North Atlantic drift: welfare reform and the ‘Third Way’ politics of New Labour and the New Democrats

Since the early 1990s welfare reform has been at the heart of the Centre-Left’s search for a new political middle way between post-war social democracy and Thatcherite Conservatism. For Tony Blair, welfare reform was key to establishing his New Labour credentials – just as it was for Bill Clinton and the New Democrats in the USA. In government, Labour’s welfare-to-work programme has been the centrepiece of this welfare reform drive – and of Labour’s attempt to mark out a new ‘Third Way’ for the Centre-Left. But some (for example, Cammack, in chapter 8 of this book) see New Labour’s US-influenced welfare reforms as marking a consensus, not a break with the New Right. This chapter examines whether a policy strategy based on social exclusion and pushing ‘work first’ can sustain a commitment to egalitarian social democratic values, something on which Goes (see chapter 6) casts doubt. While I acknowledge the continuities between Labour and Conservative approaches to welfare reform, I argue that there are important social democratic elements in New Labour policy which cast doubt on a straightforward ‘neo-liberal convergence’ thesis.

Social exclusion, social justice and the Third Way

The core objective of the Labour Government’s social exclusion strategy is to shift individuals from welfare to work using a mix of carrots and sticks. The aim is to get back into employment those capable but currently not working. Policies like the Working Families’ Tax Credit and the minimum wage to ‘make work pay’ are designed, first and foremost, to remove the disincentives to take jobs for those on benefits. Making low-paid work more attractive is key. The Labour Government has also changed the rules of entitlement and introduced new time-limits.

For the Labour Government, tackling social exclusion is part of a broader strategy to promote social justice. For Chancellor Gordon Brown, this means government creating greater equality of opportunity over people’s lifetimes. Getting the unemployed back to work – social inclusion – is one thing. But the bigger picture is about equipping individuals (‘education, education, education’,
as Tony Blair put it) with the tools to make the most of their lives – social justice. A more equal society is about widening opportunities to work. Helping people become more employable – ‘employability’ – has both the short-term goal of getting the unemployed into the labour market and the long-term one of building the stocks of human capital that shape an individual’s life chances, including earning capacities.

By and large, this supply-side strategy rejects fiscal means – at least in terms of higher income tax rates and benefit levels for those out of work – to promote equality. Globalisation, it is argued, has undermined the fiscal powers of the state to equalise income. Instead, this strategy addresses egalitarian concerns by promising a range of policies to alter the supply of labour. These, it is hoped, will redistribute work opportunities to the benefit of those less well-off in society. Policies such as the New Deal, the National Childcare Strategy, ‘individual learning accounts’ and ‘baby bonds’ are about enhancing life chances, especially for the least well-off, to find work and to increase earning capacities. This human capital strategy is an attempt to influence the market-determined distribution of resources, giving poorer individuals more leverage in the labour market by enhancing their tradable skills. In this way, opportunities are connected, in New Labour thinking, to outcomes.

So, for New Labour, welfare strategies to promote social justice and social inclusion overlap and complement one another. Social exclusion is not having a job. But it also encompasses the many ways in which individuals and families are cut off from the sources of social capital, especially education, which are seen as the main determinants of individual opportunity. The new egalitarians look to the stock of individual endowments that help shape individual lives – and the distribution of rewards in society. For some Labour modernisers, the question of social exclusion is bound up with a wider debate about equality and distributive justice. Including the socially excluded by way of the labour market can be part and parcel of a wider redistribution of opportunities – and even incomes – across society.

The notion of social exclusion does not, then, in itself preclude a more egalitarian understanding of social justice. It could well be part of a re-thinking of social democracy rather than its abandonment. But some see New Labour’s social exclusion agenda crowding out the Left’s traditional concern with equality and social justice. Moreover, whatever the intentions, doubts remain whether the Government’s human capital strategy can really deliver on social justice.

The price of the Third Way: giving up on equality?

