New Labour and the Welfare State

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1. Introduction

Labour has been in office since May 1997. The main outlines of its proclaimed reform strategy - 'modernisation and fairness' - are becoming clearer, although the signals sent out have at times been mixed. This is so in part because they reflect the contradictions and dichotomies of societal and political developments of the recent past that impinge on the present. At times there is a tension between substance and presentation.

Labour's political position in the country is solid. It has an overwhelming majority in Parliament and, unprecedented in 'mid-term', the government - in particular Prime Minister Tony Blair - ride high in the opinion polls. The opposition Conservatives are in disarray. They are uncertain, and deeply and acrimoniously split over what of their Thatcherite inheritance they wish to acclaim and what to jettison, and have as yet been unable to regroup politically after their election débâcle and to present themselves as a credible alternative government. The situation within the Labour Party itself is less straightforward. Much of the government's success is seen to be due to the continuing unattractiveness of the Conservatives but also to a small and shadowy inner circle of New Labour (many with tenuous roots in the Labour movement), mostly non-elected, hand-picked often for personal friendship and in particular for their presentational talents, who formulate 'the message' every day and makes sure that members of Parliament and ministers know and proclaim it. This applies equally to candidates selected for electoral contests: Old Labour and, in particular, traditional socialists - they are 'on board', 'on-line', but they are not always 'on-message' - need not apply. The modus operandi - tight top-down centralist control and skilful use of the media has up to now been highly successful in maintaining political appeal. But it tends to take the place of reliance on the dedicated enthusiasm of party activists across the country, and it takes for granted the permanent passivity of elected representatives: in this, many see slow-fuse dangers.[1]

In July 1998 the government presented its first progress report[2] and invited the public to hold it to account for the way it was fulfilling its 177 election manifesto commitments. Most of the key objectives of its wide-ranging and ambitious programme to 'prepare British society and polity for the twenty-first century' cannot but respond to, and at the same time be constrained by, the state of the country that Labour inherited from two decades of the Thatcherite agenda with its intended and unintended outcomes. It is a legacy that defines the extent of the task facing the new government, but also the extent to which Margaret Thatcher had been able to shift to the right the terms of political discourse: some of the new government's policy positions and initiatives occupy political spaces that have always been Labour, others that have traditionally been Conservative, territory. This explains why the opposition has as yet been unable to resolve its strategic dilemma of whether to attack New Labour for being Old Labour in disguise, or for operating what are really Conservative policies.

In the 1980s Mrs Thatcher had transformed the largely consensual Britain of the postwar societal compromise into a confrontation-rich testing-ground for a model that conflated narrowest political neoconservatism with widest economic neoliberalism. It claimed that deregulation and its free market experimentation would unleash entrepreneurial energy and reverse the process of relative economic decline, loosen hierarchical and deferential structures and free the individual, creating opportunity and choice. In the event it left Britain more class-ridden, privilege-based elitist, unequal, fragmented, less socially cohesive. Millions were driven into poverty, insecurity and alienation. Crime flourished. Government became overcentralised with civil society and its intermediary institutions, including local government, the trade unions and the non-profit 'mutual' organisations, severely weakened. The physical infrastructure was degraded and the provision of public services at a low ebb, all in the cause of minimising public expenditure. According to the highly-regarded political philosopher David Marquand, 'the moral capital accumulated in the Golden Age of tamed (welfare) capitalism and expanding social citizenship was steadily run down'.[3] The economy oscillated between 'boom and bust'. Uncertainty, the consequence of a 'record of macro-economic mis-management'[4] further strengthened the quick-profit, short-termist, business culture that militated against forward-looking investment in human and physical capital and against product and process innovation necessary to overcome the productivity and competitiveness lag vis-à-vis European partners. A change of course forced on the Major government in the early 1990s initiated a long-lasting conjunctural upswing - in line with the American rather than the European cycle - that brought much welcome improvement overlaying, but unable to overcome, central structural weaknesses.[5]

The Labour government is thus facing and responding to massive challenges on a number of policy fronts. As to the *economy,* it is continuing on Conservative lines to rely on strongly deregulated labour and product markets. The latter are operating under processes of globalisation that are assumed to be unalterable and uncontrollable (ignoring the fact that their latest phase was ushered in by very specific governmental decisions to lift important controls and underestimating the remaining room for government manoeuvre). According to such a view, all that is open to national governments is to equip economic agents to be able to *respond* as positively and competitively as possible to unavoidable change, and that is what the Labour government is doing. With regard to the public finances, the emphasis continues to be on 'prudence' but Labour 'manages them better' and underspending and the recent decline of interest rates have created reserves and given the government additional freedom of action. Some significant differences have emerged. Gordon Brown, the Chancellor of the Exchequer, has found unorthodox, often imaginative and progressive, at times well-publicised, at times 'stealthy', ways of raising government revenue and has altered some of the spending priorities - also at times allegedly 'by stealth' - in directions responsive to social concerns, while maintaining the overall total. At the same time he has divested himself of responsibility for monetary policy, handing over interest rate setting to the Bank of England in order to increase the market credibility of inflation control, and over the first two years he has supported it with a similarly tight fiscal policy.

There has been speedy and ongoing *constitutional and institutional* action. The electoral system is being moved closer to proportional representation. Following plebiscites, parliamentary assemblies and regional governments were legislated for in Scotland and Wales and also in Northern Ireland (where strong government initiatives opened the way to a still-fragile peace settlement). The government is more sceptical about creating autonomous regions in England. For London and other major metropolitan areas elected mayors and assemblies are envisaged, as are reforms in the entire local government system that was progressively weakened by the Conservatives, not least because it tends to be run by elected Labour, and to a less extent Liberal Democrat, representatives: in April 1999, no more than 14% of local authorities were controlled by the Conservatives. The House of Lords is being transformed into a more representative Chamber, the first step of the process being the exclusion of 659 of the 750 *hereditary* - and thus wholly unrepresentative - peers, who had provided the Conservatives with a built-in 5-1 majority.

