The Major Government and Workfare: A Historical Evaluation

Hirakata, Yasuhisa
Faculty of Economics, Kyushu University: Assistant Professor

https://doi.org/10.15017/18732
The Major Government and Workfare: A Historical Evaluation

Yasuhisa Hirakata†

1. Introduction

Since 1997, when New Labour won the general election in Great Britain, a lot of attention has been paid to the policy and thought of New Labour in comparison with Thatcherism. However, it is not enough to compare the ideas of the New Labour government with Thatcher’s because not only did the Major government (1990-1997) lie between the two governments, but also some of its policies were modified and transformed from Thatcherite ones to more modern ones, although it succeeded and were consolidated from the Thatcherite policies. John Major has been regarded as a realistic and pragmatic politician who sought unity of the party and a consensus style of politics, rather than an ideological politician. The ‘Citizen’s Charter’, which contains a typical policy of the Major government, actively recognised the role of government interventions to improve the quality of public services (Cm. 1599; Hirakata 2007, 125-6). The Thatcher government thought that a government should play a quite limited role, and that such an active government intervention must be denied. Major revealed his ideals, such as the ‘classless society’ or ‘opportunity for all’, while the Thatcher government had exclusively put stress on market mechanisms. Thus, we should not overlook that Major not only stressed the consolidation of market competition like Thatcher, but he also intended to tackle the problems caused by the market. That is why it is worthwhile understanding that the Major government had an important role in the historical transition from the Thatcher government to the New Labour government.

† Faculty of Economics, Kyushu University.
1) According to Driver and Martell, the performance of the first Blair government suggests that its ‘Third Way’ is not defined as ‘Thatcherism Mark 2’ but beyond Thatcherism (Driver & Martell 1998; 2002, vi). On the other hand, Wilkinson points out that New Labour’s thinking is a neo-liberalistic way, judging from the fact it place an emphasis on the role of market (Wilkinson 2007).
2) According to Seldon, Major himself was not uncomfortable making pronouncements on ideology and broad policy direction (Seldon 1998, 133). The political stance of Major was not clear because he had not written a book or pamphlet setting out his thinking.
The Major government has been mainly investigated in light of continuity with the policies of the Thatcher government. Seldon, who is a biographer of John Major, evaluated that it is worth nothing that such a person as Major led the Conservative party in the context of the party divided (Seldon 1998). On the other hand, Dorey wrote that even if the Major government succeeded Thatcher’s politics, ‘the Major premiership did evince a considerable degree of his own choice in pursuit of a distinctively Thatcherite policy agenda’ (Dorey 1999, 227). In general, it is regarded that the Major government inherited both ideology and policy of the Thatcher government, especially in the economic sphere. Therefore, the Major government was taken as the follower of the Thatcher administration (Fukai 2006, 196). It is true that like the Thatcher government, the Major government sought to keep inflation as low as possible because it thought that a high rate of inflation was one of fundamental causes of British economic hardship, and it would be preferable to keep inflation rates lower and macroeconomic condition more stable and thereby to promote market competition.

The purpose of this paper is to examine the development of social security policy from the Thatcher to the New Labour governments, particularly focusing on income security of working ages and workfare policy, and then to evaluate the Major government’s workfare policy in terms of the historical development. Since the Thatcher government, ‘workfare’ policy has been formed gradually, aiming at binding welfare with employment. In this development, the Major government basically inherited Thatcherite agenda. At the same time it preceded the agendas of New Labour in some points. In the next section, we will examine social security policy and workfare policy under the Thatcher government, which had tried to change and rebuild the post-war welfare state. The Thatcher government implicitly tried to tie social security receipt to working in its reforming agenda. We will review this process in light of its values that put stress on free market, the encouragement of entrepreneurship and self-help. The third section will investigate the social and workfare policies of the Major government. The issue is how the government inherited Thatherite policies. The Major government launched the policies of curbing welfare benefits. However, in this process the Major government found the new role of the state above Thatcherism. The last section will review New Labour’s welfare and workfare policies. Unlike the past Labour Party, New Labour changed their policies from direct government intervention to a policy that drew economic efficiency through market competition. Furthermore, New Labour had a new vision of how to bring out individual potential capacity based on the view that there have been environmental changes such as economic globalisation, development of knowledge economy and skill revolution. Finally, we will evaluate a historical role of the Major government.
2. **Post-war British Social Security System and the Thatcher Government**

In 1979, the Conservative party led by Margaret Thatcher came back into power and started its agenda for reforming the social security system. Their reforms were based on the economic ideas of the New Right. Keith Joseph, the then leader of the New Right, used some ideas and theories advocated by such economists as Frederick Hayek and Milton Freedman. Joseph alleged that the fundamental cause of British hardship was an increasing inflation. Thus, a government should reduce public spending, balance the budget and abandon economic interventions in the market so as to curb inflation\(^3\) (Hirakata 2009, 92). Of course, the reduction in public expenditure meant that of spending on social welfare. In this section, first, we will review William Beveridge’s ideas and proposals in order to understand the post-war British social security systems. Second, we will examine the charge against the welfare state made by the New Right and the reforms made under the Thatcher government. Lastly, we will review the ideology behind the government’s reforms.

(1) **William Beveridge and Post-war Welfare State**

The blueprint of post-war British welfare state was articulated in ‘the Beveridge Report’ entitled *Social Insurance and Allied Services* (Beveridge 1969). The Beveridge Committee proposed a comprehensive system that went beyond its initial remit because its remit was to undertake a survey of existing national schemes of social insurance and allied services (Gladstone 1999, 38-9). This report claimed that the new system should eliminate five Giants, i.e. Want, Disease, Ignorance, Squalor and Idleness\(^4\). Want was the most urgent issue of all, and the way to solve it was by establishing a system of social insurance. For Beveridge Want was the easiest, in some ways, to attack (Beveridge 1969, 6).

