeks).

Table 2. The character of employment policy reforms during 2000-10 and post-2010

	Key policy areas	Main changes	
		2000-2010	Post-2010
CONTINUATION			
	Job search	Commissioned report on privatisation of job search services	Partial privatisation of job search services (‘Work Programme’), promotion of unpaid work
	Working time	Implemented EU Working Time Directive (but with opt out from 48-hour limit); equal rights for part-time workers; right of parents to request flexible working hours	Plan to retain opt outs; proposed extending of flexible working to all employees but replacing statutory provision with code of practice; no policy reaction to rise of zero-hour contracts
	Maternity & paternity leave	Significant lengthening of maternity leave and improved pay; 2 weeks paternity leave	Consultation to allow parents to share leave but very low statutory pay for fathers
	Collective bargaining	No policies to slow the downwards trend in private sector coverage levels; policy support for Pay Review Bodies	Continued fall in private sector coverage

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<sup>8</sup> The weekly amount of £137 (April 2013) is equivalent to £3.43 per hour, which at the time was around half the minimum wage of £6.19 and just 27% of full-time employees’ median weekly gross pay.

Table 2. (continued from previous page)

	Key policy areas	Main changes	
		2000-2010	Post-2010
	Low wage protection	Policy support for national minimum wage	Continued policy support but abolition of agricultural sector minimum wage (last sector Wages Council)
	High pay flexibility	Limited (and ineffective) policy actions to restrain high pay awards include new shareholder powers to vote on remuneration proposals	Opposed to proposed EU rules to cap bankers' bonuses (at 100%/200% of salary)
RUPTURE	Job subsidies	Recession interventions included 'Future Jobs Fund' (employer subsidy to recruit youth unemployed); Return to Work Credits (lone parents and aged 50+)	Abolished Young Persons' Guarantee and Future Jobs Fund (> £1 billion) (partial replacement £180m 'apprenticeships'), abolished Return to Work Credit for aged 50+
	Job search	Increased funding for public sector job centres; New Deal programme targeted job search for key groups and in key geographical zones	Reduced funding for public job centres
	Worker rights exchange	n.a.	'Shares for rights' scheme enables employers to offer company shares to employees in exchange for renouncing worker rights
	Job security	Enhanced protections including for workers on fixed-term and agency contracts; increased eligibility for unfair dismissal	Reduced employment protection (eligibility for unfair dismissal restricted to 24+ months tenure; consultation period for collective redundancies halved to 45 days)
	Outsourcing protection	New Two-Tier Code to complement TUPE protection for outsourced workers	Abolished Two-Tier Code; new limitations to application of TUPE
	Equalities	Strengthened rights; 2010 Equality Act includes Public Sector Equality Duty	Some strengthening but also restricted powers to employment tribunals in prosecuting employers
	Union-government relations	Some fostering of union-employer partnership deals	Ending of cooperative relationships, especially with public sector unions and professional associations

The introduction of a statutory national minimum wage in 1999 has been generally perceived as an institutional success story in terms of both the functioning of the tripartite governance arrangement (the Low Pay Commission) and labour market outcomes. Also, worker representation was sustained throughout the 2000s at a relatively high level in the public sector: in 2011, while nine out of ten private sector workplaces had no recognised trade union, in the public sector nine in ten workplaces did have recognised unions (van Wanrooy *et al.*, 2013). Collective voice in the public sector has proven resilient, albeit with a shift from traditional collective bargaining to independent ‘pay review bodies’ for most public sector workers<sup>9</sup>.

While the employment policy approach of the New Labour government combined *laissez faire* with proactive extensions of the floor of basic minimum rights, the coalition government has shifted quite clearly to a reasserted neoliberalism involving the withdrawal of state activity in active labour market policy, an ideological campaign to diminish worker rights, a confrontation with public sector professionals and the overseeing of a continued rise of wage inequality. As with welfare policy above, table 2 characterises post-2010 employment reforms as either a continuation of the previous direction of change or a rupture.