Improving *public front-line services* is a further priority area of action. Numerous initiatives are being taken to improve performance and to raise standards in the face of a notorious tradition of underfunding. Raising the quality of education at all levels has been declared the number one priority. If employment is considered the central way out of poverty, education is considered the way to employment. The Minister in charge has advised young people: 'Get a life; to get a life, get a job; to get a job, get an education'. A large number of projects to raise standards are already under way, some of them highly controversial, some of them widely welcomed, some radically altering, some continuing and reinforcing Conservative policy. Moves afoot that are intended to raise standards, overcome resource gaps and turn around 'failing schools' have surprised and disconcerted teachers: they involve profit-making companies at all levels of state education. For the last three years of the current Parliament, additional resources have been allocated. Expenditure will grow annually by 5.1% in real terms as compared with a 0.3% reduction in the two years between 1996/7 and 1998/9. In the National Health Service the Conservative introduction of 'internal markets' has been reversed. As to finance: between 1993 and 1997, real annual expenditure growth averaged 2.1%, rose only marginally in the following two years but is planned to rise to 4.7% in the years 1998/9 to 2001/2, well above the expected increase in national income,[6] an at least 5% real increase on education and health expenditure is expected to be maintained over the longer term. Public sector workers generally, whose earnings have dropped far behind those in the private sector, will in 1999 have an increase exceeding the rise in inflation. So will teachers and nurses, a modest first step in addressing the acute difficulties experienced in recruitment and retention.

2. The Welfare State

However, it is the *welfare state* that has been attracting particular attention. Its reconstruction is at the heart of the government's agenda, but it is also recognised by Tony Blair as 'perhaps the most controversial area of reform'.[7] That is why this article focuses on welfare and so inevitably no more than touches on other policy areas which are equally vital to an understanding of New Labour and its Third Way.

When the *postwar* Labour government created the welfare state, it was associated with an inclusive social insurance system and in a wider sense with comprehensive and free health care and education. Realising that success depended on a positive development of the economy, Labour built into its vision an effective commitment to high levels of economic growth and employment.

The socio-political Establishment opposed such an 'interventionist' game plan but at first was unable to put up effective resistance, discredited as it was by its (mis)management of polity, economy and society in the dismal 1930s. The traditional elites became reconciled to it as a (successful) insurance policy against serious social conflict that might have endangered the established social order. Business found the 'new' economics, associated with the 'new' social security, to its profitable advantage as mass purchasing power rose and remained relatively stable. The Conservative Party, to make itself electable, had to accept the by then universally popular system in the late 1940s, although its rhetoric continued to be sceptical. It had also become apparent that part of its own core constituency, the well-connected, articulate, social middle strata were highly adept at securing a - some would say disproportionately - large slice of benefits on offer, a fact that became known as 'middle-class capture' of the welfare state. Reference is made to 'middle-class muscle' and its 'electoral and quasi-electoral' power.[8] From then on Conservatives tended to resist further expansion and associated costs but - even when in power - found it politic to stress the desirability of *reforming*, no longer of *cutting back,* not to mention *abolishing* the welfare structures. Now the wheel has come full circle: Labour sees the whole system in need of fundamental repair, as both too costly (a view not generally shared by experts in the fields of social security and public finance) and at the same time failing the most needy.

3. Benefits, Poverty, Dependency

At its inception, the social protection system was simple, transparent and effective. Piecemeal and often inconsistent adaptations to wide-ranging economic and social change and to overall policy shifts have often left it badly focused and made it increasingly complicated, partly because people's circumstances are complicated.

By now there are some 43 million cash transfers of twenty-five *kinds* that add up to approximately a quarter of GDP. The *net* figure of people dependent on social security is unknown, because some qualify for and receive more than one payment, but a 'guesstimate' suggests well over half of the population. Among the most numerous groups: about 13 million children of 7 million two-parent and 1 million lone parent families receive support; 11 million elderly people draw state retirement or widows' pensions; 6 million benefits and allowances are related to sickness, disability and incapacity; 5 million households receive council tax rebates; well over 2 million rent rebates and nearly 2 million rent allowances, well over 1 million unemployed the Job Seekers Allowance. Where incomes from work and from benefits fall below certain minimum levels, Income Support tops them up. It goes to 4 million people[9] of whom nearly one half are elderly. But there are also millions who do not take up their entitlements, because they are insufficiently informed or because they wish to avoid the stigma of 'being on welfare'.

For the poorest fifth of the households, benefits raise their share of national income from 2% to 7%; for the richest fifth they lower it from 51% to 44% The Geni coefficient of income inequality is improved by 16% through benefits, by 9% for working age, and by a massive 37% for retired, households. By contrast, the tax system (which is much less 'progressive' in Britain than it is in the rest of Europe), turns out to be almost neutral redistributionally.[10]

The political right has always tended to pursue a benefit-limiting agenda on the grounds of excessive costs and what they see as the need to reduce public expenditure: but it has also based it on the claim that 'generous' benefits act as a disincentive to the search for, and uptake of, paid (low-paid), employment. In 1994 a Conservative government White Paper proclaimed the existence of a 'welfare dependency' phenomenon, as people 'become demotivated and their job search *may* (my italics) decline'.[11]

Associated with the 'disincentive theory' is an assumption about the minimum rate of pay that the unemployed are looking for in their job search, and that it depends on the level of benefit: thus less favourable arrangements will more easily get people into jobs, even if they do not pay a living wage. Against that, it has been found that 81% of unemployed people set this 'reservation wage' by reference to *household needs*, just 13% by reference to *benefit levels* and 5% with reference to both.[12]

A Department of Social Security report has shown that for the most part people hold reasonable expectations of the wage that they might command and were flexible in the kinds of work regime that they were prepared to accept. It concluded that 'the impact of respondents' reservation wage on the probability of being back at work is likely to be minimal' and that in addition, nearly half of those who had found work were in fact employed for less than their stated reservation wage. The report categorically refutes the existence of widespread 'welfare dependency' and progressive 'demotivation'. It confirms that 'the majority of claimants were steadfastly committed to finding work and actively seeking it.[13]

There is a plethora of evidence against the disincentive theory, as will be seen in the following paragraphs. The Economic and Social Affairs Department of the TUC has brought together an impressive amount of evidence discounting the contention that unemployed people have a motivation problem, and that reducing benefits re-motivates them.[14] In fact most unemployed people desperately want to work: unemployment is 'not considered to be a viable status' because it brings 'financial, social and personal consequences' which can only 'be alleviated through finding work'.[15]

An earlier Employment Department study had also concluded unambiguously that 'the commonly held assumption that decreasing the level of benefit (or witholding benefit) will cause an increase in flows off the unemployment register is false'. Reducing the income of claimants may in fact reduce the effectiveness of their job search.[16]

Clinching evidence comes from a research publication by the official statistical services. It shows that the overwhelming proportion of British men and women have a clear and unambiguously *positive attitude* to the primary importance in their life of work, and it is actually *more positive* among those out of work than those in work. Such a positive attitude is even more pronounced in the countries of continental Europe[17] in which out-of-work benefits are markedly more favourable than in Britain.