British social insurance is funded by contributions made by employees, employers and the state. On the other hand, social assistance is financed by taxation. In the Beveridge plan, social insurance, which was named National Insurance, was more essential than social assistance. National Insurance covered various risks caused by old age, unemployment, or disability, and all the people were insured by a single system. This insurance was to guarantee the insured's income while they were not working.

Thus, it was based on the principle that benefits were a form of return on contributions made

---

\(^3\) According to Joseph, the government expenditure to keep full employment was such that ‘in all but the very short run it could only result in stagnation and growing unemployment’ (Joseph 1976, 38).

\(^4\) Among Giants other than Want, Disease should be solved by the Ministry of Health, Ignorance should be resolved by the Ministry of Education. However, Squalor and Idleness should be solved by national planning because these presented the possibility of becoming political issues (Mohri 1990, 204-5).
whilst in paid work (McKay 1997, 117). In addition, in order to balance contributions and benefits in the long run, another principle was required: the benefit was offered as a flat rate, irrespective of the amount of earnings (Beveridge 1969, 121). Furthermore, the benefit guaranteed only a national minimum. If there was anyone who wanted to be guaranteed more than a national minimum, he or she would have to be insured by private insurance\(^5\).

It was social assistance, such as National Assistance, that complemented National Insurance. The social assistances were to be means-tested. For Beveridge, non-contributory assistance was less desirable than the insurance benefit (Beveridge 1969, 141). The reason was that Beveridge assumed people should procure paid work, and as a population they were assumed to work seriously (Komine 2007, 225). Social assistance with a means test had a problem that its take-up rate remained low. The British means test had had a long tradition since the Poor Law and people felt that they were marked with some kind of stigma when receiving a social assistance with a means test. Beveridge tried to redefine receipt of the social security benefit as a right in return for the worker's contribution. Thus, he declared that the centre of the social security system should be National Insurance. In addition, to operate the social security system smoothly, it needed to be equipped with a public health system and full employment as well. The people had to return to a job as soon as they could to maintain the sustainable balance of contributions and benefits\(^6\). Thus, it can be said that 'full employment was itself the best means of tackling the sort of poverty' (Clarke 2004, 302).

However, the social security system did not work well from the beginning as Beveridge had envisaged. This was partly because an aging population had increased and a universal state pension was set at too low a level for them to live adequately, and partly because of the difficulty of attaining a supplement from private sources (Clarke 2004, 304-5). That is why social security was expanded in the 1960s through the introduction of an earning-related pension, stepping away from Beveridge's principles, such as a flat benefit and so on.

(2) Social Security Reform under the Thatcher Government

The Thatcher government implemented its reform of social security in two ways. One was to reduce benefit expenditure and the other was to tighten entitlements. The Thatcher government inaugurated these reforms soon after they took office. For example, the government tried to abolish the state earning-related pension scheme (SERPS) and introduce a new scheme of personal

---

5) ‘National minimum’ was advocated by the Webbs (S. & B. Webb). They thought the ideal welfare scheme consisted of dual factors; friendly society and a national minimum enforced by the state’ (Eriguchi 2004, 11).

6) National Health Service (NHS) was established under A. Bevan, Secretary of State for Health. It was unique in that it was a comprehensive system and funded principally out of taxation. Thus, it was free to the patient at the point of use (Netleton 1998, 130; Gladstone 1999, 44). Although public health services overwhelmingly covered men under the pre-war National Insurance Act, NHS established a right to medical services for women, for dependent children, and for the elderly (Clarke 2004, 224).
pension, although it couldn’t replace SERPS with private pension (Pemberton 2006, 55). In housing policy, there was widespread council house privatisation through ‘right-to-buy’ legislation, and the means-tested Housing Benefit increased rapidly as a result of removing ‘bricks and mortar’ subsidies (Johnson 2001, 65).

The British Unemployment Benefit was a contributory benefit and in case of the unemployed without entitlement, a means-tested benefit was granted. The main function of social security is to guarantee people’s income when they are jobless (Fukai 2006, 205). In its early stage, it was assumed that the unemployed would be able to get back to employment soon after receiving unemployment benefits for a short period. However, in the 1980s, the mass unemployed could not return to work easily. British unemployed could receive their unemployment benefits for only twelve months; since then the long-term unemployed have been forced to rely on minimum Income Support. Indeed the claimant number was growing rapidly in the 1980s.

A Green Paper entitled Reform of Social Security, published in 1985, characterised the government’s reform. This was formulated under Norman Fowler, Secretary of State for Social Services, although its proposal was implemented during the third term and thereafter. In its preface, Fowler emphasised that ‘[i]t represents the most fundamental examination of our social security since the Second World War’ (Cm. 9517). Fowler blamed consistent expansion, that is, the social security system became too complicated. He went on to argue that it had never put help where help had been most needed. In other words, he pointed out that the expansion of universal benefits, such as a contributory benefit, had not solved the poverty problem.

That is why the 1986 Social Security Act, enacted in accordance with the Green Paper, replaced Supplementary Benefit with Income Support, and Family Income Support with Family Credit. In the new system, benefits depended on the family type and a premium was added to families with dependent children. Furthermore, a common assessment was introduced for these renamed benefits, and a Housing Benefit that was based on calculating net income after tax and national insurance deductions (Brown 1995, 72). In sum, it can be safely said that the Fowler reform aimed at simplifying the welfare system.

