



# THE WELFARE WE WANT?

The British challenge  
for American reform

Edited by Robert Walker and Michael Wiseman

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# Sharing ideas on welfare

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## **Anticlimax as prologue**

By most accounts, 2002 was expected to be a landmark year for welfare reform in the United States (US). The Congress was scheduled to reauthorise Temporary Assistance for Needy Families (TANF) and the Food Stamp Program (FSP), the major safety net programmes for families with children. In truth, not much was achieved, and the intense scrutiny of the welfare programme that many predicted Congress to apply (cf Blank and Haskins, 2001, pp 3–4) never occurred. FSP was refunded with only modest change, and substantive action on TANF was put off to 2003 and beyond. After six years of experience with the system created by the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) and what was surely the largest social policy research effort in world history, the country was left with pretty much what it had: a deeply fragmented, incoherent system neither motivated by, nor structured in light of, a vision of the social assistance Americans might want.

This anticlimax was the product of many factors. One was a gift of the economy: the decline in welfare caseloads, brought about by the longest sustained economic expansion in American history, stifled the concern about burgeoning dependency that had motivated the reform effort in the early 1990s. A second was fiscal: the 1996 reforms and subsequent legislation flooded states with federal money. No governors wanted to kill, or even redress, the treasury goose that was laying the golden grants. A third was a matter of perception: despite substantial evidence to the contrary, national opinion makers continued to claim that the laboratories of federalism, called states, were successfully mixing federal resources and grass-roots acumen to forge a new, work-oriented welfare order. To its credit, the second Bush administration attempted in its reauthorisation proposals to increase state accountability. However, in the end the administration, constrained by a burgeoning federal deficit and focused more on terrorism than social welfare, turned away from aggressive reform.

This is good news for the myriad scholars and research organisations dependent for their livelihoods on the persistence of welfare conundrums. Welfare reform, as Americans have known it, is far from dead and is probably set for a new lease on the resources of government and philanthropic institutions.

But for most of the country's citizens the prospect of another half-decade of welfare *deja-stew* is surely depressing. This book suggests that welfare policy malaise is best addressed by doing something that hardly comes naturally in the US: looking outside, specifically to Britain. Over the past five years, welfare reform in Britain has in many ways moved beyond what has been accomplished in the US. The results, we and our contributors will argue, are worthy of attention as a source of ideas or points of reference for the resumed US debate over welfare and connecting social assistance to work.

Richard Rose has usefully defined a lesson, interpreted in a policy context, as “a program for action based on a program or programs undertaken in another city, state, or nation, or by the same organisation in its own past” (Rose, 1993, p 21). Learning from other jurisdictions is a common and valuable aspect of policy making. The character of such exchanges varies, ranging from, in Rose's terms, simple copying to cases in which observation of initiatives in one location is used as intellectual stimulus for quite different innovation in another (Rose, 1993, p 30). We see such stimulus as the most promising possibility for exchange with Britain, and we would add that exchange occurs at various levels, ranging from the abstract rhetoric/ideology used to motivate change, through the particulars of strategy, to the very concrete details of implementation (Walker and Wiseman, 2001).

Welfare reform in the US has involved a great deal of lesson-sharing across states and between levels of government, and many agencies, both public and private, have defined their involvement in reform in terms related to the generation and exchange of lessons. Just what factors mediate the process and outcome of such exchanges is of considerable intellectual interest. Rose (1993, Chapter Six) discusses the importance of congruity of values, objectives, and structures across exchanging entities; the ease with which existing programme delivery systems can be replaced by newly learned ones; the scale of changes involved, the simplicity of the model of cause and effect underlying policy; and the presence of momentum for change. At least superficially, such considerations have much to say about welfare reform as experienced over the past decade in the United States. The new state systems, built with waivers – Federal inducements for states to innovate in welfare policy – and carried through from Aid to Families with Dependent Children (AFDC) to TANF required only modest change in existing delivery systems, the changes involved were incremental rather than revolutionary, the models motivating the changes were generally simple, and variation across states in values and objectives, never great, seemed to diminish as the momentum for change grew.

Obviously, the leap from Wisconsin to Ohio is shorter in cultural, political, and institutional distance than is the leap from Britain to Ohio or to any other American state. But in thinking about the future of the data catchment for welfare-related policy analysis, the size of the gaps may be less important than whether or not the distances are shrinking. With regard to the subset of British employment policies that address the same constellation of social problems and concerns that feature in welfare reform debates in the US, we contend that the

two countries are within hailing distance at many levels of possible lesson exchange, from rhetoric to particulars. This reflects longstanding similarities: notably a preference for market solutions rather than the collective action by social partners that characterises the social democratic model, and welfare states that emphasise poverty relief above social solidarity and cohesion. Over the past decade, the active borrowing of US policy models by British policy makers has reduced the policy divide still further, making Britain's social policy terrain even more accessible to the US policy actor than it was 20 years ago (Peck and Theodore, 1998; Walker, 1999).

The focus here is to use this increased access to stimulate a flow of ideas and benefits of experience back from Britain to the US. This book specifically concerns the potential contribution of British experience to US policy perspectives on the following issues:

- how to engender and sustain political support for providing adequate benefits for those without alternatives;
- how to integrate multiple programmes to promote work;
- how to focus policy on meaningful goals;
- how to link policy evolution to programme experience.