The OECD jobs study published in 1994 which was hugely influential, not least on social security policy in Britain,[18] had promoted the view that reducing unemployment benefit rates and entitlement periods was an effective way of tackling unemployment, because it increased work incentives for the unemployed. Now, however, the OECD acknowledges that lower benefit rates actually *decrease* work incentives. Using the original job study data, a recent report concludes that 'higher benefits are statistically associated with higher labour market participation'.[19]

An Austrian study published in the Oxford Bulletin of Economics and Statistics dismisses the contention of the potential duration of the benefit system 'as an important element of unemployment in Europe'.[20] A recent article in the Economic Journal sums up the debate, suggesting that 'perhaps it is about time that the economics profession turns its focus away from unemployment benefits as important contributors of unemployment'.[21]

4. Mrs Thatcher and Welfare

In the 1980s and 1990s, Mrs Thatcher attempted root-and-branch changes. The intention was to 'roll back the frontiers of the state', which implied a reduction of public expenditure, the extent of which was considered to be 'at the heart of Britain's...economic difficulties'.[22] It soon became clear, however, that welfare spending could not be reduced. (It had already *stopped rising* as a proportion of GDP after 1976/7 when the Labour Prime Minister James Callaghan had to accept 'IMF conditionality' in return for financial support). The persistence of its level (a 25% share of national income remained substantially unchanged in spite of attempts to cut it) is explained by constraints that faced the Conservatives: first, *demand* for welfare services increased substantially as a consequence of the bouts of high unemployment (accepted, or even engineered by Mrs Thatcher's economic and political agenda), the steady growth of the elderly population (which raised the number of retirement pensions but also the need for health, personal and residential care services), and of the proportion of families with children headed by a lone parent (which rose from 12% in 1979 to 23% in 1995, of whom nearly 80% depended on Income Support). In addition, from the late 1980s, and particularly in the run-up to the 1992 elections, general health and education spending was stepped up: acccording to some analysts, this was consistent with the theories of the 'middle-class capture' of the welfare state,[23] with special protection for services benefiting *middle* income groups. The *highest* earners are unaffected: they have largely opted out of direct state provision in favour of private and privately financed, though indirectly state-subsidised, education, health and other services.

5. The Legacy of Inequality of Income and of General Life Chances

The postwar decades had steadily, if modestly, reduced inequality and poverty by the combination of policies of full employment, job protection (backed by an effective trade union movement) and the expanding welfare system. These support mechanisms were weakened by the motivations, policy objectivces and policy outcomes of the Thatcher agenda. As a result, 'relative poverty', defined as the proportion of the population with incomes less than 50% of the average that had nearly halved between 1960 and the late 1970s, trebled in the 1990s and by 1997 stood at over 20%. The *number* of individuals living in such deprived households had risen from 4 million in 1982 to 10.5 million.[24]

John Hills,[25] head of the Centre for Analysis of Social Exclusion at the London School of Economics, summarises the key explanatory factors for this development: technological changes, [which affected Britain much more damagingly than other European countries because of the large proportion of the British workforce with low skills and qualifications], Mrs Thatcher's policy of weakening the trade unions and of ending wage protection [that had covered two million people in some of the lowest-paying industries with some of the most vulnerable employees], and periods of record levels of unemployment, including a rising number of households without any member in paid employment. In the Thatcher years the number of 'work-less' families increased from 1.2 to 3.2 million, the number of individuals in them from 1.7 to 4.4 million. Lastly, there were the changes in the method used for uprating cash benefits.

Thatcherite dogma holds that growing income differentials are benignly associated with a healthy 'enterprise society' ultimately benefiting the whole population. In fact, the supposed beneficial effects of big money at the top never materialised. Gordon Brown once firmly dismissed 'trickle-down' theory, saying that 'a hunch that what's good for the rich is good for the poor is only a hunch and a wrong one for which no respectable evidence exists.'[26]

Various independent studies have identified, documented and quantified how inequality of income is reflected in inequality of general life chances. For nearly every area of disease including mental health, and also for accidents and suicides, the statistics show a clear gradient across the social spectrum and, as the gap between wealth at the top and poverty at the bottom of the ladder has widened, so the disparities in health and life chances have become more marked. People in all social groups now live longer, but by the 1980s those at the top could expect to reach an average of 75 years, those at the bottom 70 years: variations based on social and income differentials are now among the most pronounced in Europe. To take an extreme example: rich and poor are not only differentially vulnerable to contracting cancer: there are also unequal social class survival rates for them once they have the illness. A 25-year study covering more than three million patients completes and sharpens the picture.

A wide range of factors combine to create these conditions of 'social exclusion', such as quality of food, of the schools children attend, of housing and of the areas where people live. In the last resort negative outcomes can be traced to an *insufficient level of income* from work or social security. Millions need supplementary social finance. Yet Income Support, the means-tested top-up benefit, is estimated to provide a family of four with no more than between 67% and 90% of its existential minimum.

Recent studies, focused on children, provide evidence of the lifelong, even multi-generational, consequences of deprivation. Over the last thirty years, the number of children who live in households with below half average earnings has grown from 1.3 million to 4.3 million (out of a total of thirteen million, proportionately more than anywhere else in the European Union). Living in poverty affects their beliefs, behaviour and aspirations: in a chilling phrase, they are described as 'learning to be poor'. The children tend to underachieve in school and leave education early, often without qualifications. (In the late 1970s those who stayed on had earnings on average 40% higher than those who left at sixteen. By the 1990s the wage premium for those with qualifications had risen to 60%). They are first in line to experience unemployment: in 1997 the jobless rate for people with no qualifications was double that for people with good school-leaving exam results. Half of those who leave unemployment are unemployed again within one year. Forty per cent to seventy per cent of earnings *in* employment can be related to the earnings of their parents: a child's chances of ending up in the top quarter of earners is four times higher if its father is in that bracket: early disadvantage is perpetuated and passed down the generations.[27]

Inequality, deprivation and social exclusion in Britain are reflected in and perpetuated by the educational system. One of the striking features of the British model is the wide disparity in the quality of the education which different social groups and different geographical areas can expect to receive. Tony Blair described the system as educating 'the top 20% very well and the top 5% probably extremely well', while large numbers of children 'don't get the education they need and deserve'. They can spend the rest of their lives 'trying to recapture what they have lost at the beginning'.[28] Those best provided for are children whose parents were in a position to use their wealth and influence to get them into expensive *private*, or well-resourced 'selective' state schools. The most successful *state* schools tend to be in the most affluent suburbs, the least successful in the economically and socially disadvantaged city centres or peripheral country areas.