These policies were laid down in light of expenditure cuts. However in the 1980s, the unprecedented number of unemployed was caused by the structural change of the economy and the change of government’s economic policies. In order to reduce unemployment, the government decided to make use of occupational training. Apprenticeship had traditionally played a very important role in British occupational training. Since the 1960s, the successive governments had established some institutions for occupational training, such as Industrial Training Boards (ITB) and Manpower Services Commission (MSC). The Thatcher government actively used MSC to improve training for the unemployed (King 1997).

The Youth Training Scheme (YTS) reveals the government’s use of MSC. This scheme
originally began in 1983 and provided a year’s basic vocational training to all unemployed at the age of sixteen and seventeen on the one hand, and the trainees received an allowance from MSC on the other hand (Jones 1988, 55). In 1988, the government excluded youths under the age of eighteen from Income Support entitlement. Thus, the young unemployed were forced to join the training schemes (Sakano 2002, 160). In a similar fashion, the long-term unemployed were also required to join the training programme as ‘Restarts’. If they denied joining, they would also lose their entitlement to the allowance. It could be said that this was an infant version of workfare (Sakano 2002, 159-60). For Thatcher, it was important to maintain the incentive for work, and it was necessary to reinforce the offers of assistance with the threat of sanctions (Thatcher 1995, 545).

(3) Social Security Reform and Ideology of the Thatcher Government
The post-war British economy had been declining in comparison with other developed countries; it couldn’t secure a high rate of growth during a ‘golden-age of capitalism’⑦. Although it attempted to improve economic growth through the cooperation between employers, trade unions and government (Corporatism) in the 1960s, the government was forced to abandon this attempt due to insufficient results. In order to secure economic growth, the inflation rate should be kept below the growth rate. That is why the government asked trade unions to cooperate and curb the rate of inflation. However the failure of Corporatism revealed the fact that trade unions represented only unionists’ interests. Moreover, the British and world economies suffered from oil price shock (OPEC I) that accelerated inflation further.

The New Right had gained a greater voice in the Conservative party after the 1974 general election. Keith Joseph alleged that British hardships had come from excessive public expenditure (Hirakata 2009, 92). Immediately after assuming office, the Thatcher government implemented policies that were based on economic liberalism. Thus, policy goals were changed from securing high and stable levels of employment (full employment) to reducing the inflation rate.

Economic policies such as sound finance have an influence on the welfare state and the social security system. In the post-war period, social security became one of the largest expenditure items. The Thatcher government sought to reduce it in two ways. These were reducing benefits and tightening entitlements. The government thought that a government should eschew

⑦ As economic statistics made international comparison possible, British declinism was widely recognised among politicians, policy-makers and the public (Tomlinson 2000, 14). The world economy had expanded rapidly during the period from 1950 to 1973, and was regarded as a ‘golden age’. However, Britain grew relatively little (Middleton 2000, 18). Its relatively low growth rate led British levels of living standard and share of world economy down, and yielded the feeling of declinism that Britain was experiencing (Pemberton 2004, 112).
intervention in the market, and if it was successful in doing so, the British economy and its public services would be highly efficient. That is why the Thatcher government transformed social security from universal to means-tested benefits. Therefore, it can be said that this transformation expressed the targets of welfare.

Therefore, how did the Thatcher government think about welfare and social security institution as a safety net? It thought that ‘[p]ublic services should be cheap and basic, for people who could not afford to provide for themselves’ (Willman 1994, 65). Thus, the Thatcher government considered that social security should be restricted in its role and provide a minimum assistance to the poor. Furthermore, it worried about the increase of people who relied on social welfare, from the viewpoint of ethics. The number of such people had increased, as the number of long-term unemployed and the number of separated and divorced had sharply multiplied. Thatcher criticised these trends in her memoir because she thought these would cause moral problems. Thatcher feared the growing welfare dependency because it would de-motivate and demoralize young people. She recognised strongly that industrial expansion and advance would depend on their contributions (Thatcher 1995, 528). Thus, the unemployed and the welfare dependent must cultivate ‘entrepreneurship’. In other words, through tightening the entitlements to social welfare, the government forced the unemployed to take jobs. But indeed, social security expenditure did not decrease in the 1980s, and social security still remained a major political issue (Kobori 2005, 77). It is reasonable to suppose that as a result of the Thatcher government seeking to reduce the public expenditure, the weight of public assistance was increased. However, this was the first step towards a selective welfare system through these reforms.

3. Social Security Reform of the Major Government

In 1990, Margaret Thatcher resigned and John Major succeeded her. Thatcherite MPs supported Major’s elevation to party leader and Prime Minister. Thus, the new government was expected to take over Thatcherite projects and win the coming general election to maintain the Conservative government. Although the government inherited and consolidated existing policies, Major came to review the role of state that Thatcher had denied. In this section, we will consider Major’s ‘new leap’ by reviewing his social security reforms. First we will examine the social security reform under the Major government. Second, we will clarify the ideological foundation

---

8) After the Divorce Law Reform Act of 1969 made divorce easier, the number increased rapidly. However divorce usually meant a drop in the standard of living of all concerned, especially ex-wives caring for dependent children (Clarke 2004, 366).
9) Thatcherite MPs, especially Thatcher herself, supported Major, although the left of the party voted for Michael Heseltine or Douglas Hurd. The reason for her withdrawal and her support for Major was to cope with Heseltine, who stood against Thatcher. Furthermore, he was assumed to be an economic interventionist and a leading pro-European (Dorey 1999, 219).
of the Major government.