Several policy actions since 2010 can be interpreted as broadly following the previous trajectory of change, especially in key areas of worker rights (working time, maternity and paternity leave), collective bargaining and the approach to fair pay. Working time rights improved significantly pre-2010 and have remained broadly unchanged (so far) under the coalition government primarily because they are based on European law. However, employers’ working time practices have deteriorated significantly in the post-2010 climate of a *laissez faire* labour market. Employers in many sectors (especially social care, retail and hospitality) employ staff on ‘zero-hour contracts’ in order to dictate different hours required on a daily or weekly basis. Estimated to affect up to 1 million people<sup>10</sup>, the individual has to promise flexibility but cannot be legally required to undertake the work. This means that in many cases, the absence of ‘mutual obligation’ renders the zero-hours individual a worker rather than employee and reduces the available rights (such as maternity leave and redundancy rights).

One positive change to working time practices in UK organisations concerns the expansion of ‘flexible working’ legislation, which was originally designed to strengthen employer support for working mothers. Introduced in 2003, it grants parents the right to request employers to allow them to work flexibly. While this falls short of a legal entitlement to adapt working hours, it has enabled more women to stay in the same job over the period of childbirth and child-rearing (Waldfogel, 2011); the data suggest only a fraction of requests are refused (Keter, Jarrett, 2011). The coalition government has proposed to extend the right to all employees. However, it also proposes to replace current statutory provision with a ‘code of practice’, which is likely to make implementation more difficult for employers and reduce its effectiveness (Keter, Jarrett, 2011; Institute of Employment Rights website<sup>11</sup>).

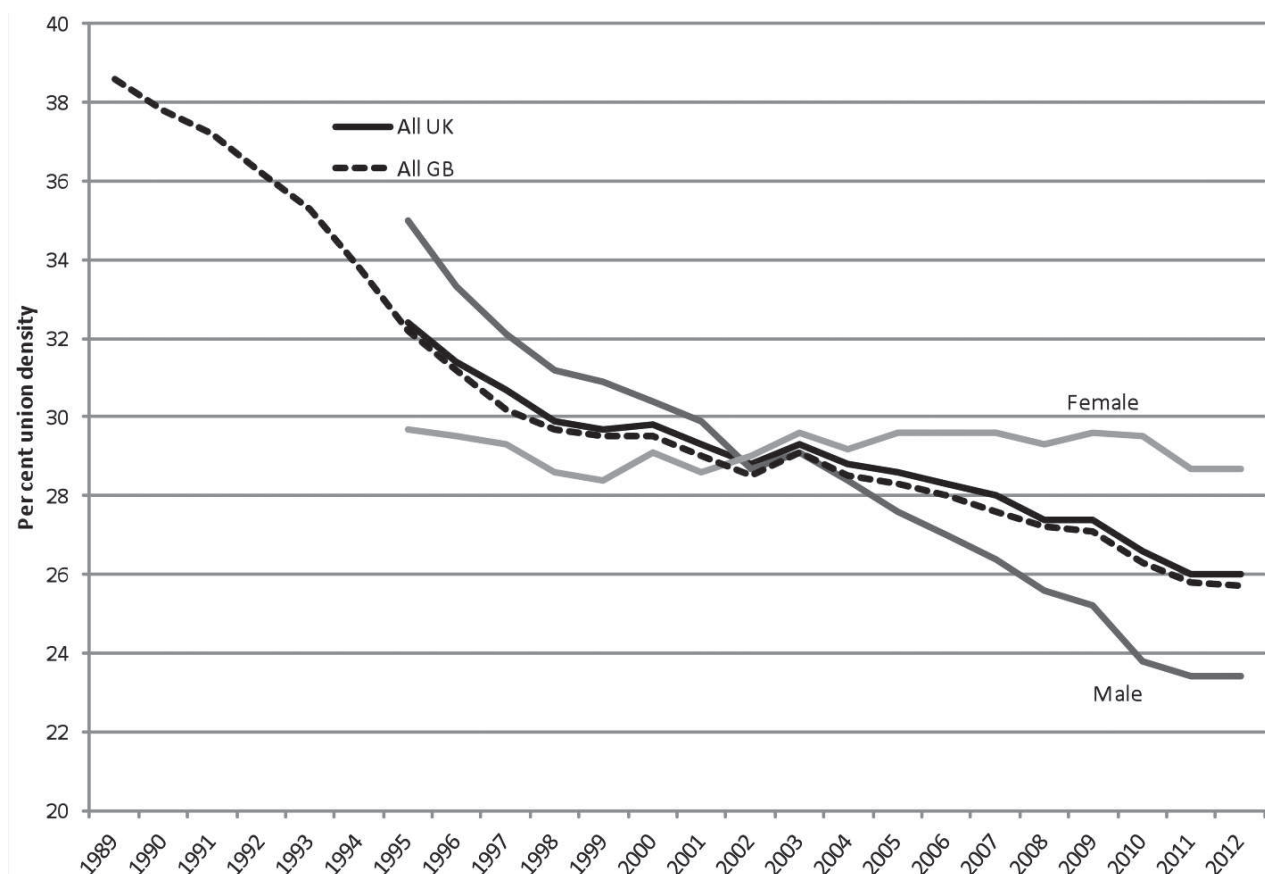
<sup>9</sup> Pay Review Bodies differ from collective bargaining: members are appointed by government, they make recommendations on the size of the pay settlements (on the basis of evidence presented by government, the unions and the local employer) and government reserves the right of veto.

