



Centre for Local  
Economic Strategies

# bulletin

## The Welfare Reform Green Paper and the shift towards workfare

*Number 62*

*Author: Jessica Arnold, Senior Policy Researcher, CLES, 0161 236 7036,  
[jessicaarnold@cles.org.uk](mailto:jessicaarnold@cles.org.uk)*

---

*'Our proposals are based on a simple deal: more support in return for greater responsibility...  
We will help people find work, but they will be expected to take a job.'*

– James Purnell, Secretary of State for the Department for Work and Pensions

### 1. Introduction

July 2008 saw the beginning of public consultation on the DWP's Welfare Reform Green Paper, entitled *'No one written off: reforming welfare to reward responsibility'*. As the latest in a series of publications to capitalise on the principles of the Welfare Reform Act 2007, this is a concerted effort by the Government to get the growing workless population off of state benefits and back into work. A major contributor to the ambition of reaching an 80% employment rate 'in our generation', this paper contains a number of radical reforms to make benefit receipt a more active process; to find more jobs, more quickly for the unemployed; to increase employment amongst the disabled and parents; to improve service delivery by encouraging open competition amongst providers; and to simplify the benefits system itself.

The Beveridge Report of 1942, cited by Mr Purnell in the Green Paper, reminds us that the establishment of a Welfare State to support people in times of unemployment and need, *'should not stifle, incentive, opportunity, responsibility'*. This is central to the underlying impetus behind the radical reforms proposed within this paper, and represents a bold policy shift away from supporting a system of inactive benefit receipt, towards one of active job-seeking, up-skilling and participation in work. Also indicative of this shift, and closely linked with welfare reform, is the new approach to neighbourhood renewal and the Working Neighbourhoods Fund, which now focuses on enterprise, skills and worklessness rather than holistic regeneration. Both of these approaches highlight the new emphasis by the Government on the centrality of skills, entrepreneurialism and a strong labour market for securing the UK's social and economic future. While growing economic adversity will result in difficult times ahead for addressing welfare reform, increasing employment rates and establishing truly sustainable communities, it is now more important than ever to get welfare reform and employment policy right.

This CLES bulletin identifies the key messages and proposals to emerge from the Green Paper and what each of these will entail for claimants and service providers. We explore the current policy context within which these reforms are proposed, and consider the challenges for implementation. We consider whether this period of worsening economic turmoil is the right time to be advocating welfare reform and a shift towards workfare-based policy, and look for opportunities to utilise the impetus of welfare reform not in spite of economic downturn, but as part of its remedy.

## 2. Key messages from the Green Paper

The Green Paper begins with a review of how the previously high levels of worklessness, benefit claimancy and child poverty have been progressively reduced since Labour came into power in 1997, identifying four underlying goals to prevent a return to these levels:

- ❑ achieve an employment rate of 80% of the working-age population – the highest of any major industrialised country;
- ❑ reduce the number of Incapacity Benefit claimants by one million, help 300,000 more lone parents into work and see one million more older workers in the labour market;
- ❑ halve the number of children living in poverty by 2010, set for eradication by 2020;
- ❑ achieve equality for disabled people by 2025.

Underpinning these goals are the three key principles of capability, control and contribution – *‘people should be in **control** of their own lives and take personal responsibility for making the most of the opportunities available; people should be supported by an active and enabling welfare state to build their **capability**; and people should be aware of the **contribution** expected from them in return for help and support through the welfare system’* (p.29).

The paper identifies the key groups to be affected by welfare reform as the general unemployed, particularly job-seekers and the incapacitated; parents; and the disabled. Together with proposals for change that will directly affect these groups, the paper also discusses improvements to the benefit system itself, and how empowerment and devolution to service providers who act as vehicles for getting people back into work, will achieve more successful outcomes.

### ***New expectations of benefit claimants***

As the Government takes a hard line on inactive receipt of benefits, the process of claiming and conditions of eligibility will now require a considerably greater effort on the part of the claimant to find work. The process of claiming is now characterised by the gradual intensification of support in job seeking, and expectation on the claimant, as time goes on.