(1) Three Social Security Reforms of the Major Government

Basically, the Major government took over social security reforms from its predecessor. However during the 1980s, the British economy and society were being transformed. In accordance with this transformation, new problems arose such as youth unemployment, economic and social disparity, which was attributed to the career path of youth after leaving school, the economic distress of single parents caused by separation or divorce, especially the increase of single mothers, and the increase in the long-term unemployed. These problems were a negative aspect of the reforms under the Thatcher government.

In the first half of the 1980s, many employees lost their jobs mainly because of the deep recession and the government's economic policies. An unprecedented number of unemployed, that is above three million, were generated, and they were characterised as male, manual, and full-time labourers. However, the unemployed in manufacturing couldn't be absorbed by new industries such as services. These were caused firstly by 'deindustrialisation', and secondly by computerisation in manufacturing industry (the Micro-Electronics revolution). That is why the long-term unemployed increased, but they could receive only Income Support after they had finished receiving Unemployment Benefits for twelve months. The unemployed were increasingly compelled to depend on social assistance.

To solve these problems that became obvious in the 1980s, the government launched serious new policies to combine unemployment benefit with occupational training. In other words, the government required the unemployed to join the occupational training scheme whenever they wanted to receive unemployment benefits. That is the so-called 'narrowly-defined) workfare'. Workfare, originally devised in America, is a programme or scheme that involves benefits supplemented with contribution towards claimants' cost of travelling to work and other work-

---

10) The Major government had to tackle the problems that the Thatcher government left, especially the poll tax and European integration were very urgent problems (Okayama and Tozawa 2001, 14-5). The poll tax introduced in the late Thatcher period was unpopular among the public. Heseltine was in charge of its abolition as the Minister of Environment. In European problems, Major signed the Maastricht Treaty after the British opt-out of a single currency and social chapter was accepted. Thatcher herself was against that treaty, but Major feared that European integration would deepen without the UK.

11) Sakurai pointed out that British rapid and negative 'de-industrialisation' decreased employment in both the manufacturing and the service sector, although the former was more severe than the latter. Furthermore, both sectors differed from each other in their employment structure. The latter was characterised as female, non-manual and part-time labourers (Sakurai 2002, 116).

12) The introduction of new technology such as micro-electronic technology in manufacturing increased the importance of not only functional flexibility but also quantitative flexibility. In this process, the latter resulted in skilled labour substituting for unskilled or semi-skilled labour, enabling a firm to save their labour-costs (Moriya 1997, 78-9).

13) During the 1980s, the ratio of contributory benefits declined, while state contribution increased from forty-five to fifty percent. Furthermore, among non-contributory benefits, the ratio of benefits conditioned by means test also increased. There were not the low-income persons whose income depended on welfare (Mohri 1990, 321-2).
related expenses (Cebulla 2005, 30). Some scholars argue that the Swedish active labour market policies are also regarded as a kind of ‘(widely-defined) workfare’ (Miyamoto 2004, 223). As a whole, in Britain during the 1980s, the government emphasised participation in training or job-seeking activities rather than developing employability for the unemployed by themselves. As noted above, it could be said that the Thatcher government introduced an infant version of workfare. But in her memoir, Thatcher wrote that it was not clear whether Britain should introduce full-blown workfare. The reason was that ‘US experience suggests that Workfare can be both expensive and frustrated in practice by bureaucratic obstruction’ (Thatcher 1995, 560). Thatcher worried about the expansion in public spending and advocated curbing it in general, and curbing welfare spending individually. At the same time she stressed ‘work and earn’ because of her anxiety about the increasing possibility of the recipients’ reliance on welfare.

Among reforms of the social security system under the Major government, three revisions are important. These are the Child Support Act, the establishment of Incapacity Benefit, and the Jobseeker’s Allowance. Peter Lilly, Secretary of State for Social Security, was concerned about the increasing expenditure for social security14. In the developed countries including Britain, he wrote, ‘people are living longer and experiencing changes in employment patterns and family structures. Social security systems designed for the needs of earlier generations are not wholly appropriate to today’s conditions’ (DSS 1993, 4). In addition to the growth of the aging population, the retired were newly entitled to high levels of benefit as they had contributed during the period when the systems were enlarged. That was why Lilly insisted the government should continue to reform its social security system.

Now let us examine the single parent issue. The change in the social security policies under the Thatcher government, augmented benefits for low earners who were obliged to rely on Income Support. In particular single mothers with dependent children tended to sink into poverty. Indeed almost two in three single-parent families were receiving Income Support (Kashihara 2005, 18). Thus, the poverty of single parents became an urgent problem that the government had to resolve. Unlike the USA, British single parents with dependent children traditionally have not been forced to take jobs, unless the youngest children became sixteen years old. However, because single parents were entitled only to Income Support, they could not obtain adequate income. The Social Security Acts of the 1980s stipulated the parents’ responsibility for rearing children till their children became eighteen years old, and imposed on an ‘absent father’ the duty to pay the expense of bringing up his child. The aims of the new institution were,

---

14) Lilly pointed out that the social security system had not matched current circumstances due to socio-economic transformations. He worried about the growth of British social security expenditure. International comparison revealed that in Britain its increase was higher than in other European countries, whereas the British proportion of national income was approaching the EC average (DSS 1993, 4).
firstly to clarify parents’ personal responsibilities, and secondly to encourage the self-reliance of a single mother who was able to receive help from an absent father (Lister 1994, 356). The Major government established the Child Support Agency according to the Child Support Act. The new system started in 1993 and required single parents to cooperate with the Agency when they claimed social assistance. Judging from these complemented policies, it could be said that the Major government expanded selective support to single parents and low-income families with dependent children, and the means to do so were similar to those of the Thatcher government’s. Furthermore, ‘thirty hours credit’ had been introduced in 1992. This system was an additional credit given to a single mother when she worked over thirty hours a week. It was an expansion of the Thatcher government’s Family Credit, and it had the effect of increasing a family’s net income when a low earner with dependent children worked full time (Fukai 2006, 205). The government intended that this scheme would give the incentive to single parents who were eligible for Family Credit to take jobs. In addition, a new tax deduction of forty pounds per week for childcare cost was introduced in 1994 (Hill 1999, 172).