The debate about Labour’s welfare reforms – and the ‘Third Way’ more generally – has the question of equality at its core. While Gordon Brown has robustly defended New Labour’s position on equality, critics have accused Labour modernisers of abandoning the Left’s traditional concern with the distribution of wealth and income – and with equality of outcome. New Labour stands accused
of embracing a meritocratic, as well as individualistic,\textsuperscript{10} model of equality that is both spurious and not in itself of the Left. And in giving up on fiscal redistribution – in particular, higher rates of income tax and benefit levels – the Labour Government has thrown away the central policy tools with which to redistribute resources across an unequal society. The concept of social justice has been stripped of its radical egalitarianism, in place of which there is a concern with minimum levels of opportunity that will never challenge entrenched inequalities of wealth and income. For many – even those in sympathy with New Labour – the danger of Third Way ideas is that they can all too easily lead Labour away from social democracy and the values of the Left.\textsuperscript{11} As Carey Oppenheim – herself a moderniser – insists, equality must be central to Labour’s welfare reforms: ‘At the very least, the traditional social democratic goal of improving the relative position of the worst off in relation to the average has to remain a crucial objective.’\textsuperscript{12}

For many on the Left, the debate about paid work and social inclusion in New Labour thinking ignores wider inequalities in the labour market. As Ruth Lister argues: ‘it is questionable how far genuine social inclusion can be achieved without addressing the inequalities which are the motor of social exclusion’.\textsuperscript{13} Both Lister and Ruth Levitas argue that the Labour Government’s social exclusion strategy is too narrowly defined in terms of paid work. The socially excluded get to be included by becoming employed. This is crowding out the Left’s traditional concern with equality and a notion of citizenship defined in egalitarian terms. Redistributive justice gets lost in worries about welfare dependence and social integration. Where the Left stands for greater equality of outcomes, New Labour believes in little more than minimum opportunities. In the hands of New Labour, then, social justice has lost its distinctively egalitarian – and socialist – value.

Some of the blame for this loss of critical edge has been put down to the American influence on British social policy – an influence felt first under the Conservatives and continued under Labour. The rest of this chapter examines whether the Government’s welfare-to-work programme is undermining Labour’s commitment to social justice. Like most welfare reformers in the USA, the Labour Government in Britain appears to be putting work, rather than education and training, first in its welfare-to-work programme. But putting ‘work first’ has no inherent interest in outcomes other than to increase work levels among those on welfare. Any job is better than no job because work is always better than welfare. But can the Labour Government combine a commitment to putting work first with a human capital strategy that genuinely creates a more level playingfield of opportunity – and which convinces critics that New Labour remains committed to making society more equal?
From welfare to work

‘Work not welfare’ has wide support among Western leaders of all political persuasions. But important differences in approach remain: the spectrum of welfare-to-work programmes is wide. On the one hand, there are active labour market strategies – especially those rooted in European welfare regimes – that focus on education and training as prerequisites for finding employment. On the other hand, there are strategies now prevalent in the US that give priority to labour force attachment: that is, to work as a necessary first step to developing the right kinds of skills and habits – those required for success in the labour market.

Between 1987 (the start of Labour’s policy review) and the mid-1990s, the European – and European social democratic – influence on Labour thinking was obvious. Modernisers inside and outside the party were working with a model of political economy distinct from the neo-liberal–Anglo-American one. But sometime in the mid-1990s the tide of influence turned. A North Atlantic policy drift set in. Welfare reform under Bill Clinton had already left its mark on Labour modernisers – for example, the policy of tax credits to ‘make work pay’. But by the 1997 general election, New Labour had ditched a continental European model of political economy for a North American one. Once in power, Tony Blair and Gordon Brown began to lecture fellow European Union leaders on the need to follow the Americans on issues such as welfare and labour market reform. Martin Powell and Armando Barrientos are right to argue (chapter 1 in this volume) that in practice many of those policy elements now seen as typical of Third Way politics, such as active labour market strategies, are also characteristic of ‘old’ European social democracy. But despite Labour’s attempts to build bridges with European social democrats, the Third Way – and the policy reforms that underpinned it – looked increasingly like an Anglo-American affair.