Once the new rules are implemented, claimants will have to attend a mandatory interview to assess their skills and potential work areas, with an automatic benefit sanction at failure to attend this interview. Following this is the ‘self-managed job search’, with mandatory attendance to a back-to-work group session occurring at week six if employment has not been found. After three months, the ‘directed job search stage’ begins, with the scope of potential employment types being widened and the claimant being required to sign on every week rather than every two weeks. If unemployment persists beyond six months, the ‘supported job search’ sees the allocation of a personal adviser to each claimant and an action plan of activities to improve employability. There is also the risk at this stage of a 26-week benefit sanction if a claimant fails to take or attend an offered job. Under the new system, the long-term unemployed who are not on back-to-work programmes and 18-year olds who have spent the last six months out of education, training or work, will be fast-tracked to the final supported job search stage.

In addition to this vigorous process, the Government will be carrying out pilots to foster better skills amongst claimants, such as mandating jobseekers, lone parents and people on

Incapacity Benefit to train, and agreeing skills-related activity for lone parents with younger children in return for increased benefit payments.

Problematic drug users are discussed in significant detail in the paper, although this is largely still in the formative stages and rather light on assertive actions. One important step laid out however, is a detailed plan to utilise primary legislation to enable information to be shared between Jobcentre Plus and the police, probation services and prisons. This is considered an important step in ensuring joined up services prevent drug users and ex-convicts from falling into long-term unemployment.

### ***Overcoming incapacity and the Employment and Support Allowance***

The Green Paper bolsters plans first revealed in 2007, for the replacement of Incapacity Benefit with the Employment and Support Allowance (ESA), as a temporary benefit for the majority of claimants while they are unable to work. An obligatory Work Capability Assessment (WCA) will be carried out by medical professionals for all existing and new claimants to gauge the types of work an individual is capable of doing given their personal physical or mental health conditions, rather than viewing one form of incapacity as an obstruction to all types of work. Whilst the WCA will be reviewed regularly to assess changes in health conditions, it will be more difficult to apply this approach to cases of mental health problems where a doctor cannot see the symptoms, and the risk of inaccurate assessment or abuse of the system may be increased. Following the WCA, personalised back-to-work support will be given based on the successful Pathways to Work model. The central tenet behind this proposal is that participating in work is ultimately beneficial to a person's long-term health, particularly mental health, and hence ESA is seen as an interim benefit.

Accompanying the new medical assessment is a commitment by the Government to work innovatively with the private and voluntary sectors, paying providers out of the savings made by reducing benefit claims, for their results to achieve sustainable employment outcomes. 'Fit to work' services will also provide health and employment support to workers in the early stages of sickness absence, keeping them in contact with the workplace and reducing the likelihood of isolation and job loss.

Additional measures to reduce the number of health-related benefit claimants include doubling the budget for Access to Work; reforming the New Deal for Disabled People and Pathways to Work schemes; and engaging employers together with strengthening legal rights against discrimination on the grounds of health. To prevent an unfair impact on the severely disabled who are unlikely to be able to participate in any forms of work, additional support and financial assistance will be made available.

### ***Getting more parents into work***

In line with the Government's goal to eradicate child poverty by 2020, the Green Paper sets out a number of measures to promote the economic well-being of children. These include the 'full maintenance disregard'; an increase in the amount of maintenance that a parent with care of a child/ren can keep before it affects the level of benefits they receive. Previously, these benefits were means-tested by the Government and hence the more maintenance paid by an absent parent, the less benefit the parent with care was entitled to, thus reducing the incentive to pay maintenance. It is hoped that this will be in force by April 2010.

In addition, lone parents with older children will be required to actively look for and take up employment; a priority group since the report '*Ending child poverty: everybody's business*' published in March 2008, found that '*children in lone parent families where the lone parent works part-time have a lower than average risk of poverty, at 17% [of all child poverty, whereas] children in workless lone parent households have a much higher risk of poverty, at 56%*' (p.19). Both lone parents and the partners of benefit recipients will be obligated to seek work under the new JSA regime once their youngest child is over the age of seven. Furthermore, IB and ESA claimants who receive increased benefit on account of their partner being out of work will no longer receive this additional money automatically, only if the partner fulfils the new JSA conditionality clauses.

In cases where parents are unmarried, the Paper promotes the joint registration of births by both mother and father as an acknowledgement of parental responsibility on both sides. Legislation will be introduced to make joint registration mandatory where at all possible, as discussed in greater detail in the June 2008 White Paper, *Joint birth registration: recording responsibility*.