Before offering a brief account of the development of the British policies that address these issues, it is necessary to draw attention to key differences between the US and the UK. These differences help account for ways in which US policies have been adapted and remodelled in Britain. They need to be taken into account when examining the opportunities for making the anticlimax of the TANF reauthorization debate the prologue for a reverse transfer of policy ideas. For convenience, throughout this book, we and our contributors generally use United Kingdom (UK) and Britain interchangeably, although, in fact, the institutions of Northern Ireland differ significantly from those described here.

## **The limits to comparability**

We begin with size and wealth: Britain is smaller (60 million versus 273 million population) and less well off than the US. Britain's 2000 per capita gross domestic product was \$24,500, only 69% of the \$35,600 reported for the US (OECD, 2002). (These comparisons are based on the OECD 2000 Purchasing Power Parity estimate of £1=\$1.55; unless otherwise indicated, the authors and the other contributors will for convenience use £1=\$1.50.) These differences are arguably less important for social policy than is the fact that Britain is a highly centralised, unitary state whereas the federal structure in the US creates a complex web of policy responsibilities that frustrates coherent policy design and implementation and produces variable and sometimes inchoate benefit provision. In Britain, almost all social policies are national in coverage; and job placement services, social assistance, and social security benefits are delivered largely by the local offices of national agencies. Local governments

do provide social work and educational services, but such provision is tightly regulated from the centre. Moreover, the parliamentary and electoral systems in Britain give government largely unfettered power to introduce and implement policies without need for major compromise.

Britain conducts its welfare-to-work programmes in a context that includes two important universal benefits that are absent in the US. The country's health service is national and largely free to all comers at the point of use, so ready access to health care is not linked to welfare receipt or eligibility. This is in sharp contrast to the US, where family access to such care depends effectively on TANF eligibility. The provision in Britain of a universal Child Benefit without means testing also lessens the risk of poverty attributable to the presence of children and reduces the disincentives large families create in the US for parents attempting to move from reliance on welfare to support through work.

Both Britain and the US have non-means-tested provision for unemployed and disabled people. Unemployment Insurance (UI) in the US provides weekly benefits as a fraction of weekly earnings up to some state-determined maximum. The benefits are typically paid for up to six months, but extensions are common in locations with exceptional unemployment. There is no automatic link to other welfare systems for families that exhaust their UI claims. In Britain, insurance benefits for unemployment are payable for a maximum of six months depending on a person's contribution record and are integrated with means-tested provision in a single scheme called Jobseeker's Allowance. Many people have their contribution-based benefit 'topped up' with Income-Related Jobseeker's Allowance. In the US, disability benefits are paid to former workers who meet certain standards for employment history but have lost the ability to engage in 'substantial gainful activity' as the result of a physical or mental impairment. In Britain disabled people are variously entitled to a mix of insurance and non-contributory, non-means-tested benefits that provide income support and help meet additional costs associated with disability.

Beyond these benefits, means-tested social assistance is universally available in Britain on the basis of a statutory assessment of resources. In 2000, a single-parent family (in Britain commonly and perhaps more accurately termed a 'lone parent' family) with two children received a basic benefit of £121.30 weekly or about £526 per month, in addition to rent. On average, Housing Benefit added about £258 per month for a total annual income of roughly \$1,176. This exceeds the maximum combined TANF and food stamp benefit in all US states except Alaska and Hawaii (where living costs are exceptional), and is comparable to the most generous of state benefits for the subset of TANF households that also receive rent assistance. However, in our judgment the important difference lies not in disparity in amounts but the absence of categorization. In the US, TANF is available only to families with children; adults without children must rely on a combination of other systems. In Britain, almost everyone who is not working 16 or more hours per week and lacks sufficient income is eligible for assistance within two closely aligned programmes, Income-Related Jobseeker's Allowance for those required to seek employment

and Income Support for those who are not. The result is that retirement pensioners constitute the largest group of social assistance – welfare – recipients in Britain, followed by disabled people. Unemployed claimants have, until very recently, outnumbered lone parents (Walker with Howard, 2000).

Britain has a proportionately much larger public housing sector than the US. Even after almost twenty years of sales and privatisation, publicly provided units still account for 22% of the housing stock. A further 4% of dwellings are let by social housing organisations. The means-tested Housing Benefit cited in our earlier payments example is available to meet some or all the rent of almost anyone with income below a threshold level, irrespective of employment status. There are also universal means-tested rebates, called Council Tax Benefits, for local property taxes.

A final difference to note is that, although disproportionate numbers of unemployed and lone parent claimants are from ethnic minorities, race is almost entirely absent from British debates on welfare. Ethnic minorities account for less than 7% of the UK population.

Tables 1.1 and 1.2 serve as reference aids for later chapters by providing an overview of British social assistance provisions presented from complementary perspectives. Table 1.1 summarises Britain's main social assistance schemes. Striking to the US reader will be the lack of categorical restrictions, with social assistance cash benefits not generally restricted to groups of people with particular characteristics (such as family type) in the way that TANF is primarily targeted toward single parents. (Readers who would like a similarly structured overview of analogous US programmes may refer to Table 2.1 in Chapter Two.) Table 1.2 lists the financial support currently available to various groups of people of working age in Britain and compares them with those available in the US. As the tables indicate, benefit programmes in both countries have categorical variation in work requirements.