There was during this time a rapid increase of Invalidity Benefit claimants. Lilly himself pointed out that although the British people’s health had improved, the number of claimants had grown (Hill 1999, 171). That is why the 1994 Social Security (Incacity for Work) Act was enacted to replace Invalidity Benefits with Incacity Benefits. The claimant of Incacity Benefits was required to take an ‘objective’ test that was undertaken by a doctor whom the Benefit Agency employed. In this procedure, it mattered whether the claimant had a capacity to work or not. The establishment of Invalidity Benefit meant that the claimant was forced to move from a relatively generous insurance-based benefit to a lower and means-tested allowance (Hill 1999, 171).

The Unemployment Benefit was also revised in 1995. The Job Seeker’s Act was enacted and the Jobseeker’s Allowance replaced the existing Unemployment Benefit. Through this reform, the unemployed were required to express their willingness to take a job and search after their jobs actively, if they wanted to receive the Unemployment Benefit. The unemployed were granted contributory Jobseeker’s Allowance for the first six months if they met both contributory conditions and employment conditions. These conditions required the claimants to work for more than forty hours a week, to seek a job positively and to sign the ‘job-seekers’ agreement’ (Fukai 2006, 205). Of course, if a jobseeker did not accept the agreements, he or she lost his/her benefit. When the long-term unemployed over six months and the unemployed without entitlement wanted to be granted a jobseeker’s allowance, they had to take a means test.

To sum up, social security policies under the Major government may be characterised by its succession, consolidation and expansion of the Thatcherite agenda. In particular, it could be said that the Major government’s reforms succeeded and pushed forward the Thatcherite ones in that
it reduced the period of receiving benefits and made job-seeking compulsory. While an unemployment benefit was granted only to those who were willing to work for a certain time, the unemployed without employment capacity or willingness were forced to claim Income Support. Thus, the system changed increasingly from a universal to a selective system. At the same time, the Major government was keener to tackle the problem of poverty in low-income families with dependent children than the Thatcher government had been. In so doing, the Major government intended that low-income families would not rely on welfare benefits but would work to earn by themselves, and attempted to provide them with the incentive to work. The Thatcher government introduced workfare mainly because it thought that the solution of the employment problem should be left to the labour market. However, the Major government prompted workfare in that it established the system that enforced the unemployed to go back into the labour market as soon as possible. It also attempted to offer the increase in work to the low-earning families. These ideas were further developed under New Labour. It seems reasonable to find the Major government’s historical meaning in the fact that it preceded New Labour in the ‘active welfare state’ (Brown 1993?) despite being a Conservative government.

(2) Ideological Foundation of the Major Government in Social Security Reform

The Thatcher government adopted an economic policy that would de-regulate the market force in order to remove the fundamental cause of British economic hardship, namely the high rate of inflation. When Major succeeded Thatcher as Prime Minister, the Major government was expected above all to keep the Conservative party in power. In the leadership contest, Major was supported by the right wing of the party. Therefore, most of the Conservatives thought that the new government should pursue Thatcherism without Thatcher (Seldon 1998, 133). Although Thatcher had had enough time to formulate her agenda as an opposition leader, Major was forced to make a pragmatic political decision (Stevens 2002, 135). He was required to keep his eyes on both sides of the party because he had to unite the party (Evans 1999, 139). Major advocated a ‘classless society’ or ‘opportunity for all’, which was drawn from his own experiences, and therefore, he stressed the importance of education and training policy. He thought that improvement in education and training would increase the people’s employability and enhance the possibility to realise individual potential.

In the early 1990s, there was a vast gap of income between those who had made a choice of the education course and of the training course during their secondary school days. According to McIntosh, the disparity between workers with educational qualifications and those with vocational ones appeared because there was a relative demand shift in favour of the more educated (McIntosh 2003, 258). In addition, the government recognised that to keep its competitiveness in the globalised economy, it was necessary to improve British levels of human resources (Cm. 3300,
7. In 1993, Major revealed several fresh policies, including workfare, and the new Cabinet Unemployment Committee began to discuss it (Seldon 1998, 361). Major criticised welfare dependency as followed: ‘I increasingly wonder whether paying unemployment benefit without offering or requiring any activity in return serves unemployed people or society well’ (Seldon 1998, 361). However, the Treasury worried that a new scheme would bring about a huge cost and the right wing of the party worried that it would constitute a government guarantee of a right to work (Seldon 1998, 362).

As the Major government was basically based on Thatcherism, it placed an emphasis on the individual’s rights and responsibilities. Of course, the people who were able to work were required to get a job in the labour market. It would be natural that we should regard a series of measures for workfare under the Major government as derived from the American ideas of workfare, which spread to other developed countries during the 1980s and the early 1990s. In this way, the Major government encouraged the British workfare by means of further reforms in the social security system and in the education and training schemes.