### ***Disbanding Income Support (IS) and simplifying the benefits system***

A controversial move proposed in the Green Paper is the abolition of Income Support and its replacement with the dual benefit system of JSA and the new ESA. This long term goal still needs significant refinement, not least regarding how to make sure carers, lone parents and others dependent on IS still receive adequate support, but is hoped to be a step towards removing the incentive for people to stay on benefits by channelling them into a simpler benefits system with more conditions and responsibilities attached to eligibility.

The benefit system will also seek to create a stronger linkage between qualification for JSA and ESA to recent periods of work, including reduction of the number of contribution years in which a claimant qualifies for ESA from three to two years, and requiring people to work for around six months before they qualify for JSA or ESA. Both of these measures ensure that claimants have been in work for a reasonable period of time within the relatively near past, and are consistent with the contributory approach taken throughout this paper that seeks to modernise qualifying conditions. Protection will still be available to disadvantaged groups such as carers however, who will still be able to apply for income-related rather than contributory ESA.

### ***Achieving better results with service providers***

The Green Paper finishes with discussion of how service delivery can be improved by devolving more power to customers, local partnerships and service providers acting on behalf of the Government, aiming to increase the quality, effectiveness and hence results of services.

The new 'Right to bid' process invites providers, both private and third sector, to identify services that they are able to improve to get more people back to work, design the best approaches to delivering these and submit their proposals to Government for these contracts. This is aimed at encouraging innovation amongst providers by giving them greater responsibility and flexibility to find new solutions by removing the constraints formerly imposed by defined contracts. The Government is keen to utilise commercial relationships to build flexibility into contracts and projects, enabling expertise to be harnessed and innovation fostered.

The focus is very much on devolution to local and sub-regional levels, such as through Multi Area Agreements (MAAs), and includes local partnerships being involved in commissioning trials and even, where partnerships have a proven track record of success, being given greater power over the letting of contracts and budgets.

## **3. Policy context and drivers**

Following the completion of *Working for a healthier tomorrow*, Dame Carol Black's review of the health of Britain's working age population and the implications of this for Government, the economy and society, the Welfare Reform Act 2007 was given royal assent in May 2007. This brought into law a number of measures to facilitate taking forward a radical programme for overhaul of the welfare system, including:

- ❑ reform of incapacity benefits by firstly, the introduction of a new Employment and Support Allowance (ESA) in 2008 to replace Incapacity Benefit and Income Support based on incapacity or disability, and secondly, the introduction of a new Personal

- Capability Assessment alongside ESA to assess an individual's entitlement and the possible support needed to get back into the workplace;
- the requirement for people who are able to work, to attend work-focused interviews and develop, with their advisers, a plan of action to help them;
- changes to the administration of Housing Benefit (HB) with the national roll-out of Local Housing Allowance to the private rented sector, and an HB sanction for people who refuse to engage in rehabilitation following eviction for anti-social behaviour;
- powers to improve the sharing of information between DWP and Local Authorities for the purpose of increasing take-up of social security benefits;
- other amendments to social security and vaccine damage payments.

The Green Paper draws on the findings and consultation responses of a number of publications that followed the Act, laying out the Government's agenda for major welfare reform. The consultation paper, *'In work, better off: next steps to full employment'*, ran from July to October 2007 and set out initial proposals for achieving the Government's target of 80% employment, through a step change in the support offered to people who are disadvantaged in the labour market. In response to this consultation, *'Ready for work: full employment in our generation'* was released in December 2007 as a route map to realise the Government's ambitious employment rate and world class skills aspirations. *'No one written off: reforming welfare to reward responsibility'* is shaped by the thinking behind, proposals within and reactions to its forerunners in the welfare reform story, together with the Government's wider commitments and a substantial policy shift in approaches to worklessness.

#### ***Parallels with the Working Neighbourhoods Fund***

The proposals for welfare reform are linked closely with the replacement of the Neighbourhood Renewal Fund (NRF) with the new Working Neighbourhoods Fund (WNF). Together they represent a significant shift in the Government's attitudes towards worklessness and benefits – a shift from inactive welfare receipt to an active workfare system where recipients have to meet certain participation requirements to continue to receive their welfare benefits.