<sup>10</sup> “Financial Times”, 05/08/2013, in <http://www.ft.com/cms/s/0/33526d68-fd9f-11e2-8785-00144feabdc0.html#axzz2l0VX2Qsh>.

<sup>11</sup> Institute of Employment Rights, in <http://www.ier.org.uk/news/shared-parental-leave-and-flexible-working-open-first-ever-public-reading> (accessed 26/02/2013).

The continuing decline of unions is in part the result of a process of ‘implicit derecognition’: new workplaces tend not to recognise unions, unions sometimes fail to extend recognition among ageing and expanding workplaces and the range of issues for discussion has reduced (Brown, Bryson, Forth, 2009). Moreover, despite the spread of an often superficial, or overly co-operative model of union-employer partnerships during the early 2000s, private sector employers continued to withdraw from collective bargaining; the proportion of employees in the private sector whose pay is set through collective bargaining was estimated at just 16% in 2011 (van Wanrooy *et al.*, 2013). Overall decline masks disparate trends among male and female workers; female density levels have held steady at around 29-30% for nearly two decades while men’s have declined rapidly (FIG. 2). This is in part a public sector effect since women’s public sector union membership outnumbers men’s by two to one (2 million and 1.1 million, respectively, in 2012). However, recent years have also seen women sustain density levels in the private sector (at 12-13% since 2004) while men’s have dropped (from 21% to 16%).

Figure 2. The trend in union density by sex, 1989-2012



Source: Labour Force Survey data, compiled by the Office for National Statistics and Department for Business, Innovation and Skills, in [www.gov.uk/government/publications/trade-union-statistics-2012](http://www.gov.uk/government/publications/trade-union-statistics-2012) (accessed June 2013).

One of the related problems of low union presence in private sector workplaces is a persistent problem of low pay. The high incidence of low-wage employment has given rise to a living wage campaign, which has expanded through a series of voluntary wage



agreements during post-2010 austerity. While pay at the bottom of the wage hierarchy has been firmly held down, and represents a key marker of UK employment organisation (Lloyd *et al.*, 2009), at the other end of the wage hierarchy pay and bonuses have soared. In line with studies of the shift to shareholder value models of corporate governance in the United States, the UK has quite clearly adopted a model of remuneration that rewards high-level managers at the expense of pay rises for employees and job security. As with the pre-2010 period, policies for a fairer distribution of wage income (eg. a role for worker representatives to negotiate pay awards in all workplaces) have played no part in the post-2010 government's reform agenda.

In other areas of employment policy, we can identify ruptures in the approach. The coalition has reasserted employer prerogative and sought to cut the regulatory 'red tape' said to be restraining innovation and growth. Examples are mostly found in the area of active labour market policy and some key elements of worker rights. During the 2008-09 recession, the New Labour government introduced new job activation programmes, which included a new entitlement for young people to some form of labour market placement ('Young Persons' Guarantee') supported by a £1 billion 'Future Jobs Fund'; the programme focused in particular on supporting the long-term unemployed in areas of high unemployment. However, the coalition government abolished this programme despite ongoing high rates of unemployment. Other interventions under New Labour included new return-to-work tax credits for low-wage, disabled, lone parents and older workers moving off benefits (for the first 12 months of paid employment)<sup>12</sup>. After 2010, the coalition abolished all credits, new and existing, for older people returning to work.