## **Origins of British welfare policies**

A little history will help explain the different patterns of provision for each of the family status groups listed in Table 1.2.

**Table I.1: Major means-tested UK cash and in-kind benefit programmes for non-elderly persons**

<b>Programme</b>	<b>Target Group</b>	<b>Benefit</b>	<b>Activity Requirement</b>	<b>Source of Funds/ Operating Agency</b>	<b>Benefit Expenditures* (£ Billions, FY1999/2000** unless otherwise noted)</b>	<b>Recipients (in millions, 1998 unless otherwise noted)</b>
<b>Income Support (IS)</b>	Low-income, non-working individuals and families	Cash grant, varying by income, age, family size and age of children, and presence and severity of disability	Lone parents and disabled people have no work requirements. (From 2002 all recipients will be obliged to attend an initial work-focused interview.) Voluntary New Deal welfare-to-work schemes exist for lone parents and on a trial basis for disabled people	Centrally funded	£ 8.41	3.8
<b>Working Families' Tax Credit (WFTC)</b>	Low-income workers with child dependents working 16 or more hours each week	Earnings subsidy delivered as a wage supplement by employers or, if so chosen, as a cash benefit by Inland Revenue (the tax agency) to child's (children's) caretaker. Self-employed workers are paid directly by Inland Revenue	Must work 16 hours or more each week	Centrally funded	£ 1.22	0.79

Table 1.1: contd.../

Programme	Target Group	Benefit	Activity Requirement	Source of Funds/ Operating Agency	Benefit Expenditures* (£ Billions, FY1999/2000** unless otherwise noted)	Recipients (in millions, 1998 unless otherwise noted)
<b>Jobseeker's Allowance (JSA)</b>	Low-income unemployed workers and their families	Cash grant, varying by family size, contribution record, and/or income Depending on their contribution record, recipients receive contribution-based or an income-based JSA or both	Unemployed adult recipients are required to seek and be available for work. People aged 18-24 unemployed for 6 months and others unemployed for two years are required to engage in New Deal welfare-to-work programmes	Centrally funded	Contribution based: £ 0.52	Contribution based only: 0.187
<b>Social Fund</b>	Very needy persons receiving certain means-tested benefits	Interest-free loans and, in special circumstances, grants. Allocations made by local Benefits Agency offices from a cash limited fund	As main programme	Centrally funded	£ 0.205	2.01 million crisis and budgeting loans made in FY1999/ 2000
<b>Housing Benefit</b>	Needy persons	Cash grant, varying by family size, income, and rent. (Received as a rent rebate by tenants in public housing)	As for JSA if unemployed, otherwise, none	Centrally funded	£ 11.49	2.7
<b>Council Tax Benefit</b>	Needy persons	Tax rebate, varying by family size, income, and tax obligation	As for JSA if unemployed, otherwise, none	Centrally funded Local authorities	£ 2.58	5.3

Table 1.1: contd.../

Programme	Target Group	Benefit	Activity Requirement	Source of Funds/ Operating Agency	Benefit Expenditures* (£ Billions, FY1999/2000** unless otherwise noted)	Recipients (in millions, 1998 unless otherwise noted)
<b>Free School Meals</b>	Children aged 0-16 in families receiving Income Support or income-based Jobseeker's Allowance and 17- and 18-year-olds receiving these benefits in their own right	Vouchers	None	Funded by local authorities with central government assistance	Local authorities	Data not available
<b>Related programmes without means tests</b>						
<b>Incapacity Benefit</b>	Blind, and otherwise disabled persons incapable of work who have (or have been credited with) adequate contributions	Three levels of cash grant, increasing in value with time on benefit	None as person has to be assessed incapable of work. Voluntary New Deal welfare-to-work scheme is being trialed and is to be extended nationally	Centrally funded	£ 7.03	2.3
				Benefits Agency		

Table 1.1: contd.../

Programme	Target Group	Benefit	Activity Requirement	Source of Funds/ Operating Agency	Benefit Expenditures* (£ Billions, FY1999/2000** unless otherwise noted)	Recipients (in millions, 1998 unless otherwise noted)
<b>Child Benefit</b>	All children aged 0-16 and 17- and 18-year-olds in full time education	Means tested cash grant varying by birth order (more for first or eldest child)	None	Centrally funded Benefits Agency	£ 8.29	12.6

Note: Universal healthcare is provided free at point of use

\* OECD purchasing power parity for 2000; £1=\$1.55 (OECD, 2002).

\*\* Since the British fiscal year begins April 5; FY 1999/2000 lies primarily in calendar 1999.