Replacing the broader approach to regeneration allowed by the NRF, including projects that targeted the more community and social based outcomes, the new WNF is focused largely on skills, worklessness and enterprise, addressing the key issues of low skills and worklessness. Consistent with the advocacy for the centrality of economic development found within the *Sub-National Review of Economic Development and Regeneration*, this change in both the neighbourhood renewal and welfare agendas brings together and mutually reinforces the new stance of Communities and Local Government (CLG) and the Department for Works and Pensions (DWP). The message is clear: economic inclusion of all people is a priority for achieving future economic growth, and will be achieved by economy-centric projects and as full participation in the labour market as possible.

#### ***The child poverty, disability equality and devolution agendas***

The Green Paper's proposals are linked to other significant areas of Government policy, including the commitment to eradicate child poverty by 2020 as pledged in 1999 by then Prime Minister Tony Blair, and achieving equality for disabled people as agreed in the December 2007 ministerial concordat, *'Putting People First'*. Both of these goals have important contributions made to them in this paper; the first sees a focus on giving parents the incentive and opportunity to provide adequately for their children, and the second sees assurance that toughening up on benefit eligibility does not leave the most vulnerable in society at a further disadvantage.

Consistent with the rhetoric of devolution and decentralisation in modern governance discourse, the Green Paper discusses devolution of service commissioning and delivery down to local and sub-regional levels. This is consistent with the prominent proposal within the *Sub-National Review* to devolve funding and delivery from Regional Development Agencies down to local authorities.

#### 4. Challenges and concerns

The strong impetus for reform brought by this paper based on the ideology of rewarding responsibility and making the benefit system more conducive to getting people away from claiming and into gainful employment, is welcomed. This marks a shift towards a workfare state; the system whereby the able-bodied unemployed, in return for welfare payments, are required to undertake training, community-based volunteering or work, sometimes in jobs supported by state subsidy. Developed in the 1980s by right-wing economists in the USA, workfare seeks to end welfare dependency and to re-establish individual responsibility. While workfare has had considerable success in some cases of implementation, the system can also be critiqued on a number of fronts for failing to deliver real improvements to people's lives, uphold social justice and adhere to the Government's social responsibility.

The Green Paper has provoked a number of significant concerns that we have about the ability of these proposals to achieve their aims and contribute in reality to reducing worklessness. Whilst the whole ethos of a workfare-esque state should not be abandoned wholesale, there are a number of challenges to the implementation of reform that need to be carefully considered if the Government is to move towards a fairer system.

##### ***International experience of workfare***

In 2008, the DWP commissioned a report from the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University, entitled '*A comparative review of workfare programmes in the United States, Canada and Australia*'. This report interestingly found that there were some positive outcomes from workfare schemes, but the majority did not achieve their targets, or were not wholly attributable when positive outcomes occurred. To summarise the findings, CRESR found that:

- ❑ dramatic reductions in welfare caseloads in the US and Canada cannot be attributed to workfare alone; intensive job search requirements, time limits on claiming and economic growth also contributed to this;
- ❑ the proportion of welfare recipients engaged in workfare is low in all three countries studied;
- ❑ there is little evidence that workfare increases the likelihood of finding work, possibly even reducing employment chances by limiting the time available for job search and failing to provide adequate skills;
- ❑ workfare is least effective in getting people into jobs in weak labour markets where unemployment is high;
- ❑ levels of non-participation in mandatory activities are high in some workfare programmes;
- ❑ workfare is least effective for individuals with multiple barriers to work, who often find it difficult to meet obligations. This can lead to sanctions and, in the most extreme cases, the complete withdrawal of benefits that leaves some individuals with no work and no income;
- ❑ some states in the US have scaled down large-scale, universal workfare programmes in preference for 'softer' and more flexible models that offer greater support to those with the most barriers to work.

It is worth keeping these findings in mind as we consider what the full implications of the Government's shifting attitudes toward worklessness and welfare will really mean for Britain's unemployed, often disempowered and increasingly desperate people.