A further rupture of policy approach involves the funding for public sector job centres ('Job Centre Plus'), which register all unemployed persons, provide advice, assist with job search and administer payments (and sanctions). The New Labour government increased funding to Job Centre Plus by £1.3 billion in late 2008 and a further £1.7 billion in 2009 in response to increasing demand during the recession, as well as to fund additional long-term employment programmes<sup>13</sup>. By contrast, the coalition government cut funding and planned job cuts from job centres of around 2,400 people<sup>14</sup>.

Two other initiatives have proved even more controversial and, to date, ineffective in improving job chances for the unemployed and inactive. The first is the Work Programme. Introduced in 2011, the government claimed it would be a superior mechanism for incentivising job creation (DWP, 2010), but it is perhaps better described as a poorly designed privatization of job search services accompanied by 'draconian controls' over claimants in and out of work (Greer, Symon, 2013). Activities formerly undertaken by the public sector job centres have been outsourced in the form of 40 contracts (£10-50 million each) to 'prime contractors'. The programme pays job search organisations three tiers of tariffs for successful job placements and sustained employment (Grimshaw, 2013). However, evaluations suggest it has failed. Contractors are incentivized to 'park and cream' job seekers in order to win payments for easy-to-place applicants and not waste time and resources on more difficult cases (DWP, 2012). The second initiative is the enforcing of unemployed job-seekers to take unpaid work (30 hours per week) or lose benefits. Many major employers participated in the

<sup>12</sup> Only payable to persons in jobs with gross annual earnings less than £15,000 (which was a little above the 30<sup>th</sup> percentile in the wage distribution in 2008, ASHE earnings data).

<sup>13</sup> "Hansard", 20/07/2009), in [www.publications.parliament.uk/pa/cm200809/cmhansrd/cm090720/text/907-20w0029.htm](http://www.publications.parliament.uk/pa/cm200809/cmhansrd/cm090720/text/907-20w0029.htm).

<sup>14</sup> "The Guardian", 24/05/2011, in [www.guardian.co.uk/politics/2011/may/12/job-centre-posts-cut-2400](http://www.guardian.co.uk/politics/2011/may/12/job-centre-posts-cut-2400).

scheme but then withdrew amidst negative press coverage that an unpaid job filling shelves in shops was unlikely to improve employment chances of job-seekers and more likely in fact to reduce opportunities of paid work. In early 2013, the policy was declared illegal, leading to rebates of benefits to many unemployed who had been sanctioned. Subsequently, however, the government passed emergency legislation to ‘protect the national economy’ from a £130 million payout to penalized jobseekers.

In the arena of worker rights, the coalition government’s approach is strongly ideological. The 2013 policy to exchange worker rights for company shares is illustrative of an obvious rupture from previous policy. It encourages employees to negotiate company shares in exchange for giving up their employment rights (including rights to claim unfair dismissal, redundancy compensation, maternity leave, etc.). The government argues it will stimulate a wave of business start-ups. However, in the public consultation only 5 of the 209 organisations supported the idea<sup>15</sup>. Importantly, while touted as a voluntary initiative, it remains unclear to what extent job applicants will be able to refuse employer offers of ‘employee shareholder.’

In the areas of job security and protection for outsourced workers, the government has weakened rights. The previous New Labour government reduced the period of continuous employment that applied to workers wishing to claim unfair dismissal from 24 to 12 months. This latter policy reform was reversed by the coalition government, with the argument that reduced employment protection encourages employers to hire without the risk of costly tribunal cases; the government also restricted access to employment tribunals. In 2013, the government also reduced the minimum consultation period for collective redundancies from 90 to 45 days for large-scale redundancies<sup>16</sup> and excluded workers on fixed-term contracts from consideration.