Sources: DSS (2000b), Walker and Howard (2000)

**Table 1.2: Benefit packages and work obligations, US and UK (Adults without disabilities)**

Family status	Means-tested Benefits available if not employed	Work obligation	Means-tested Benefits available if employed	Notes
Lone Parents	UK Income Support Housing Benefit Council Tax Benefit	Voluntary access to New Deal for Lone Parents programme of support for movement to work Attendance at initial work-focused interview to become compulsory in 2002	Working Families' Tax Credit (includes Child Care Tax Credit) Housing benefit Council tax benefit	Healthcare is free at point of use Interest free loans are available to recipients of Income Support from the Social Fund, as are grants for a restricted set of circumstances
US	Temporary Assistance for Needy Families (TANF) Food stamps (FS) Medicaid	TANF obligation varies by state. All states can require participation in work activities for virtually all recipients. Actual activity rates are much lower FS applicants or recipients must register for work with employment service; can be required to participate in employment and training programmes	Earned Income Tax Credit (EITC) TANF (access varies by state; generally time-limited) Food stamps	Federal contribution to TANF has 5-year time limit; states have option for reduced or greater limit. TANF benefits are not entitlements, but most states assure access

Table 1.2: contd.../

Family status	Means-tested Benefits available if not employed	Work obligation	Means-tested Benefits available if employed	Notes
Parent in Two-Parent Family	UK Income Support Jobseeker's Allowance (JSA) Housing Benefit Council Tax benefits	Recipients of all benefits are likely also to be in receipt of JSA unless disabled (when no work obligations apply) JSA is conditional on: Being available for and actively seeking work Signing and adhering to a Jobseeker's Agreement (checked every two weeks) Attendance at New Deal for 18- to 24-year-olds if JSA recipient for 6 months Attendance at New Deal for Long-Term Unemployed for persons aged 25 or more if JSA recipient for 18 months	Working Families' Tax Credit (includes Child Care Tax Credit) Housing Benefit Council Tax benefit	Healthcare and Social Fund Access same as for Lone Parents
US	Temporary Assistance for Needy Families (most states) Food stamps Medicaid	TANF obligation varies by state. Stringency and incidence of obligations much greater for two-parent than for single-parent families	Earned Income Tax Credit Food stamps TANF (some states; may be time-limited)	Federal contribution to TANF has 5-year time limit; states have option to reduce or raise limit

**Table 1.2: contd.../**

<b>Family status</b>	<b>Means-tested Benefits available if not employed</b>	<b>Work obligation</b>	<b>Means-tested Benefits available if employed</b>	<b>Notes</b>
<b>Adult without Child Dependents</b>	UK Income Support Jobseeker's Allowance Housing Benefit Council Tax benefits	Same as for: "Parent in two-parent family" except after 6 months if aged 18-24 and partner of claimant is not working Attendance of partner at New Deal for Partners	Housing Benefit Council Tax benefit	Healthcare access same as for all other citizens
	US General assistance (GA)(some states) Food stamps	State GA programmes, where available, typically have work requirements. Able-bodied adults age 18-50 without dependents (ABAWDs) lose FS eligibility after three months if not working or active in employment and training programmes for at least 20 hours per week	Food stamps ETC	No national public health benefit

Sources: For US, principally Committee on Ways and Means (2000).  
For UK, miscellaneous documents of Department of Social Security (2000a).

British social assistance evolved as a response to mass unemployment rather than to the needs of dependent children in one-parent households (Beveridge, 1909). Labour exchanges and unemployment insurance were introduced in 1909 and 1911, respectively; exchanges came first to ensure that jobsearch obligations could be adequately policed (Price, 2000). Mass unemployment in the aftermath of the First World War led to the introduction of what was intended to be a temporary form of unemployment assistance – the Dole – for those workers who had exhausted any entitlement to insurance benefit. Despite this original intent, much of the combination of unemployment insurance and means-tested residual benefit remains in place, although the details have been substantially modified by reforms made at the end of the Second World War, in response to recommendations of the Committee on Social Insurance and Allied Services (generally called the Beveridge report, after its chair, Sir William Beveridge), and by subsequent developments (Beveridge, 1942). It was feared that the US might follow a similar trajectory that kept unemployment insurance and relief separate in the Roosevelt era (Handler and Hasenfeld, 1991).

The Beveridge reforms extended unemployment insurance to most full-time workers and consolidated social assistance provisions into a single National Assistance scheme covering all adults without work and adequate income. The labour exchanges retained responsibility for payment of unemployment insurance claims, but did so on an agency basis for the new Ministry of National Insurance. The Beveridge report recommended fixing insurance benefits at subsistence level rather than on the basis of prior earnings. The consequences of this (largely inadvertent) policy choice were profound, for in so doing Beveridge ensured that Britain would rely heavily on means testing and not follow the social insurance route taken by social democratic countries in continental Europe. One result is that the policy debate about welfare reform in Britain is commonly couched in terms of means-tested benefits, as it is in the US, although as already noted the main beneficiaries are not the same.

As in the US before the advent of the Work Incentive Program in 1967, in Britain employment and social assistance policy developed along separate tracks for much of the post-Second World War era. In 1974 benefit administration was split from job placement, a change that underscored the passive nature of the benefits system. Until well into the 1980s, British employment policy was to tackle mass unemployment by limiting labour supply, and diverting older workers into de facto retirement and young people into training and work experience schemes. Thereafter, under a Thatcher government much influenced by monetarist economics and somewhat in awe of US economic achievements, UK employment policy shifted towards deregulation and increasing labour market flexibility. Direct taxation was reduced, in-work benefits – wage subsidies – such as the means-tested Family Credit were extended and increased, the out-of-work benefit level was pegged to enhance work incentives, and jobsearch obligations were rigorously enforced. The 1986 introduction of Restart – regular interviews for unemployed claimants supported by threat of benefit

sanction – was credited by the operating agency with increasing the annual outflow from unemployment by 8.5% (UK Department of Employment, 1986).