##### ***Failings of the workfare approach***

The system of workfare that mandates people to participate in unpaid work in order to earn their benefits, while seeming reasonable in theory as no-one gets a 'free ride', is in reality open to a number of problems that contradict the Government's responsibility to protect the disadvantaged and can lead to a section of society 'falling through the net' that was

previously provided under the welfare system. While this Green Paper does not advocate adoption of a full scale workfare system, and does accept training and active job searching as fulfilling the criteria of eligibility, there is a strong echo of the approaches to welfare and worklessness taken in workfare states such as the United States, Canada and Australia. Critics and the political left may fear that the changes proposed under this wave of welfare reform will expose the most vulnerable groups to conditions they cannot meet (particularly true for people who face multiple barriers to work) or will create situations where meeting conditions yields no fruits for long-term employment – for example, in areas with few available jobs.

Also, there is an assumption in the Green Paper that the vast majority of people want to, and believe they can, take up employment in the future; the authors claim that *'we now know that 80 to 90 per cent of people who move onto incapacity benefits want, or expect, to return to work'* (p.31). While we do not assert that this is untrue for many claimants, the figure does seem excessively high, particularly in light of research carried out elsewhere that suggests the contrary. For example, the study of Blackpool's IB claimants conducted by Sheffield Hallam University in December 2007, found that of the 400 claimants interviewed, only 11% of claimants 'would like a job', only 3% of men and 4% of women are 'looking now', and a miniscule 2% of men and 3% of women 'thinks there's a realistic chance of ever getting one'.

The case of problematic drug users is particularly difficult; treatment and rehabilitation should be paramount, yet tying these chaotic lives to meeting the eligibility conditions of benefit receipt can result in defaulting, sanctions and ultimately push people further away from the system that is supposed to be helping them. Further, imposing sanctions on drug users and alcoholics in particular, may make them desperate and increase the risk of turning to crime to fund their habits.

On the issue of child poverty, while the reforms aim to get more parents into work to give them a higher income with which to look after their children, there is no discussion of the parents who do not take these responsibilities seriously, will not meet the conditions of eligibility and will be subject to benefit sanctions. For their children, the risk of poverty will be greatly increased, and the state will find itself in the difficult situation of whether to remove the children from the parents despite the negative impacts of this on the children, or remove the benefit sanction and thus undermine the new system. In the case of this hopefully small minority, the paper fails to consider the impacts on children when the new system does not meet its objectives.

### ***Is any job a good job? What if there are no jobs?***

Once job seekers reach the 'directed job search' stage after three months of claiming, they are required to widen the range of jobs they are looking and applying for. While this is intended to increase the chance of finding some form of work in some sector, we argue that this is not always conducive to sustained employment over time as the chance of a claimant being over skilled or having little interest in the new job found for them, is greatly increased. This approach is not consistent with the fifth core principle of reform laid out in the DWP's *'Ready for Work'* strategy; the aim to get people into *'Not just jobs, but jobs that pay and offer opportunities for progression'* (p.11). The new rules however, are likely to create a 'revolving door' of work and worklessness, with the retention of new employees being low and the return to unemployment and claiming being high. This cyclicity will not solve the worklessness problem in the long term, and may worsen disadvantage through sanctioning recent claimants who do not attend their new jobs.

Also, if the current practice continues whereby a break in the benefit claim such as through failure to attend mandatory sessions or accept offered jobs, sends the claimant back to the beginning of the process, it will be even harder for claimants to find suitable jobs, reducing motivation and increasing levels of frustration further.

As well as not taking into account skills and interests, a system where people are forced to take any job regardless of personal circumstances can lead to counter-productive, no-win scenarios; for example, say a parent in the 'supported job search' stage is offered a job that

he/she is capable of doing but flexible hours are not available to suit childcare arrangements. Would this person then face a scenario of either a 26-week benefit sanction for not taking the job or have to arrange after-school childcare, thus removing any financial incentive to work as no extra money is ultimately taken home, and the parent actually spends less time with the child/ren?!

The Green Paper also makes the assumption that worklessness is due to people not looking for jobs, not skilled for jobs or not willing to take jobs; it does not take into account that in some areas of the UK, there simply are not enough suitable (or in some cases, any) jobs available. No amount of searching, up-skilling, re-skilling or work experience will yield stable, long-term employment, or even any employment at all. This is particularly true of older claimants (50-65 years old) who are less competitive for jobs, especially when these are in short supply, as employers in most sectors would prefer younger employees. Therefore there will be an uneven geography of the positive and negative impacts of the welfare reform proposals, with areas – particularly concentrated in former industrial towns and cities in the North – experiencing a growing sense of frustration as a new workfare approach to worklessness is coupled with a lack of job opportunities, while economic stagnation makes the chance of the situation improving increasingly remote.