4. Social Security Policy under New Labour

The Labour (New Labour) party regained control of office after an eighteen year-interval. Before that, in 1987, it had set out to review its past policies and tried to develop new policies that would make the wider range of the public support it. After its defeat in the general election of 1983, the Labour party abandoned the Alternative Economic Strategy. In the process of the Policy Review, the Labour party gradually moved to a position to make use of a market system. In other words, departing from its past policies, it reached the conclusion that the state should not regulate or control the market but ‘enhance the development of sound market economy’ (Kichise 1997, 98), although not all the members of the party agreed on this. New Labour thought that economic policies should be ‘not based on fine-tuning of short-term business fluctuations but on the accomplishment of long-term economic stabilisation’ (Seki 2009, 39). In this section, first, we will review New Labour’s economic thoughts and social security policies and, second, we will consider New Labour’s workfare policy, named New Deal programmes.

---

15) Many scholars have emphasized the importance of this policy review process for the creation of New Labour. For example, see Seki (2009).

16) The Labour left intended to ‘[break] the chains of the world economy’ in order to ‘safeguard the national economy’ (Gamble 1981, 187-8). In its manifesto at the election of 1983, the Labour party proclaimed that in office they sought to introduce import controls, to return to public ownership, to withdraw from the European Economic Community (EEC) and to pursue a non-nuclear defence policy (Dale 2000).
(1) New Labour’s Social Security Reform

In the post-war era, welfare systems were generally ‘conditional’. This means that when a given risk appears, it is covered by social insurance, and then if it is not sufficient, the risk will be covered by social assistance with a means test (Miyamoto 2004, 216). As noted above, the British system provided comprehensive and contributory National Insurance to those who were exposed to risk and Supplementary Benefit for those who did not have the entitlement to National Insurance. However, the reforms of the 1980s refocused social security policies from social insurance to social assistance. The Thatcher government’s belief in the free market and its determination to curb inflation did not allow it to accept the overloaded budgetary expenditure. Furthermore, Thatcher’s moral value claimed that the people should usually draw their subsistence from their own work. Meanwhile, the economic depression of the early 1980s created a lot of young unemployed as well as long-term unemployed. Thus, the government was forced to attach high priority to making these unemployed people come back to paid employment through the change in the social security programme.

In the 1997 general election manifesto, New Labour declared to tackle actively these unemployment problems. It displayed a sense of the danger from the British labour market as follows: ‘There are over one million fewer jobs in Britain than in 1990. One in five families has no one working. One million single mothers are trapped on benefits. There is a wider gap between rich and poor than for generation’ (Dale 2000, 360). The most urgent problem was tackling the poverty of families with no wage earner and of single parents. Moreover, another pressing issue was grappling with the gap between the rich and the poor, which had been widened during the past Conservative period. New Labour thought that these problems of gap and poverty could not be solved through individuals’ self-help or free competition in the market place. Therefore, New Labour had to emphasize the importance of development of individual potential because it was embracing the belief that individuals could take jobs and support themselves by the realisation of their potential. In other words, New Labour’s view was that it is the realisation of individual potential that improves people’s skills, and the improvement of their skills will, in turn, increase the possibility of their taking a job. Like the Thatcher government, the New Labour government advocated ‘equality of opportunity’, but in its opinion, unless the unemployed have acquired the skills which firms need, there will be no chance that they will be employed in the labour market despite the guarantee of equality of opportunity. Thus, the New Labour government attempted to provide to the unemployed the opportunity to realise their potential and to improve their skills. The government was sure that if this came about, a more equal and fairer society would be achieved. Needless to say, it is difficult for most of the individuals to improve their skills by themselves. They need some help from the outside such as the community, the society, and the state. This is New Labour’s idea behind its own social security policies.
As a matter of fact, the British vocational training policies were already introduced in the 1980s, aiming at encouraging the unemployed to take a job and earn their living by themselves. However, according to Thatcherism the employment problems basically had to be solved by the individuals’ own power. Therefore, the Thatcher government never intended to introduce the Swedish active labour policies. Instead, it is a kind of workfare that New Labour intended to establish. The British workfare aimed at replacing the receipt of unemployment benefit with the encouragement of being hired. Furthermore, the expansion of public expenditure becomes less, as workfare makes more satisfactory progress. These concepts were basically accepted by the New Labour government. However, the reduction in the long-term unemployed was an urgent task for the government, one that it had to tackle most seriously, since the decrease of the rate of employment was the best way to inhibit the expansion of social security expenditure. It was common sense in the post-Thatcher era that the increase of the long-term unemployed would increase the population who relied on benefits, and therefore, impose more burdens on the financial budget. The Thatcher government only sought macroeconomic stability and forced the unemployed to take jobs and to earn their subsistence by themselves in competition with others in the labour market. Meanwhile, the New Labour government tried to restructure the British social security system and to change the state ‘from a passive provider of financial support into a tool to promote labour market engagement’ (Forthergill & Wilson 2007, 1007).

However, the New Labour government also stressed the importance of competition in the labour market, although its idea was quite different from that of the Thatcher government. The government was eager to help the unemployed acquire the new skills that would make it possible for them to get new jobs in the labour market. Some scholars have discovered a relationship between this British course of action and the Scandinavian one, that is the active labour market policy\(^\text{17}\). However, it is very difficult to assert that the Swedish ‘(broadly-defined) workfare’ policy was really complemented because the New Labour government was afraid that the execution of this policy would enhance the public employment and the public expenditure as well. The expansion of public spending will in turn raise the rate of inflation. For not only the Thatcher and the Major but also the New Labour governments, it was absolutely necessary to maintain the macroeconomic stability and curb inflation as well. Accordingly the New Labour government could not adopt the Swedish active labour market policy that might lead to the increase of public expenditure and the rising inflation in their view\(^\text{18}\). Therefore, New Labour’s measures to cope with unemployment and poverty were not the exclusion of the unemployed and the poor from social welfare but the introduction of a tax credit for low earners and the renewal of a training scheme for the unemployed.