The pace of policy development quickened in the 1990s and broadened in scope, as concern about benefit dependency (a term first used by UK government ministers in 1987) and the possible growth of an underclass increased. The direct and indirect role of US ideas in feeding these concerns is well documented. The thought of Charles Murray and Lawrence Mead was particularly influential, published through prominent right-of-centre think tanks in Britain, such as the Institute of Economic Affairs and the Adam Smith Institute. The US-inspired *Jobs study* published by the OECD in 1994 further broadened political support for stimulating labour market flexibility and tackling poverty by employment-led reforms (OECD, 1994).

In 1996, job-placement and benefit payment were reunited by the Conservative government with the creation of a new programme, Jobseeker's Allowance, that made benefit receipt conditional on signing a contract specifying the steps claimants are expected to take to find work. It also combined unemployment insurance and assistance benefits into a single scheme. In the same year, the first British 'workfare' scheme (Project Work) was piloted for 18- to 24-year-olds unemployed for two or more years. Growing fear that rising claims for Invalidity Benefit (now called Incapacity Benefit) – the approximate equivalent of US Disability Insurance – were masking unemployment and reflected increased benefit dependency led in early 1997 to tightened eligibility requirements and a review of all existing cases.

The reappraisal of the policy stance towards lone parents occurred a little earlier than that relating to disabled people. Once again the debate resonated with US ideas and policies (Walker with Howard, 2000). Prior to the mid-1980s, policy was a constrained response to evidence of severe and widespread poverty among lone parents. Non-working lone parents were entitled to receive National Assistance, and when later versions of the programme (currently called Income Support) were remodelled in 1980 and 1987, lone parents received extra benefit. Also, from 1977 to 1999 a small non-means-tested addition to Child Benefit was available that benefited lone parents in work. By the early 1990s, however, a 50% increase in the number of lone parents, a nine-point fall in the percentage in paid work, and high levels of non-payment of child support (called maintenance in the UK) by absent parents had helped change the parameters of the policy debate. The tenor of the debate became much more shrill – with Charles Murray's journalistic predictions of a growing British underclass fed by the un-socialised offspring of lone mothers according well with Mrs Thatcher's moral indignation and fervent espousal of 'traditional family values' (Murray, 1990; Land and Lewis, 1998).

Following reviews of US and also Australian child support policy, a new system of support collection from non-custodial parents was established in 1993, and a new Child Support Agency (CSA) was created to carry it out. Collections were initially restricted to absent parents of children receiving social assistance. Establishing the CSA to collect these payments was arguably the

most ambitious piece of social engineering introduced into the UK since the aftermath of the Second World War. The new policy faced vocal opposition from many quarters, and its implementation proved chaotic. Measures were also introduced to create financial incentives to encourage lone parents to take jobs. Until 1999, benefits paid for households with earnings mostly came through the Family Credit programme and its predecessor, Family Income Supplement. Both programmes included a substantial marginal disregard of earnings in benefit computation (which Income Support has never done) that acted essentially as an earnings subsidy. Families' eligibility for Income Support or Family Credit depended on hours worked. Originally the threshold for transferring to Family Income Supplement was 30 hours; this was reduced to 24 hours with the introduction of Family Credit in 1988 and then to 16 hours in 1992. In addition, the Government introduced into the calculation of Family Credit entitlement a partial disregard of child support (maintenance) received from non-custodial parents.

The proportion of lone parents employed increased from 39% to 44% between 1993 and 1998. However, despite the shrillness of the policy debate, lone parents retained much public sympathy, and there was little vocal support for making work compulsory. The public seemed to accept the profound changes in gender and sexual relations, the availability of divorce, and the rise in cohabitation that contributed to the growth in lone parenthood, and were divided as to the wisdom of creating a generation of latchkey children through the imposition of work requirements.

In sum, despite important differences, commonalities between the US and the UK in the patterns of welfare provision were already well established before the Labour government was elected in 1997: the low-tax, deregulated economy and labour market; the residualist nature of welfare; the heavy reliance on means testing and policy focus on poverty relief rather than the maintenance of living standards; the acceptance of proactive welfare and the importance of employment as a route out of poverty; and the emphasis on obligations and personal responsibility. Moreover, these similarities did not arise by accident or as an independent response to common problems. Rather, there was a substantial importing of both ideas and strategy, with Britain adapting and making their own policies that had their origins in the US.

## **New Labour**

The reforms of the 1997 Labour government constitute an extension of, rather than a break with, the policy developments of the previous fifteen years. Moreover, the influence of US policy thinking at all levels, from rhetoric and strategy to implementation, has been even more marked. As described by Mike Brewer and Paul Gregg in Chapter Four, the unique contribution of the Labour government has been to elucidate the strategic objectives of welfare policy and to present them in positive, integrative terms rather than in negative and polarizing ones. Welfare reform is recognised to be less important in itself

than as one interrelated element in a coordinated policy response to social and economic change. Reform is part of modernizing government and the labour market to equip individuals and society better to succeed in an increasingly open and global economy.