#### ***What is 'fair' competition between providers?***

The 'Right to Bid' scheme aims to devolve power locally and foster innovation by rewarding contracts through open competition between providers. However, we have concerns that different organisations may not be able to compete equally and may be disadvantaged because of their size, portfolio in the market, available flow of resources or other factors. The viability of some organisations, particularly small-sized, highly specialised third sector enterprises with less power to compete than private companies, may be threatened if they are unsuccessful, as there is a real risk they will not be able to stay afloat – especially where contracts are awarded for say, three year cycles and failure to secure any part of them will result in significant financial losses. Despite these worries however, the 'Right to Bid' proposal should be beneficial to providers with acute local knowledge and innovative ways of working in local communities and with local people. If the scheme is delivered well, competition should be open and fair, and not crowd out smaller providers with fewer resources.

#### ***The difficult role of Jobcentre Plus***

The Green Paper does not consider the difficult position that Jobcentre Plus staff face as both providers of support into employment and assessors and sanctioners of benefits – a tension that is likely to worsen after these reforms are implemented as Jobcentre Plus delivers the new hard-line Government policy. Overall, further development of these proposals will be needed before a sufficient White Paper can be produced, and the future feasibility of welfare reform implementation in light of recent economic changes remains to be seen.

### **5. Concluding thoughts**

This CLES Bulletin has discussed the potential positive and negative outcomes of the proposals contained within the Welfare Green Paper, welcoming this ambitious approach that puts responsibility, employment and economic well-being at its centre, yet being very cautious of the potential failings and negative social and economic outcomes of reform. The Government is right to be energetic in tackling the overdependence on state benefits and associated problems, particularly where these are concentrated in highly deprived communities and failing local economies. This aggressive policy shift is hence warranted, and yet the situation remains worryingly difficult as the problems caused by a system of conditionality, sanctions and workfare threaten to undermine the very outcomes they hope to achieve – social justice and economic prosperity – by disadvantaging the most vulnerable and in some cases leading to a rise in poverty, crime and disempowerment.

The Green Paper still has a way to go before it can become a blueprint for the future of welfare reform as several of the proposals and areas of change that it puts forward are vague and have not been developed beyond broad aspirations. We hope that these issues identified

will be addressed and satisfactorily mitigated in the necessary further development of the welfare reform agenda. Also, in addition to intrinsic challenges, these reforms need to be considered in the wider economic context as this will have a massive impact upon the Government's ability to achieve its aims of greater employment rates, less poverty and equal opportunities in the labour market.

***Is welfare reform feasible in a period of economic downturn?***

In the context of changes to our economy since the Green Paper was published in July, a pertinent question that comes to the fore is: is this the right time to be thinking about welfare reform? Are these turbulent times of credit crunch, banking crisis, housing crisis, fear of recession, the right times to be talking about aspirational 80% employment rates – surely improbable considering 164,000 people lost their jobs between June and August of this year, and the figures continue to rise?

An argument can be made both ways. On the one hand, we are entering a period of serious economic downturn and at the moment, it appears impossible to achieve the rates of employment aspired to by the Government. The rise to £1.79 million unemployed – the highest number in Britain since recession 17 years ago – with speculation that this figure may rise to 2 million people by Christmas, tells us that adequate jobs simply are not available. These reforms could be seen to make life harder for the hundreds of thousands of people making up Britain's long-term *and* (growing) newly unemployed population; frustration at not being able to find a job when effort is applied, and benefit sanctions when effort is not applied, threaten to increase desperation, crime, poverty and social unrest – transforming welfare not into workfare, but warfare with the Government in an already strained and politically disillusioned society. As more people become unemployed, the proposed system will be even less likely to deliver as the recently employed will have greater motivation, more up-to-date skills and inspire employer confidence more so than the long term unemployed, the disabled and parents with childcare responsibilities. This may make it even harder than before for claimants to access the declining numbers of available jobs and hence we are no closer to achieving full employment. These arguments highlight that the current economic crisis is causing serious difficulty for the implementation of the welfare reform agenda, perhaps suggesting that Government should concentrate on preventing further job losses and stabilising the economy, placing welfare reform on the backburner for less chaotic times.