In the tertiary sector there is also a clear, though not officially acknowledged, premier league, the 'Russell group', a handful of universities out of a total of over a hundred. They are privileged and cater for the children of the privileged. Oxford and Cambridge, for instance, select their students in such a way that the share of their intake from *unselective* state 'comprehensives' (which account for over 85% of schools) is estimated to be no higher than 20%. Some 30% come from the *selective* state schools that are a virtual preserve of the middles classes and 47% from the private fee-charging 'independents' (whose pupils account for 7% of the total school population). And this social balance is worse now than twenty years ago.[29]

In view of the fees they receive and the tax privileges they enjoy, the private schools can afford to spend per pupil twice the amount spent by a state school. Many state schools face persistent staff shortages and suffer from chronic lack of books and educational equipment, from run-down buildings and often from the fact that their pupils are struggling against the consequences of the financial and social deprivation of their families. This is why they have worse exam results, though some of them regularly surprise with their successes, thanks to the dedication and professionalism of their teaching staff. In fact 'if Oxbridge reflected [school-leaving exam] performance, then it would be at least two-thirds state and one-third private'.[30] The reasons why this is not so are that the aura of superiority and social exclusiveness that attaches to Oxbridge puts off 'lower-class' pupils from applying and also that, as is widely argued, even where pupils with equally good examination results do apply for places at the top universities, more often than not the interview system leads to social background becoming a determining factor.

If the elite universities' intake is sustained by elite schools, their outturn sustains the country's ruling Establishment and perpetuates its elite character, a process that has been well documented.[31] Peter Lampl, founder of an educational charity, sums up the problem: 'elites exist, whether we like it or not. The question is whether they should be constituted on the basis of cash and social position...'.[32]

6. The Welfare Trap and Making Work Pay

Labour is intent on moving people from benefit into employment but a very large number of people who have escaped worklessness are then caught in a trap. When in power, the Conservatives considered that a marginal tax rate of 50% and over, paid by those receiving very high incomes was unacceptable as being destructive of work incentives. However, the system they left behind means that very low paid employees continue to face even higher marginal rates. This is the 'welfare trap': taxed income being accompanied by the loss of previously received benefits may leave people who find low-paid work little better off financially than they had been on benefit. Currently, 760,000 people face what are in effect tax rates of 60%, 740,000 of 70% and around 130,000 of 90%. To improve the situation, the effective tax rates for most of those in this position are now, since the March 1999 Budget, around fifteen percentage points lower. It is estimated that 260,000 people will still face withdrawal rates of 70% or above, and that the number facing effective tax rates of 60% will actually increase by 240,000 to over a million.[33] One of the worst 'traps' is linked to Housing Benefit, that is paid to 4.7 million claimants at a cost of £12 billion a year. On finding work, a previously unemployed person losing it and other benefits faces a prohibitive marginal tax rate of up to 95%. A forthcoming housing policy Green Paper is expected to address the issue,[34] possibly by replacing the benefit for low-income claimants in work with a tax credit system,[35] or by turning it into part of the income support payment, unrelated to the level of rent people pay.[36]

In its first (July 1997) Budget, Labour announced two changes to come into force two years later, intended to contribute to 'making work pay' for those in low pay jobs and for those previously on social security benefits. The National Institute Economic Review has analysed the measures. Hitherto an employee earning less than £62 per week did not pay national insurance contributions. Once above this threshold, contributions became due on *all* his earnings, he became subject to an effective tax rate well in excess of 100%. Now contributions are paid only on the earnings *above* the threshold. The change means that employee and employer contributions become lower for those receiving less, and higher for those receiving more than average earnings.

Family Credit - an in-work benefit - is received by 830,000 families. A further 300,000 are estimated to be eligible for this payment but have not taken it up. It is now being replaced by Working Families Tax Credit intended to boost the income of poor working families with children. It is more generous, it has a child-care component, it will also continue at higher levels of earnings and its withdrawal will begin later, reducing though not eliminating the impact of the 'welfare trap'. For families in which someone works full-time, there is now a guaranteed income of at least £180 per week,[37] £200 per week, according to Gordon Brown who calculates that it will take 700,000 children out of poverty.[38] (In 1998 the average weekly wage was £375, the existential minimum, the 'poverty line', £220). In the government's efforts to 'provide people with a decent income from work', Mr Brown is now considering extending employment tax credits to *all* workers.[39]

A further measure that after two years of preparation came into force in April 1999 is the establishment of a statutory minimum wage. The Low Pay Commission, under pressure from business interests, set it at £3.60 an hour (the under-21s receive £3) 46% of full-time median earnings, a proportion well below that usual in Europe.[40] Even so, if properly monitored by the trade unions and the official inspectorate, it will improve the pay of approximately one-tenth of the total, one-fifth of the part-time, labour force.[41] Fears widely voiced that increased pay would be at the expense of jobs have not been realised. Surveys have shown that employment in the (service) industries most affected has, in the year since the minimum wage was announced, continued to increase. Indeed, most firms raised wages appropriately well before the required date and have been 'able to comfortably accommodate the minimum rate'. Nor has there been a notable knock-on effect on the pay of other workers.[42] A minority of firms, however, are finding ways round the legislation.

A *potentially* powerful tool in realisng the aim of 'making work pay' is the Employment Relations Bill making its way onto the statute book; based on the May 1998 Fairness at Work White Paper it guarantees employees certain (minimum) rights and provides a much diluted but legally enforceable process by which trade unions can gain recognition and negotiating rights in the workplace. It is a welcome, though modest, contribution 'to make the industrial relations balance less loaded against the unions...without rendering British business uncompetitive'.[43] John Monks, the Trades Union Congress' General Secretary, sees a new emphasis on 'statutory minimum standards' in the workplace and 'a balance between fairness and flexibility' as opening the way to reshaping Britain's industrial relations culture, that could promote trade unionism and 'company-union partnerships' in achieving a dynamic, competitive *and* fairer economy. The Prime Minister and the Director-General of the Confederation of British Industry have agreed to be key speakers at a union conference on the subject and Tony Blair has written a handsome introduction to the preparatory union report. To Robert Taylor, Employment editor of the Financial Times, this 'promises to be a defining moment in the emergence of a new relationship between the Labour government and the trade unions', an acknowledgement by Tony Blair 'who, since he came to office has not appeared enthusiastic about trade unions', of the unions' efforts at modernisation and of the positive part they have to play in the economy.[44] The Government's acceptance of the Social Chapter of the Maastricht Treaty (from which the Conservatives had previously opted out) also opens important avenues. One - still heavily disputed - directive will limit the over-long working hours of British employees.