New Labour's approach is well illustrated with reference to four packages of policies that have grabbed the headlines. The first two – 'welfare-to-work' and 'making work pay' – sound familiar to US ears, the second pair – 'tackling social exclusion' and 'ending child poverty' – much less so.

In 1997 a British government was elected for the first time in 50 years on a manifesto promoting welfare reform (echoing the Clinton election promise to "end welfare as we know it"). The centrepiece of the Labour government's welfare-to-work agenda was a commitment to return 250,000 young people back to work within the tenure of the first parliament. Although aimed at the young unemployed, the influence of US thinking is clearly evident in the structure of the flagship programme, New Deal for Young People, described in detail by Bruce Stafford in Chapter Six. It comprises a period of active jobsearch (Gateway) followed by a suite of Options, graded according to distance from labour market readiness and a Follow-Through phase for those people who have failed to secure employment. The options – subsidized work, education and training, voluntary and environmental work, and self-employment bear a striking resemblance to those offered under Wisconsin's 'Wisconsin Works' (W-2) scheme. It is no coincidence that UK ministers, civil servants, and Members of Parliament all visited that state in 1997/98. New Deal for Young People is a clear adaptation of a US policy, simply changing the target group and incorporating the objective of raising the minimum threshold of accredited training.

Ironically, given that young people are largely excluded from the US welfare system, even this focus on young people can be traced to US influences. HM Treasury papers reference US research documenting the link between youth unemployment and crime (Freeman, 1996; Treasury, 1997), and in his first set-piece speech after assuming power, Prime Minister Tony Blair spoke the language of the underclass debate:

For a generation of young men, little has come to replace the third of all manufacturing jobs that have been lost. For part of a generation of young women early pregnancies and the absence of a reliable father almost guarantee a life of poverty. (Blair, 1997)

The difference in policy approach was that Britain mandated employment for men before mandating it for lone mothers. Moreover, while compulsory involvement in New Deal was extended rapidly, the next targets were, again, not lone parents but the long-term unemployed and, later, the partners of the unemployed. Involvement of lone parents and disabled people was initially on an entirely voluntary basis, with an emphasis on work-oriented advice rather than active work experience. This reflects the more inclusive nature of British

social policy and public opinion. The New Deal family of welfare-to-work schemes is summarised in Table 1.3.

The ‘making work pay’ agenda was also generalised in its target, but again was influenced by US thinking. Key elements included the introduction of a minimum wage, set at a level informed by US experience, and the conversion of Family Credit into a positive tax credit, Working Families’ Tax Credit (WFTC), available to all low income families with a member in paid work for more than 16 hours each week. The design of Working Families’ Tax Credit is a hybrid. Like Family Credit, the WFTC is paid fortnightly and includes an option for routing payment to the principal caretaker for the wage earners’ children. But like the US Earned Income Credit, the main US policy of comparison in the debate about implementation, the WFTC is assessed in conjunction with wage payment and is the province of the tax and not the benefits agency (Walker and Wiseman, 1997).

Labour’s commitment to tackle social exclusion reflects European influences on British policy learning. However, Labour has used the phrase as shorthand for multiple deprivations but with an emphasis on the processes that generate deprivations rather than, as is common elsewhere in Europe, on the immediate circumstances of individuals and families. In so doing, Labour has sought to shift action and expenditure away from dealing with immediate problems and more to preventing problems in the future. The underlying analysis identified a number of facets to the issue: lack of opportunities to work and to acquire education and skills; childhood deprivation; disrupted families; barriers to older people living active, fulfilling and healthy lives; inequalities in health; poor housing, poor neighbourhoods, and crime. It also recognised that many living on and within the margins of poverty had not benefited from economic growth. Instead, they had often been negatively affected by economic and social change, cycles of economic boom and bust, failure of the education system, inequitable delivery of health care, poor housing design, and top-down models of policy making.

Labour’s approach to date has been on three tracks. First, cross-departmental policy institutions and project teams have been established to develop policy approaches to address specific forms or manifestations of social exclusion: rough-sleeping, truancy and exclusions from school, teenage pregnancy, and neighbourhood decay. Second, area-based strategies have been developed that focus resources on local communities, seeking to coordinate the activities of agencies and to engage the local populace in the process of reform. The names given to these initiatives – Sure Start (loosely modelled on the US Head Start), Health Action Zones, Employment Zones, Education Zones, New Deal for Communities, and Single Regeneration Budget – signal different policy emphases within a common approach of ‘joining up’ policy planning and service delivery. Third, national policy strategies have been put in place to enhance opportunities in the short, medium, and longer term. Central to this approach are the creation of a framework for macroeconomic stability and growth and promotion of a flexible and adaptable labour market in which