\(^{17}\) For example, Cebulla pointed out that the study of Swedish institutions by Richard Layard at LSE influenced New Labour in shaping their policies (Cebulla 2005, 20).
(2) Development of Tax Credit and ‘New Deal’ of Welfare

There had not been a national statutory minimum wage in Britain until it was enacted under the New Labour government, since it had been supposed that labour issues including a wage problem should be solved through voluntary consultation between capital and labour. The Conservative governments in the 1980s and 1990s consistently criticised the rigidity of the British labour market and advocated the wage-setting through voluntarism in the free market. That is why the government restricted trade union activity and removed its role in the policy-making process in the Thatcher era and completely abolished the Wage Councils in the Major era. Responding to such a circumstance, the New Labour government established a statutory minimum wage (Howell 2007, 180). Furthermore, the government revised the social assistance scheme and increased social assistance for low-income working families. Namely, the government set up a new Working Family Tax Credit (WFTC) and a new Disabled Person’s Tax Credit (DPTC).

A tax credit can be seen as a sort of assistance, replacing a benefit in cash with a tax credit. In addition, these tax credits were more generous than the existing benefits (Kobori 2005, 162). WFTC was a tax credit that was allowed to low-income families working more than sixteen hours a week. The creation of WFTC and DPTC was expected to reduce the ‘stigma’ caused by receiving means-tested benefits, and accordingly to raise the take-up rate. In addition to these tax credits, a new Childcare Benefit was also provided to low-income families with dependent children. According to this scheme, the granted benefit did not exceed seventy percent of the childcare expenses. This creation meant that childcare, previously provided by its claimants’ friends or families, was to be transacted in the market place (Johnson 2001, 70).

The workfare, which was gradually introduced under the Thatcher and the Major governments, seems to have evolved into a ‘New Deal’ under New Labour. This New Deal was based on the deep insights into the structural change of the British economy in those days. The mass unemployed derived from the manufacturing sector due to deindustrialisation were not easily absorbed into the service sector. Meanwhile, globalisation and computerisation were rapidly progressing. Under the changing circumstances, every country was required to attract foreign capital and investments from the globalised market. It was especially essential for developed countries to be equipped with a skilled labour force, since a foreign company would come to Britain to make efficient use of this skilled labour force. Meanwhile Brown, leading New Labour as the Chancellor, feared the prolongation of unemployment caused by the lack of skills.

---

18) The New Labour government recognised that price stability, and therefore a low and stable rate of inflation, was the precondition for sustainable economic growth (Ballis & O'Donnel 2002, 4). Immensely after in office, Gordon Brown, the Chancellor of the Exchequer, announced that he was handing over the operational responsibility for interest rate changes to the Bank of England. By doing so, Brown expected to secure the transparency of decision-making and responsibility of interest rate (Keegan 2004, 153). This devolution can be regarded as the reinforcement of inflation-targeting that was implemented under the Major government.
Therefore, the New Labour government had to devise a new way of offering the people an opportunity to improve their skills throughout the course of a lifetime\textsuperscript{19}.

In its New Deal programme, the government redefined the period of unemployment benefit as that which was needed to increase employability. The government also thought that the receipt of social security benefits should be combined with employment service and occupational training. Thus, the participant in the programme was forced to perform job-seeking activities in order to receive unemployment benefits. If the unemployed refused to do so, they would face sanctions that cut their benefits. The New Labour government continued the workfare that tied the receipt of benefit with the activities toward employment as had the Major government. However, there was a leap away from the Conservative government. It was due to New Labour’s originality that the period of receiving benefit was redefined to the period that was necessary to improve employability (Seki 2009, 36).

Now, let us review the New Deal in detail. This programme provided various segmented courses that sorted non-working people according to their age or conditions. These were the New Deal for young people (18-24 years old); for the long-term unemployed over the age of 25; for the old unemployed (50 plus); for lone parents; for disabled people; and for partners of the unemployed. The centre of the New Deal programme was the New Deal for young people. They were obliged to enter the New Deal programme for six months after they had lost their jobs. First, they attended a personal meeting and received consultation for employment for four months called the ‘Gateway Period’. If they were not able to find work after this period, they would be required to participate in each of four courses which the government prepared, that is, ‘to accept work, undertake full-time education and training, undertake voluntary work, or join an environmental task-force where they [would] get little more than they would on benefit’ (Bevir 2005, 91). Whatever courses the participants chose, every participant was prepared for the opportunity of training once a week. This is the evidence for New Labour’s emphasis on human capital.

This New Deal tried to utilise the non-working population who were not regarded as work force up to the present. It provided for lone parents, disabled persons and partners of the unemployed. The New Deal for lone parents provided advice for employment, skill development or childrearing support. The participants in New Deal for partners of the unemployed did not have dependent children. The aim of its creation was to end the assumption that spouses should be dependent on their husbands (Finn 2001, 79). These programmes did not require compulsory participation, but through advisory and consultative services, it aimed to get more people into the

\textsuperscript{19} In order to provide an educational opportunity, New Labour institutionalised ‘University for Industry’ which delivered ‘learnindirect’ services and established ‘Individual Learning Accounts’ for the purpose of giving financial assistance to individuals (Seki 2009, 36).
labour market.