7. Business Costs and the Benefit System

If deprivation and its consequences are the problems today's welfare state has to grapple with, they are made more intractable by another surprisingly often ignored characteristic of the system the Thatcherite decades left behind, the way and the high degree to which the deregulation agenda has enabled the private sector to *externalise* business risks and part of their general, in particular labour, costs.

There is the rapidity with which enterprises can meet fluctuations in demand for their products or services by making staff redundant (Britain is going through a renewed phase of 'downsizing', and of 'casualisation and flexibilisation' of employment). But there is also the part-time and short-term contract system, by which large numbers of employees are paid low wages that help finance astronomically high remuneration packages for top management as well as dividends to shareholders. According to a recent study by the Office of National Statistics, over 10% of the British workforce - full-timers as well as part-timers - are paid at a rate that is less than one-third of average earnings.[45] The consequence is an additional call on the state benefit system not only in respect of people that have been made redundant, but also to help provide large numbers of *employed* people with a living income. The low-wage culture is evidently part of the reason why the government feels obliged to raise working incomes by way of tax reductions.

Proportions of other *private sector* costs are also borne by *public funds*: important examples are found with regard to training of the workforce, damage caused to the environment, and the location of new investment. 'Welfare states for individuals are being cut back, but welfare states for big corporations have never been healthier'.[46] In addition, highly profitable corporations and high-earning individuals make use of a wide array of schemes to avoid paying tax. (The prosperity of a number of British islands is based on their status as tax havens). The Economist journal has recently revealed that the media mogul Rupert Murdoch has over the last decade made profits of £14 billion in Britain, but has paid no tax at all.[47] Widely expected anti-tax-avoidance legislation did not materialise in the March 1999 Budget.

8. Welfare Reform: Single Gateway, Disability, Pensions

For the best part of two years piecemeal information has emerged about how the government wishes to deal with the welfare response to the problems of deprivation and social exclusion that had accumulated: 1999 was proclaimed the 'year of delivery'. A number of reforms, foreshadowed in (consultative) Green and in White Papers were in the Spring of 1999 translated into legislative proposals. The step-by-step process of changes in the welfare system is seen as characteristic of the government's approach to controversial reforms. It 'regards policy formation and presentation as inseparable: it does not waste its time developing ideas in a form that cannot readily be sold to the public'.[48] Steve Richards, Political Editor of the Labour-supporting 'New Statesman' has described it as follows: 'This government instinctively seeks consensus for change before openly advocating it...Any new set of...proposals is announced with a fanfare...and...kite-flying and reassuring noises where protests are raised. In this way the government keeps the voters on board'. He sees some dangers in this method, but concludes that 'for a young government following 18 years of Tory rule, reform by osmosis works rather well'.[49] Some key areas of the latest instalment of welfare reforms are discussed below.

1) At present welfare claimants face a confusing array of agencies. To streamline arrangements, a single point of access to welfare is to be created. The *single gateway* approach is intended to give claimants access to a personal adviser to guide them through their benefit options but also to see that 'everyone who has the potential to work is provided with help to find it'. Attendance at work-finding interviews within three days of making a claim will generally be a condition for receiving benefits.
2) The government maintains that its two key principles for welfare, encouraging 'work for those that can' and providing security for 'those who cannot', are not being met by the payments linked to *disability and incapacity* that millions of people of working age receive. It argues that these payments have become for many simply a more generous form of unemployment benefit (the Conservatives achieved lower unemployment figures by transferring older claimants to the disability register) and an enhanced early retirement subsidy. In future, the medical test on which entitlement depends will no longer focus on the degree of people's *disablement* but on the degree of their *employability.* For those with the greatest needs there will be a (means-tested) 'income guarantee' of £129 a week for a single person and of £169 for a couple, still well below the 'poverty line'. Substantial public savings are expected.
3) The existing *pension system* is widely seen as complex and also unfair. A section of the population is able to continue comfortable working-age life styles into comfortable retirement. At the same time, millions of retired people find it increasingly difficult to make ends meet and are left behind in the general advance in living standards. The new system, to be introduced in stages, and to become effective over the coming decades, will be even more complex, but promises to be fairer.

The bedrock is and remains the flat-rate *basic state pension* to which entitlement rests on previously-paid National Insurance contributions. 8.5 million people rely on it. An earlier Labour government had indexed it to the level of general earnings, the Conservatives, however, to inflation. As a consequence, its value has (for a single person) fallen from 24% of average earnings of working people in 1983 to 16% in 1999 and will, given present trends, be the equivalent of 10% by 2020. A graduated element, the State Earnings-Related Pension, which was introduced by the Labour government in 1978, is similarly falling in relative terms (and - under rules established more than a decade ago - only half of it will from April 2000 pass to a surviving partner). *Income support* supplements bring pensions from £64.40 for a single person to £75 a week.

About 46% (a continuously falling proportion) of the working population is covered by *occupational (company) pensions* of varying quality for which they and their employers pay regular (tax-subsidised) contributions to private pension funds. Pension levels which used to be a fixed proportion of final salary are increasingly becoming dependent on investment performance instead which, by its very nature, differs greatly according to timing and to provider. As an alternative or as a top-up provision, there are individual *personal pensions.*

In future the basic state pension will be enhanced by a flat rate, pay-as-you-go *second state pension,* that will add almost £50 a week for 4 million employees now earning less than £9,000 a year (roughly half average earnings). By 2050 a further 4 million, who have broken employment records, partly because they are or were 'carers' looking after young children or dependent relatives, will be treated as if they had half-average annual earnings. The means-tested top-up benefit, *income support,* became from April 1999 a *minimum pension guarantee*, worth £75 a week. It is expected to remain at around 20% of average incomes. At present 1.5 million out of 8 million pensioners' households are affected. All this will add £5 billion to public spending on pensions by 2050, a saving of £25 billion on the alternative of uprating the basic pension in line with earnings, which is widely demanded and has often been promised. On 15 April 1999, the Trade Union Congress delivered a letter to the Prime Minister in support of an EU-wide initiative in favour of a minimum contributory pension of at least 50% of average earnings or equal to the national minimum wage, where there is one, and that the minimum level of resources for social protection systems should be set at 40% of average per capita GDP.