**Table 1.3: New Deal 'welfare-to-work' programmes in Britain**

Target Group	Required duration of worklessness for eligibility	Year 2000 Funding (£ millions <sup>a</sup> )	Compulsion	Content	Remuneration	Subsidy to Employer <sup>b</sup>	Implementation
<b>Young people aged 18-24</b>	More than 6 months	£2,620	Yes	<p>Gateway: Intensive help, advice, and guidance</p> <p>Options: Subsidized employment Voluntary work Environmental Task Force Self-employment Full-time education/ training</p> <p>Follow-through: Renewed intensive help</p>	<p>Rate for job</p> <p>All pay wage or an allowance equal to JSA plus £15.83/week Allowance equivalent to JSA</p>	<p>£60/wk for 6 months Training contribution of £750</p>	<p>Pathfinder areas: January 1998 Nationwide: April 1998 All options to include accredited training of 1 day/week</p>
<b>Long-term unemployed aged 25+</b>	More than 2 years	£450	Yes	<p>Gateway: As above</p> <p>Options: Subsidized employment Full-time education/ Training</p> <p>Follow-through: As above</p>	<p>Rate for job Allowance equivalent to JSA</p>	<p>£75/wk for 6 months</p>	<p>June 1998</p>

Table 1.3: contd.../

Target Group	Required duration of worklessness for eligibility	Year 2000 Funding (£ millions) <sup>a</sup>	Compulsion	Content	Remuneration	Subsidy to Employer <sup>b</sup>	Implementation
<b>Partners of the unemployed</b>	Duration of partner's unemployment	£60	Yes for childless couples aged 18-24; otherwise voluntary	Similar to New Deals for young people and long-term unemployed above, but requires joint application	As for young people aged 18-24	As for young people aged 18-24	April 1999 as a voluntary initiative; compulsory in early 2001
<b>Lone parents</b>	No restriction by duration	£190	No	Advice Access to programmes Follow-up	Not applicable	Not applicable	Pilots: July 1997 Nationwide: October 1999
<b>People with disabilities</b>	28 weeks of benefit receipt on grounds of incapacity	£200	No	Test schemes	Not applicable	Not applicable	Pilots: October 1998; variant nationwide July 2001

Notes:

<sup>a</sup> 2000 OECD purchasing power parity: £1 = \$1.55<sup>b</sup> Participants who do not receive a wage continue to receive an allowance equal to the Jobseeker's Allowance. Travel grants may be made.

Source: Authors' construction

both firms and employees are enabled to respond effectively to structural change. These are complemented by investment in education and skills to enable people to learn through life and remain employable as the market changes, and by measures such as the national minimum wage and a tax and benefit system that promotes work incentives. By keeping people in touch with work in the short run, raising incomes, and increasing opportunity, the goal is to break the intergenerational transfer of disadvantage. Whether these measures are on a scale large enough, whether the institutions of government can be engaged to work together in a way that is both cumulative and long term, whether the positive effects anticipated from the reforms on the macroeconomy in fact occur, or whether the management of the economy continues to be (seen to be) effective are still open to doubt. Nevertheless, the coherence of Labour's policy is impressive and in many senses admirable.

The explicit commitment to eradicate child poverty in twenty years did not emerge until February 1999, although it was foreshadowed by changes in the family size increment in out-of-work means-tested benefits and by increases in the universal Child Benefit (Blair, 1999). Prime Minister Blair coupled announcement of the new goal with both the modernization agenda and a goal to make welfare popular. Equally, though, it was a response to the high and growing level of child poverty (a phenomenon that until recently the UK has almost uniquely shared with the US among advanced OECD countries; See UNICEF, 2000), and new evidence that childhood deprivation had long-term implications for life course development. While President Clinton referred to ending child poverty as a "pledge to 21st-century America" in his January, 2000 State of the Union speech, Blair made the objective specific: end child poverty in 20 years. Subsequent government publications have reiterated and refined this pledge to include intermediate objectives (Department of Social Security, 2000a). The bedrock of the strategy relies on the success of the welfare-to-work and making work pay policies. But it also comprises additional elements to boost family incomes – higher benefit rates and increased collection of child support from absent parents – and measures to reduce the scarring effect of childhood deprivation – Educational Maintenance Allowance to encourage over-16s to stay in school, new career-oriented advice and support schemes, and a Children's Fund to underwrite local anti-child-poverty initiatives.

## **The rest of the book**

UK governments have been borrowing US ideas on welfare reform for some time. Now, however, the commitment of the current Labour administration to fundamental reform as part of its modernization agenda offers US policy analysts and policy makers an expanded perspective on common problems of programme design and management. Chapter Two, by Michael Wiseman, establishes the lookout point for this survey: welfare as Americans now have it. One benefit of looking at Britain is that so doing will force a wider perspective. Welfare, in the US sense, refers to means-tested cash assistance or its equivalent, and often to

just one programme: Temporary Assistance for Needy Families (TANF), which is received mostly by single parents. The 2002 US welfare reform debate reached beyond TANF only in including the Food Stamp Program, which was addressed in the 2002 Farm Bill. To match the span of the discussion of British policy, Chapter Two also takes account of Supplemental Security Income, the Earned Income Credit (EIC), and the myriad general assistance programmes operated by states or local governments to provide income of last resort to those not qualifying for other benefits. Chapter Two argues that the impact of TANF reform on both families and institutions has been substantially overstated, and that reauthorisation is likely to leave many key problems unaddressed. Among these problems are: provision of funding, integration of multiple programmes, assessing programme performance assessment, and building systems for translating experience into useful management information. But the transcending issue is the ‘vision thing’: what sort of social assistance system should the United States seek to attain?