Staff transferred as part of outsourcing contracts have enjoyed protection of basic terms and conditions at the point of transfer under TUPE legislation<sup>17</sup>. Shortly before the recession, the New Labour government supplemented this basic protection through ‘Two-Tier Code’ agreements with unions in the public health sector and local authorities designed to extend employment conditions and pensions agreed in public sector collective agreements to private sector contractors. The Code had a significant impact in raising pay and conditions for low-wage workers, but it was abolished with effect from 2011; the government argued it ‘did little to protect staff’<sup>18</sup>. In 2014 the government restricted the application of TUPE, including new rules that limit protected terms and conditions under collective agreements to 12 months.

#### 4. CIVIL SOCIETY POLICY

General weaknesses in the social and employment policy spheres are matched by weak policy instruments for a more democratic and solidaristic civil society. Opportunities to

<sup>15</sup> “The Guardian”, 04/12/2012, in [www.guardian.co.uk/politics/2012/dec/04/employers-reject-shares-for-employment-rights](http://www.guardian.co.uk/politics/2012/dec/04/employers-reject-shares-for-employment-rights).

<sup>16</sup> A collective redundancy applies where 20 or more workers in a single establishment are to be dismissed over a 90-day period. 90 days of consultation were previously required where 100 or more redundancies are proposed, 30 days for 20-99 redundancies.

<sup>17</sup> The Transfer of Undertakings Protection of Employment legislation, implemented in the UK as part of the EU Acquired Rights directive (revised in 2006).

<sup>18</sup> Statement by Francis Maude, Minister for the Cabinet Office, cited from the Cabinet Office website, [www.cabinetoffice.gov.uk/news/two-tier-code-withdrawn](http://www.cabinetoffice.gov.uk/news/two-tier-code-withdrawn).

participate in UK society depend in part on the distribution of economic resources across the regions. However, the UK has a weak record of regional economic investment and equalisation programmes, resulting in a highly skewed distribution of GDP per capita and investment in the arts and culture centred around the South East/ London area. These differentials worsened after the collapse of manufacturing in the 1980s: Martin's (2009) detailed empirical analysis of the period 1980-2007 shows that London and the South East pulled away from the rest of the country during both the boom under Thatcher and the first term of the New Labour government. By contrast the North West and North East fell away quite significantly. Inner London is in fact the richest region in the EU (with a GDP per capita more than triple the EU27 average). While there may be welcome agglomeration effects of having a strong London capital, several reports identify a strong and persistent north-south geographical divide in health indicators, educational performance and R&D spending among other measures, all of which are positively associated with regional income levels (Adams, Robinson, Vigor, 2003; Ellis, Fry, 2010). Local government provides an important potential mechanism for regional distribution of services and, critically, for matching provision of public services with citizens' socio-economic needs. However, again, Britain falls short. Compared with federal countries like Germany and the United States, the sub-national level of spending in the UK is significantly lower than the OECD average, as is the share of total government revenue raised at sub-national level (OECD, 2013, Table V.1). Tax and social security spending decisions are almost entirely the preserve of central government, such that devolved and local authorities enjoy limited control over their budgets (Adams *et al.*, 2003).

Again, however, key features of Britain's approach towards civil society mark out a collectivist dimension. The UK extended its progressive income tax structure by adding a 50% rate in 2010-11. A second notable feature concerns the abandonment of what had been for many years a dangerously *laissez faire* approach to the organisation of employment for low-skill migrant workers. Fair treatment of migrant workers was a major campaigning theme of the Trades Union Congress (the peak organisation of UK unions) in the 2000s in response to research reports documenting illegal payment of sub-minimum wages, long working hours, dangerous working conditions, abusive management and poor housing (Ruhs, Anderson, 2010). The deaths of 23 Chinese cockle-pickers in 2004 led to new legislation to regulate the agencies ('gangmasters') responsible for the sourcing and deployment of migrant workers in the agricultural and food-related industries of the UK. However, ongoing problems concern treatment of migrant domestic workers in minimum wage legislation, unauthorised employer deductions from wages, and lack of information about employment rights (Low Pay Commission, 2011, 2012).

2010 was a radical turning point for civil society. The coalition government was elected against much rhetoric of building a 'big society' of citizens willing and able to deliver voluntary services to the public, or to set up small non-profit organisations that could take over parts of local government services. However, post-2010 reforms have undermined the pillars of civil society in key areas of regional economic cohesion, local government, tax policy and the rights of migrants (TAB. 3).