In April 2000 the government will introduce *stake-holder pensions*, offering low charges and wide flexibility. To encourage people to 'go private', by voluntarily saving for their retirement, there will be financial incentives. Below-average earners will receive higher National Insurance rebates - 9.2% for those earning £9,000 tapering to 4.6% for those on £18,500 (roughly average earnings) and above. Millions of higher earners will continue to receive pension tax perks: they pay only 60% of every pound that goes into their private pension scheme, as contributions are made before tax due is calculated.

To make the stake-holder pensions cheaper and more reliable, they will be offered not only by insurance companies but also by trade unions and friendly societies and will be strictly regulated. At present identical payments to private providers result in widely different levels of pensions. Nor is it forgotten that millions of people were sold wholly unsuitable schemes by private companies when in the 1980s the Conservative government - in an earlier push to privatise pension provision - encouraged people to opt out of the then existing systems. Many years later, only a tiny fraction have as yet been compensated for losses incurred that are estimated as between £11 and £14 billion.[50]

The new dispensation, which is widely seen as Treasury-driven, as are other aspects of social policy, is clearly a compromise between the status quo and the much more far-reaching and more costly - and much more strongly redistributive - reforms discussed and proposed by Labour over recent years, and sponsored by Frank Field, Minister for Welfare Reform before he was forced to resign in July 1998. They envisaged making pension-saving compulsory. The principle was dropped because the low-paid cannot afford it without substantial financial help, and because the better-off would see it as a tax to subsidise the poor. Pension *financing* will see an important shift. At present the Budget pays £40 billion annually on pension account, which covers 60% of total pension costs. By 2050 the state's share will have dropped to 40%, while 60% of total pension costs will be covered by private sources.[51]

9. The New Deal

A 'flagship' project of the Labour government's welfare reform programme is being financed by a widely popular windfall levy of five billion pounds[52] on the widely unpopular privatised utilities. (After they were sold off by the Conservative government well below their real worth, the value of shares, profits and the salaries of their top managers had soared, while the number of employees and the quality of service declined.) Stage one of the 'New Deal' was a scheme launched in January 1998 for those under 25 unemployed for longer than 6 months. They have to complete a (maximum) four-month 'gateway' period, during which they are counselled by the Employment Service, but in a number of areas by private sector agencies, to help them search for jobs and to improve their employability. Those still without work at the end of the period have four options (or lose benefit): a subsidised job for six months earning a wage (the employer receives £60 a week subsidy), work in the Voluntary Sector or in one of the Environmental Task Forces (where they receive a wage or continue to receive the Job Seekers' Allowance and an additional £15 per week). All three options involve one day a week of education or training leading to a vocational qualification (the providers receive £750 subsidy); the fourth option is full-time education or training for 12 months (during which they continue to receive the Job Seekers' Allowance). The government pays £2,300 for each participant, but it has now emerged that the colleges providing the education receive on average only £1,600: nearly a third is creamed off by contractors.

By the end of April 1999, the number of entrants to the scheme had risen to 249,000, of whom 49,000 had entered sustained unsubsidised, 13,000 subsidised, jobs. 58,000 had started work experience and training. 36,000 were in full-time education and 22,000 in the voluntary sector. However, a disturbingly large number tends to disappear from the files. By the end of November 1998 14% of those leaving the 'gateway' and 25% of those leaving the unemployment benefit register had done so 'without disclosing their destination'. Due to the New Deal but also to general labour market developments, long-term youth unemployment has come down by 35% since the scheme went national in April 1998 and has fallen by 50% since May 1997. The Trades Union Congress has successfully pressed for assistance to be extended to the over-25s and in particular to the over-50s. By February 1999 nearly 30% of all entrants to the New Deal were aged 50 or over, a group recognised as having a great deal to offer employers but who have traditionally got a raw deal in the labour market. The March 1999 Budget gave an in-work top-up benefit to such workers, who typically have to take pay cuts averaging 20% to get back into the labour market.

In October 1998, the New Deal programme was extended to cover all Britain's 972,000 lone parents, mostly mothers, living on Income Support. They are being 'shown how much better off they would be financially' if they took - found? - employment. Pilot schemes had established that '87% of lone parents who have met their personal advisers are responding positively and taking advantage of the programme' that is intended to help them find both employment and care for their children whilst at work. Those who had found a job were on average £39 a week better off as a result. Figures made public at the same time, however, put matters into perspective: only one in ten of those invited for interview had found work, while half did not even turn up for a discussion.[53] By the middle of April 1999, 40,000 lone parents were participating, of whom 7,000 had been placed in work.[54] The February 1999 Welfare Bill *obliges* them to attend Job Centres on pain of losing benefit.[55]

10. Redistribution and Targeting

By April 1999 enough progress had been made in the government's reform of welfare and of the welfare culture for its direction to become discernable. It is obviously too early for even the first fruits to appear, let alone to allow evaluation of quantitative effects. The quest continues for social cohesion and inclusion, and greater equality - equality no longer being defined as 'equality of outcome' but as the much less demanding and much less measurable 'equality of opportunity'. The clear priority is getting claimants to move off benefits and into work, as the surest way out of poverty, making work pay for those on very low incomes and re-directing savings made by reducing benefit expenditure - the 'cost of social and economic failure' -into education, health and other essential services.

According to Nicholas Timmins, Public Policy Editor of the Financial Times, 'the government is redistributing from rich to poor,...from the childless to those with children and from those with lesser to those with greater needs'. (Targeting is being achieved 'by means-testing, taxation and changing time-limits and qualifying conditions for benefits.')[56] Not everyone agrees: clearly resources are being moved towards the poorest, but generally without actually taking away from the better-off. At worst the latter tend to lose out in relative terms. At the same time it has to be noted that what is being planned does not routinely involve major increases in benefit rates, even if some selected groups are positively targeted. Much, if not most of the redirection of resources takes place *within* benefits and is thus of limited extent.