The Thatcher government intended to improve British economic efficiency through the increase in market competition or through self-help. In this process, the infant version of workfare was introduced. In the pre-Thatcher years, receiving welfare benefit was not directly tied with the activity toward employment. However, the Thatcher government and the New Labour government did not share a common philosophical background. Namely, New Labour seemed not only to seek market efficiency but also to combat the problems caused by market competition through governmental actions. The economic society that New Labour sought was one that would achieve ‘the equality of opportunity’ for all. The New Labour government helped the unemployed and so on acquire a new skill through New Deal programmes. If they had done so owing to governmental assistance, they would be more likely to enter the labour market and even to take a job. New Labour seriously reflected that the past workfare policies under the Thatcher and the Major governments were not only ineffective but also widened the gap between the rich and the poor.

It is a basic idea of New Labour government’s social security policy that every individual should be tied with the labour market. For this purpose, it granted selective public assistances, not the comprehensive social insurance that Beveridge had envisaged. At the same time, it looked at lone parents and partners who had not been regarded hitherto as part of the work force, and sought to build a system by which they could earn their living by themselves. This seems to be characteristics of New Labour.

5. Conclusion

The Thatcher government dramatically changed British economic policy. Namely, it enacted a move from the Keynesian era to the New Right era. This shift was based on the newly emerging theories of orthodox economics, such as monetarist theory, which put much faith in the market mechanism. These economic theories afforded the theoretical foundation of the changes. According to these theories, growing inflation caused the British economic hardship, and the huge fiscal expenditure, in turn, caused growing inflation. The new economics advocated reducing the overloaded budgetary expenditure. Thus, the centre of social security policy moved from the universal benefit systems toward the selective systems. It was pointed out that this new scheme would make possible efficient budgetary allocation and the reduction of social security expendi-

[20] According to Blyth, the economics that influenced the policy changes during the 1980s were rational expectations, supply side economics, and public choice beside monetarists. Keynesian economics, which had predominated before, lost its confidence, since inflation was thought to have arisen owing to the Keynesian policy (Blyth 2002, 139-47).
The Thatcher government criticised the increase of welfare dependents in terms of ethics. It feared that the growing number of welfare dependents would lead to the increase in the payment of unemployment benefit and accordingly decrease taxpayer’s incentive to work. One of the reasons for the increase of welfare dependents was the prolongation of unemployment caused by the changes of the economic environment, such as the change in the industrial structure. Accordingly, the government should have helped the unemployed acquire skills needed for taking a job in the changing economic environment. But the Thatcher government did not do so because it thought that if that was done, not only would the market mechanism be distorted but also the fiscal expenditure would increase.

However, the reality is that the social expenditure did not decrease but increase. In addition, the social gap became increasingly wider. Under such a circumstance, the Major government reinforced the Thatcherite way of thinking on the one hand and continued the reforms of social security on the other hand. One of these reforms was the replacement of Unemployment Benefit with the Jobseeker’s Allowance (JSA). To receive JSA, the unemployed were required to express their willingness to take a job. At the same time, the recipient period of JSA was reduced from twelve to six months. To deal with the increasing number of lone parents, the government reinforced the responsibility of an ‘absent father’, and it required him by law to support his children. Furthermore, if single parents took up employment, an additional benefit would be granted. Thus, the Major government made clear individual rights and responsibilities and afforded the unemployed state support only if they expressed their willingness to take a job. While the Major government partly succeeded Thatcherism, it actively sought to tackle the gap between the rich and the poor which had been caused by the past Thacherite enhancement of the market competition and the socio-economic changes. The Major government implemented its policies based on the idea that the state had to encourage the people to increase their skills and to take jobs, although the Thatcher government had thought that the improvement in their skills should be left to individual self-help.

After its triumph in the general election of 1997, New Labour started rebuilding the comprehensive systems under which social assistance would be provided to the poor. The government was also anxious to promote employment. The government gave the unemployed an opportunity to enhance their skills and thereby it tried to encourage them to take a job. Namely, the government redefined the period of unemployment as the period during which the unemployed should prepare to secure employment. In New Labour’s view, the people should constantly improve their skills in the globalised and computerised economy. However, according to New Labour, individual efforts alone cannot make it possible to acquire a new skill. The government must help the people to do so. This is the British workfare policy.
To sum up, the British workfare policy has been gradually formed in the post-Thatcher era. However, the ideological foundation on which each government based its workfare policy changed gradually. The New Labour government’s idea was that in order for the unemployed to acquire a new skill and thereby to take a job, their efforts alone are not sufficient and therefore they need help from the government. On the other hand, the Thatcher government thought the role of a government should be limited to maintaining the free market and the unemployed should make efforts of acquiring a new skill by themselves. The Major government was aware that the social gap between the rich and the poor was growing, as a result of the Thatcher government’s having promoted the deregulation of the labour market, and accordingly, the Major government thought that the unemployed had to join training schemes which would be provided by the government if they wanted to receive the unemployment benefit. Although the Major government did not necessarily hammer out a fundamental change, it seems to have indicated a new direction which would be accepted and developed by the New Labour government. In other words, the Major government can be historically evaluated as the government that modified Thatcherism in this sense and pointed the way to British workfare for the New Labour government.

References

Cm. 3300, 1996. Competitiveness: Creating the Enterprise Centre of Europe, London: HMSO.
DSS (Department of Social Security), 1993. Containing the cost of social security -the international context. London: HMSO.