A major potential drag on citizens' economic participation in the UK, as well as their access to social and cultural resources, is caused by a high level of regional inequality. A major cause of these inequalities is the very different forms of economic activity underpinning regions: London and the South East depend strongly on financial and business services, northern regions rely more on public services. Indeed, the apparent greater reliance on public sector

employment in northern regions, Wales and Northern Ireland was said to be a key factor shaping the coalition government's new agenda to rid these local economies of the public sector monopoly and 'rebalance' the economy to encourage private sector investment. However, the ability of government to reshape regional economies was undermined by its own centralising drive. Prior to 2010, the UK had various bodies to monitor and direct regional economic strategy, including Regional Assemblies, nine Regional Development Agencies and Regional Ministers. The coalition government abolished all regional bodies as part of its political goal to eliminate 'the entire bureaucratic and undemocratic' tier of regional planning<sup>19</sup>. The OECD expressed surprise in response to this policy reform in its 2010 analysis of the UK economy:

it is clear that some form of regional policy is still warranted. [...] there is the risk that poorer areas will continue to fall behind, causing potentially costly drags on national economic performance and potentially exacerbating tensions generated by cuts in public services. As such, retaining some mechanism for implementing strategic investment in lagging regions is probably sensible (OECD, 2010, p. 28).

Table 3. The character of civil society policy reforms during 2000-10 and post-2010

	Key policy areas	Main changes	
		2000-2010	Post-2010
CONTINUATION			
	Regional inequality	Continued differentiation of regional economic fortunes until mid-2000s, especially between London & South East versus North East	Policy to reduce perceived dependence of some regions on public sector employment but made jobs recovery more difficult
	Corporation tax	Minor changes in tax levels (30 to 28% for large companies, 20 to 22% for small companies)	Radical cut in corporation tax (28% to 20% by 2015, 20% for small companies)
RUPTURE			
	Regional investment	Investment in regional bodies to improve political representation at central level and guide economic development	Abolished virtually the entire tier of regional government
	Local gov't revenues from central gov't	Strong reliance on central government; steady upward trend in spending	Strengthened reliance on central government; spending cuts larger in local government than in any other area of the public sector (both resource and capital spending)

(continued on next page)

<sup>19</sup> Conservative Party Manifesto for the 2010 election (cited in Sandford, 2013, p. 3). The problem is that there is no new model for coordinating regional strategies, with the notable exception of London and total funding has been downsized by an estimated 75% (Sandford, 2013).

Table 3. (continued from previous page)

Key policy areas	Main changes	
	2000-2010	Post-2010
Local gov't workforce	Rising workforce numbers then stable during 2004-9	Downsizing affects mainly women's jobs and mainly full-time jobs; especially problematic in low-income areas
Income tax	Abolished married couple's income tax allowance; reduced marginal rates and introduced new higher rate, but misjudged abolition of lowest 10% rate	Substantial raising of personal income tax allowance; regressive changes by reducing highest tax rate and lowering income thresholds for each tax band, reintroduced marriage tax allowance
Value-added tax	Temporary reduction (to 15% and returned to 17.5%, 2008-10)	Increase (17.5 to 20% in 2011)
Rights of migrants & asylum seekers	No significant reforms	Restricted access to social housing; proposal for payments for health services (temporary migrants); private landlords to vet tenants for legal status
Immigration rules	Abolished rule barring entry rights of spouses of UK citizens; EU free mobility rules extended to accession countries; introduced points based immigration system (5 tiers)	Political aim to reduce migration; revisions to points based system favouring high earners and graduate occupations; new minimum salary requirement for non- EU applicants including non- EU spouses of Britons (2012); tougher visa rules for non- EU students

According to the political rhetoric of the coalition government, abolition of regional government was intended to enable the flourishing of a more independent and active local government, less hindered by the command and control tendencies of UK central government. This has not happened in practice. More than any other area of the public sector, local government has been targeted for spending cuts. Local government resource spending since 2009-10 is projected to be cut by nearly one third (30%) by 2014-15. Local government capital spending is also planned to be cut, by 79% in real terms over the five-year period<sup>20</sup>.