The government is continuing the decade-old trend of abandoning 'universalism' (the principle of welfare for all), which has been undermined by the rapid widening of income inequality, in favour of concentrating on the most needy (who will receive modestly more generous, but no longer automatic but increasingly means-tested benefits) and in particular on children. According to Gordon Brown, child benefit will have doubled for most families by 2001, maternity grants increased and the 'sure start' programme introduced to tackle child deprivation from infancy.[57] (In March 1999 Tony Blair set the objective of ending child poverty within a generation, with annual audits to monitor progress.) It has given up on the old concept of the welfare state in which, broadly speaking, everybody paid taxes and national insurance contributions and everybody drew benefits in the form of services and cash payment as of right, many of them regardless of income. 'Targeting the most needy' immediately appeals to logic, but if benefit is not received as of right a problem arises with the method employed in deciding on who qualifies. This has been described by Samuel Brittain, chief economic commentator of the Financial Times, as 'the inquisitorial side of the welfare state',[58] and many observers have referred to the stigma that many feel of being singled out for 'charity'.

For many experts, the most persuasive argument for retaining 'universalism' is the need for involving the better-off in the welfare system; they are often better informed, more articulate, certainly more demanding and more vocal, and are thus widely seen as having up to now contributed importantly to protecting benefits and the quality of services. There is also a contradiction inherent in the means test approach: for the low paid saving is difficult enough. Depriving oneself for difficult times and for one's old age is not furthered by the realisation that in an emergency such savings disqualify from the receipt of state support. However, the government has clearly decided that targeting is fairer, more effective - and cheaper.

Wherever possible, benefits are being transformed into tax credits. (That could further emphasise the gap between the waged and the unwaged, for many of whom, for reasons of age or health, employment cannot be an option). From a presentational point of view it means that in the national accounts some of welfare now shows as reduction in public revenue rather than as part of public expenditure. This looks good to 'middle England' which likes tax reductions - and lower public expenditure - and tends to see benefits as scroungers' rewards. Those newpapers which are most finely attuned to Conservative middle-class sentiments enthusiastically pick up the government's insistence on the responsibilities that go with receiving benefits, the obligation to search for paid work. The government for its part proclaims the end of 'something for nothing', has revived the Conservatives' slogan that benefits must be a 'hand-up' and no longer a 'hand-out' and, while emphasising the new opportunities offered, likes to stress the 'toughness' and 'justifiable harshness' of the new welfare regime.[59] The headline of the article reporting the new welfare Bill on 10 March 1999 shouts 'Welfare: The Crackdown'.

Redistribution, if redistribution it is - the word itself is not part of the government's vocabulary - is thus being implemented in a way that is concerned to leave intact the government's strategy of building and maintaining social coalitions at the head of which is New Labour's embrace of 'middle England'. This is a wide (and difficult to define precisely) social stratum that stretches from the 'upper' middle-class and the top levels of the liberal professions all the way to those politically crucial sections of the skilled working class, whose partial desertion brought the Conservatives to power in 1979 and kept them there for nearly two decades, and who returned to Labour in 1997.

To sum up: there is the enigmatic silence of government over the issue of income redistribution and the strange divisions among expert observers over whether there has been a programme of ‚stealthy' (or more diplomatically – ‚subtle') increases of some of the taxes traditionally favouring the best-off and of ‚stealthy' (‚subtle') redistribution in favour of the worst-off, and generally over the advantages and disadvantages of welfare policy by stealth and subtlety. But there can be no doubt that with a clutch of innovative social programmes, definite – if relatively small – steps have been taken to reduce the obscenely large gap of social inequality that has been allowed to open up over the last two decades, and that it is realistic to expect further such steps. At the same time, it is clear that, for all the progress made, welfare reform is still at an early stage and its final shape remains the subject of burning debate.

This debate errupted dramatically to the dismay of Labour's political managers on 20 May 1999: the welfare bill is intended to bring improvements for some of the disabled, but a revolt of Labour Members of Parliament on one clause cut the government's majority from 178 to 40. It provides for future savings of £ 750 million (out of the £ 100 billion welfare budget) by severely limiting access to benefit for hundreds of thousands of new claimants after April 2001. Clearly, reform by redistribution from top to bottom earners commands wide support in Labour's ranks, redistribution between different sections of benefit recipients –, the poorest being subsidised by the poor' – does not.

11. Concluding Remarks

Government policy 'encourages' people to move out of 'welfare dependency' into employment, by showing them how much better off financially they would be, by helping them to improve their employability and assist in their job search, and by 'making work pay' for those with the most modest qualifications in the lowest paid jobs. There are some doubts about the quantitative significance of these aspects: most of the non-working recipients of social security who do not suffer from serious health impediments, who are not tied down by family obligations, caring for young children or old or incapacitated relatives are already eager to find jobs, as we have seen earlier; they simply have been unable to find them.[60]

The success of government policy is thus predicated on the availabilty of meaningful jobs. However, the medium term outlook is not reassuring. At the end of 1998 there were just over 300,000 unfilled vacancies, but the number of the unemployed was variously reported as approximately 1.3 million (according to the number of benefit claimants),[61] 1.8 million (on ILO criteria) and 3.8 million (counting all those actually wanting jobs).[62] And it is now clear that the labour market has turned down. A further 400,000 people are forecast (by independent economists polled by the National Audit Office) to augment the number of the unemployed over the coming two years.[63] The manufacturing sector has moved into technical recession which has, according to Oxford Economic Forecasting, begun to halve the rate of growth of the *services* sector,[64] leaving no more than marginal overall economic growth. Some improvement is hoped for by the end of 1999, but is not expected to avoid the rise in unemployment.

Nor was the much-hyped previous conjunctural improvement in the labour market all that solidly based. Britain's rate of growth of *full-time* employment is no higher than that of Germany or France: the new jobs created, though welcome, were and will continue to be mostly *part-time* and often insecure: it is estimated that by 2006 nearly 30% of all employees will be in that category.[65] Many of these jobs have been characterised as 'trivial'.[66] This suggests the limitations of a policy of over-reliance on 'motivating' people off benefits and into employment. The government has evidently accepted this in its high-profile New Deal for the under-25s by *providing* jobs and educational opportunities, but the other schemes encouraging the *search for* jobs do not at present involve the *creation* of jobs. Jonathan Michie at the time of Cambridge University and now of the London School of Economics put the problem succinctly in ‚The Guardian‘ of 12 July 1998: 'welfare to work should be combined with job creation for those coming off benefit'. In the current situation in many cases those leaving welfare 'take someone else's job or are faced out of the picture entirely'. Damian Kileen of the Glasgow Poverty Alliance was similarly down-to-earth: 'Motivation to work is dependent more on there being evidence of real employment opportunities,...than on abstract ideas of personal development'.