Chapter Three, by Alan Deacon, demonstrates that there is enough commonality at the level of ideology and strategy – agreement as to the purpose of reform, the centrality of paid work, and the enforcement of obligations – for the UK to have successfully adopted many features of the US system: proactive policy, welfare-to-work, work-first, casework, tax-based earnings subsidies, a minimum wage, alliances with business, public-private partnerships, one stop service delivery and so on. Thus the congruity of values, objectives, and structures cited by Rose (1993) as a catalyst for lesson exchange seems to be growing.

The UK experience is made particularly instructive because, while British policy makers have clearly drawn from American experience, they have shaped the insights gained in the US to serve a much more ambitious agenda. This agenda addresses issues of labour market efficiency and international competitiveness and commits the UK to enhancing individual opportunity and eradicating child poverty in 20 years. Deacon argues that despite very real differences in administrative structures and policy details, and equally profound cultural differences, the shared understanding at the level of objectives and policy instruments means that both what Labour has set out to achieve and its way of accomplishing its goals are pregnant with possibilities for the US.

Chapter Four, by Mike Brewer and Paul Gregg, documents the strategic vision underlying Labour’s reforms: a response to increased earnings inequality, lower income mobility, more workless households, rising lifetime inequality, escalating child poverty, and evidence of links between childhood deprivation and lifetime achievement. Chapter Four describes the UK battle plan on three fronts: raising direct financial support for children, reducing the number of children in non-working households, and lowering the incidence and severity of scarring factors in childhood. It synthesises evaluative evidence on the success or otherwise of those programmes and shows how the strategic agenda is being updated and reshaped in light of achievements so far. If US administrations have intended to achieve a once and for all reform, it is clear

that New Labour has embarked on a long-term incremental project in which learning from experience is a key component.

Chapter Five, by Jane Millar, focuses on lone parents – notably the welfare-to-work scheme New Deal for Lone Parents and reforms of the childcare and child support systems. Given that welfare in the US is almost synonymous with policies aimed at single mothers, this is the chapter to which most American readers may turn first. They will learn that, in the British context of universal means-tested provision, lone parents do not dominate the policy reform debate. However, Britain has begun to wrestle with the same issues that have exercised the US debate: balancing mothers' obligations at home and at work, providing quality childcare, sustaining employment once obtained, and enforcing the financial obligations of absent parents. To date Labour's welfare-to-work reforms have been voluntary, but concerns about low uptake are leading to increased obligation. Even so, the impact of voluntary schemes on welfare roles and employment may have been comparable with pre-PRWORA demonstrations in the US, although the reliability of effect assessments is, as Millar indicates, suspect.

Chapter Six, by Bruce Stafford, demonstrates just how much further it is possible to extend proactive work-based policies once one jettisons the narrow US conception of welfare. The two New Deal programmes he describes and evaluates are, respectively, targeted on young unemployed claimants and recipients of social insurance incapacity benefits. The former is the flagship of Labour's welfare-to-work schemes and reflects recognition of the disadvantaged position of unskilled young workers, the lifetime scarring effects of limited labour market attachment, and possible links with crime and out-of-wedlock births. It is mandatory and, as noted above, closely modelled on US programmes for lone parents. New Deal for Disabled People addresses the same rapid increase in the number of working age people claiming incapacity benefits that has occurred in the US. It challenges the presumption of incapacity as a permanent and complete bar to employment and begins to extend work obligations into the social insurance system. Chapter Six also compares and contrasts the design and implementation of the two programmes and asks whether the differences are a logical and necessary consequence of the target groups and varied institutional legacies.

Our afterward in Chapter Seven reviews the book's contributions and returns to the issue of where in this agenda the most promising opportunities for collaboration and learning lie. Promise depends on where the US system is heading, a prospect befogged by the debate over reauthorisation. We close with a summary of features that a new American welfare reform initiative inspired by British accomplishments might have. Of course, this vision differs from the system that is emerging in Britain. But like the New Labour programme and in contrast to reform as Americans have come to know it, our vision has both direction and ambition.

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"An excellent volume ... researchers and policy makers on both sides of the Atlantic should read it and ponder the issues." *Ron Haskins, Brookings Institution, Washington DC, US*

"This excellent book contains a collection of engaging, carefully researched and well-written essays organised around an original and significant theme: that the United States has not only influenced British welfare reform but can, in turn, draw lessons from the UK experience. It makes an invaluable contribution to ongoing debates about welfare." *Mark Wickham-Jones, Department of Politics, University of Bristol*

In the UK, both Conservative and Labour welfare strategies have been influenced by American policies. British welfare reform has continued in recent years, while American policies appear to have stagnated. What now are the lessons of British reform for America?

*The welfare we want?* presents a detailed and unique comparison of welfare policies in the two countries. A team of international experts outlines, compares and contrasts the reform strategies pursued in each country and summarises the results to date. The editors argue that recent American reforms have failed to address key problems but that British ideas could refresh the American policy agenda. Moreover, both systems would gain from increased transatlantic policy dialogue.

*The welfare we want?* is an important addition to comparative literature in the field. It addresses a wide audience of policy makers, political analysts, social welfare experts, and concerned citizens on both sides of the Atlantic. Accessibility is enhanced by use of common categories for explaining how various programmes work, and for whom. Discussion of policy is at once historically detailed and up-to-date.

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