<sup>20</sup> HM Treasury (tables 1.4 and 1.7), [www.gov.uk/government/publications/public-expenditure-statistical-analyses-2012](http://www.gov.uk/government/publications/public-expenditure-statistical-analyses-2012) (accessed June 2013).



Described as ‘unprecedented in modern times’ (Hastings *et al.*, 2012, p. 13), central government has not adjusted the scale of cuts to local government services in light of the increasing risk of bankruptcy of local authorities<sup>21</sup> and formal warnings from the Audit Commission, the local government employers’ association, many Council leaders and trade unions. The rhetoric of ‘localism’ is therefore clearly not accompanied by any real expectation in central government that local authorities can develop a strengthened, more autonomous role in shaping local economies. Stoker (2011) calls it ‘an anti-state vision of localism’ and Martin (2011, p. 80) argues, ‘Prime Minister Cameron is offering local government freedom from central controls in return for doing the dirty work of cutting services’.

The position of migrants and migrant workers in the UK and their entitlements to rights and protections offered as part of the country’s social model has been a major point of debate during the ongoing austerity period, fuelled by poor economic conditions, a longstanding campaign in the UK’s right-wing media and the rising popularity of a far-right political party, UKIP. Welfare restrictions include restricted access to social housing, payments for most hospital services by temporary migrants and new obligations on private landlords to vet tenants for legal status. The coalition government has also introduced new rules to limit migration with the dual aim of bringing net migration down to ‘the tens of thousands’ and seeking to attract relatively more high-income migrants. These include: a new income threshold of £18,600 for UK citizens wishing to ‘sponsor’ a non-EU spouse or child at each stage of application (rising to £22,400 for a family with one child); all applicants for UK settlement to be required to take a ‘life in the UK’ test and an English language test; and more restrictive points-based system applied to non-EEA applicants, including a cap on tier 2 migrants (including general shortage occupation routes but excluding intra-company transfers) (Migration Observatory, 2012).

## 5. CONCLUSION

While the UK was never a fully paid up member of the European Social Model – Thatcher’s neoliberal agenda limited development significantly –, it had developed certain strong elements including universal healthcare, decent housing benefits, an anti-poverty approach, a raft of EU employment directives, equality rights, a minimum wage and active public sector industrial relations. However, it has moved very quickly since 2010 in charting a course towards a model of residualist social policy and neoliberal employment relations. Certain policy reforms, characterised as ‘continuations’ in this paper, may be reversible. For example, changes to employment protection, tax policy and regional governance are elements of Britain’s social model that often change with the changing colour of government and therefore hold out the hope of reconstruction. It is more difficult to say whether or not the draconian public spending cuts are reversible. The Labour party has officially committed to the coalition government’s spending targets for fear of being perceived as the tax and spend party, despite good macroeconomic arguments supporting the raising of public investment and social justice arguments supporting the raising of welfare spending. Moreover, now that the economic recovery appears to have stabilised, the coalition

<sup>21</sup> A National Audit Office report found almost one in eight councils risk being unable to balance their budgets (“The Guardian”, 07-06-2013, p. 16).

government has signalled that it aims to retain the low level of government spending for the long-term; the cuts might have been motivated by a desire to reduce the deficit but also conveniently fit with the Conservatives vision of a pro-capital and residualist welfare society.

Many policy reforms, characterised here as ‘ruptures’, are likely to be difficult to reverse. These include the liberalisation of health services, the decimation of local government services through targeted spending cuts, the privatisation of job search services for the unemployed, and the immiseration of low-income households resulting from welfare benefit cuts. This suggests a medium-to-long term transformation of Britain’s social model. There is little evidence the coalition government will alter course; it continues to ignore the adverse effects on living standards – felt most immediately among the poorest of British society but also among middle layers of socio-economic status (Fitzpatrick *et al.*, 2012; Pennycook, Whittaker, 2012) – and is blind to the damage to the economy caused by the subsiding foundations of the social model. A renewed policy agenda is therefore needed that recognises the productive effects of a collectivist social model for economy and society drawing on the lessons from the once respected principles of the European social model. Improved welfare services can benefit workplace performance, strengthened employment rights can be beneficial for social cohesion and revitalised norms of citizenship can encourage productive participation in work, employment and society.

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