That brings matters back to the government's *economic* strategy, the details of which are outside the scope of this article. But a few comments may be in order. Gordon Brown, confronted with an economic boom that threatened to get out of hand, complemented the Bank of England's tight monetary stance with an equally restrictive fiscal policy in his first two years in office, more restrictive even than required by Labour's pre-election commitment to stay within the previous Conservative government's expenditure framework. This avoided overheating of the economy and strengthened public finances. Now the threat of inflation has been transformed into the threat of - potentially more damaging - deflation and recession. The eminent economist Christopher Dow has provided detailed evidence of how major recessions result in very long-lasting loss of output, because of the chain reaction set in motion.[67] And to quote James Buchan, 'If inflation is hard to control, deflation is a runaway horse'.[68]

In this situation, the Cambridge economist John Grieve Smith is proposing an end to the exclusive focus of macro-policy on inflation (a focus that can lead to wide variations in output and employment) and to establish *stable* growth and employment as the basic objectives. He suggests an appropriate new remit for the Monetary Policy Committee of the Bank of England, but maintains that monetary policy alone cannot deliver these objectives: what is also required is an active budgetary policy which in the present circumstances is likely to be a more potent and effective weapon for stimulating demand.[69] The injection of considerable additional resources into education and health (see above) is a positive move in this context. But the way government policy is set at present, it looks as though those £40 billion are going to be a one-off, and not the first step in a new, unambiguously expansionary, direction.

And yet a reinvigorated economy would facilitate achieving a number of important objectives. It could help create the job opportunities required by the various aspects of the New Deal initiatives and reduce numbers on benefit. It could thus free resources for its agenda to tackle social exclusion, child poverty and for raising the benefits of the millions for whom, for reasons of age and health, the back-to-work plans are largely irrelevant. Last but not least, such resources could be used to raise the quality of all front-line services, the delivery of which is central to New Labour's strategic concept of marginalising the Conservative Party by way of a durable coalition with sections of the middle classes without abandoning its traditional core constituency. An effectively reformed and well-resourced welfare system - both humane and viable - is not only desirable in itself but could rebound in continuing electoral success for Labour.

Notes

[1] Strong warnings came in May 1999: there was the revolt of about a hundred Labour Members of Parliament (over a clause in the welfare bill) and there were the mediocre results in the Scottish and Welsh elections (both traditionally Labour strongholds) where local supporters resented London interference and control. In the *local* elections

losses were exacerbated by the fact that the last round had been held at a time of particularly low Conservative fortunes. There were bound to be Labour losses in the *European* elections because of the ending of the ‚winner-takes-all' electoral system.

[2] The Government's Annual Report (1997/8).

[3] The New Statesman (26.2.1999).

[4] See Financial Times leading article (22.4.1999).

[5] For a detailed analysis of the Thatcher period, see Brassloff (1996a, 1996b).

[6] H. M. Treasury (1998).

[7] The Government's Annual Report (1997/8) 12.

[8] Hills (1998) 4ff and letter to the Financial Times (12.2.1999).

[9] Social Security Departmental Report (1998).

[10] TUC (1998a) 3.

[11] Employment Department and Department for Social Security (1994)

[12] Dawes (1993).

[13] McKay et al. (1997).

[14] TUC (1998b).

[15] Clausen et al. (1997).

[16] Dawes (1998).

[17] Social Attitudes Survey (1998).

[18] TUC (1998b)

[19] OECD (1997).

[20] Winter-Ebmer (1998).

[21] Madsen (1998).

[22] H. M. Treasury (1979) 1.

[23] Hills (1998) 4ff.

[24] Hills (1998) 16.

[25] Hills (1998) 16f.

[26] Remembered in The Guardian (5.2.1999).

[27] The above section is based on two reports published by the Joseph Rowntree Foundation, one by the Treasury, and one by the Cancer Research Campaign, all summarised in the Financial Times (29.3.1999) and The Guardian (5.3.1999), (29.3.1999), and (23.4.1999).

[28] Reported in The Guardian (20.1.1999).

[29] See 'Prospect' (January 1999) 52.

[30] Peter Lempl, quoted in Financial Times (24.4.1999).

[31] Adonis, Pollard (1997).

[32] 'Prospect' (January 1999) 55.

[33] Financial Statement (1997) 48.

[34] Gordon Brown in the House of Commons (9.3.1999).

[35] Reported in The Guardian (15.3.1999).

[36] See Financial Times (20.4.1999).

[37] Meadows (1998) 74ff.

[38] The Guardian (24.4.1999).

[39] Ibid.

[40] The trade unions have set £ 5 an hour as their minimum wage bargaining target.

[41] The Economist (3.4.1999).

[42] Income Data Services report, summarised in Financial Times (22.4.1999).

[43] John Lloyd, in the New Statesman (19.3.1999).

[44] Financial Times (21.4.1999).

[45] See Office for National Statistics: Labour Market Trends (December 1998).

[46] Leading article in The Guardian (20.3.1999).

[47] The Economist (20.3.1999).

[48] Leading article in the New Statesman (12.3.1999).

[49] New Statesman (12.3.1999).

[50] The above sections are mainly based on White Papers (CM 4101, CM4102, CM 4103)

and consequent legislative initiatives, in particular the 'Welfare Reform and Pensions Bill'.

[51] See Tony Blair, writing in the Daily Mail (10.2.1999). (Provisions in the new Bill will also pave the way for 'pension splitting' between divorced couples).

[52] The Government's Annual Report (1997/8) 3.

[53] Reported in Financial Times (27.10.1998).

[54] Financial Times (22.4.1999).

[55] The above section relies widely on press releases from the Ministry for Education and Employment and on their 'Statistical First Reports'.

[56] Financial Times (19.11.1998).

[57] In an interview given to The Guardian (24.4.1999).

[58] Financial Times (10.12.1998).

[59] See, for instance, Tony Blair writing in the Daily Mail (10.2.1999), and Social Security Secretary Alistair Darling writing in The Indpendent (10.2.1999).

[60] This is not the place to examine the assumption that low enough wages will in themselves create jobs.

[61] National Institute Economic Review (February 1999) Tables 5, 6.

[62] Personal communication from the Centre for Economic Performance at the London School of Economics and the independent Employment Policy Institute (25.2.1999).

[63] The Daily Telegraph (10.3.1999).

[64] Financial Times (15.3.1999).

[65] Institute of Employment Research at Warwick University as reported in the Financial Times (19.3.1999).

[66] See Financial Times (16.3.1999).

[67] Dow (1998) and (1999).

[68] Writing in The New Statesman (2.4.1999).

[69] Writing in The Observer (14.2.1999).

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