However, a counter-argument to this can be made: welfare reform comes at an opportunistic time because it is now more crucial than ever to avoid people sitting back on benefits and prevent the newly unemployed from following the same path as the long term unemployed. The Government needs to ensure a latent supply of active, motivated and skilled workers is available to power the economy when we head out of the other side of the crisis, with a strong workforce being vital to economic reconstruction. Therefore, we must accept difficult times are ahead and continue with the plans and proposals for welfare reform in the hope that reforming now will yield a sustained reduction in worklessness and benefit dependency that will be vital to our economic and social future.

***The Government's response to tackling new unemployment***

To this end, Alistair Darling, Chancellor of the Exchequer, announced on 19<sup>th</sup> October that he intends to pump large amounts of public money into the UK economy by bringing forward large scale regeneration projects to stimulate struggling sectors, particularly the construction industry. Aiming to arresting economic decline and respond to the needs of the newly unemployed, Darling follows the logic of early 20<sup>th</sup> Century economist John Maynard Keynes, reasoning that it would be foolish to take money out of the UK economy during this time of downturn. As the Government are in a position where they can borrow more (forgivable considering our relatively low levels of debt compared to the rest of the G7), this extra money can be used to stimulate value added projects such as social housing, transport projects, school buildings and energy production. Such targeted inputs would save/create jobs and boost demand during these hard times, together with ensuring provision of the infrastructure that will be needed in the post-recession era (much like welfare reform can help to provide the larger and more skilled workforce of tomorrow).

This Keynesian plan has important implications for worklessness and welfare as it can directly contribute to the successful implementation of the welfare reform. Big questions now hover over these reforms, such as how can more people be helped into employment as the number of available jobs dwindles? And is it fair to enforce benefit sanctions when the chance of securing employment is lessening and the threat of hardship grows? However, increased public spending is hoped to arrest the rising numbers of unemployed and save jobs, thus removing these questions and allowing the workfare ethos behind reform to remain a legitimate and feasible approach in the current period. Ironically, considering these approaches are somewhat politically diametric, the Treasury's intended Keynesian response may be crucial to taking forward welfare reform in today's economy with any likelihood of political and public acceptance, or sustained successful outcomes.

## Bibliography

- *A comparative review of workfare programmes in the United States, Canada and Australia*, Centre for Regional Economic and Social Research at Sheffield Hallam University, 2008
- *Blackpool's IB claimants*, Sheffield Hallam University, December 2007
- *Ending child poverty: everybody's business*, HM Treasury, March 2008
- *In work, better off: next steps to full employment*, Consultation, DWP, July - October 2007
- *Joint birth registration: recording responsibility*, White Paper, DWP, June 2007
- *No one written off: reforming welfare to reward responsibility*, Green Paper, DWP, July 2008
- *Ready for work: full employment in our generation*, DWP, December 2007
- *Sub-National Review of Economic Development and Regeneration*, HM Treasury, July 2007
- *The Working Neighbourhoods Fund, Neighbourhood Renewal and the Third Sector: the implications of the focus on worklessness*, Rapid Research paper, CLES, January 2008
- Welfare Reform Act 2007
- *Working for a healthier tomorrow*, Review of the health of Britain's working age population, Dame Carol Black, March 2007

**Bulletin** is one of a series of regular policy reports produced by the Centre for Local Economic Strategies (CLES). CLES is a not-for-profit think-doing organisation, consultancy and network of subscribing organisations specialising in regeneration, economic development and local governance. CLES also publishes Local Work, Rapid Research and Briefing on a range of issues. All publications are available as part of CLES membership services. To find out more about membership visit the CLES website or contact CLES to request a membership leaflet.

### Centre for Local Economic Strategies & CLES Consulting

Express Networks • 1 George Leigh Street • Manchester M4 5DL • tel 0161 236 7036 • fax 0161 236 1891 • [info@cles.org.uk](mailto:info@cles.org.uk) • [www.cles.org.uk](http://www.cles.org.uk)