The American influence on British welfare reform and, in particular, New Labour’s social policies has been widely commented on. While Alan Deacon reminds us that ‘[p]olicy makers in Britain and the US operate in very different cultural, political and institutional contexts’, he adds that those same policymakers are ‘seeking to achieve similar objectives and draw upon a similar range of policy instruments in order to do so’. In both countries, Deacon argues, welfare reformers have focused on welfare dependence and welfare obligations; and, on both sides of the Atlantic, work requirements have been introduced and attempts made to ‘make work pay’. These approaches are, Deacon argues, ‘integrative in that they draw upon and incorporate elements from quite different perspectives on the purpose of welfare’.

Just how far down the American route – in the words of King and Wickham-Jones – is the Labour Government prepared to go? What are the implications for Labour’s fundamental objectives that are the focus of this chapter? There are two basic positions on what New Labour has learnt from the USA. The first is that New Labour has gone all New Democrat, that Blair and Brown are following in the footsteps of Clinton – especially the early Clinton – and marking out a new...
progressive agenda on welfare based on ‘tough love’. This agenda is distinct from the conservative Right in its support for welfare entitlements; but also distinct from the liberal Left in insisting that those entitlements must be conditional: welfare rights must be matched by welfare responsibilities. This view of welfare reform sees the real possibility of tackling both social exclusion and social justice within the framework of a competitive free market economy.18

The second position is that New Labour has simply gone all New Right, that Blair and Brown have caved in to the Right’s welfare agenda – just as Clinton did in the USA19 – and that all talk of a welfare ‘Third Way’ is so much hot air: the Anglo-American consensus is really a neo-liberal consensus. Labour has abandoned a human capital model of welfare reform rooted in European social democracy and fundamental to the Commission on Social Justice. In its dash to learn lessons from the USA, the Labour Government is importing a neo-liberal model of welfare reform – ‘work first’ – that is at odds with its commitments to social justice, because labour force attachment strategies reinforce labour market divisions, especially for the low-paid.20 In the UK, the USA and elsewhere, the ‘welfare state’ is giving way to the ‘workfare state’. Any possibility of the Labour Government delivering on the traditional objectives of the Left has been lost.

Is ‘work first’ making it worse?

Has New Labour changed its mind on welfare reform? Has there, in particular, been a shift in emphasis from a human capital model to a ‘work first’ model? And what are the implications of any change for Labour’s fundamental objectives – and for those of the Left more broadly?

Welfare politics in the twentieth century on both sides of the Atlantic operated within a political and institutional culture that gave priority to managing social security and which neglected human capital.21 In the 1980s, the Labour Party nailed its employment policy colours to the education and training mast, commitments that have since been watered down.22 Certainly, work not welfare became the central theme of New Labour’s social policies in the mid-1990s, but that was tempered by the party’s continuing commitment to education and training in supporting those looking for work.23 Gordon Brown’s announcement, made in opposition, that a Labour government would require young people after six months on its welfare-to-work programme to participate in one of the New Deal’s four options, is rightly considered a milestone in New Labour thinking on welfare reform. The compulsion and increased conditionality of the New Deal mark off the reforms from the post-war social democratic welfare paradigm, if not from an older ethical socialist tradition.24

Jamie Peck suggests that Labour leaders squared the party and the trade unions on the introduction of compulsion by promising that government would offer New Dealers ‘a range of high quality options’ backed by hard cash. Labour’s New Deal would be just that – and not another Tory Youth Training
Scheme. For Peck, however, Labour in government has shifted ground. He accuses the Labour Government of failing to deliver on its up-market version of welfare-to-work. Peck was open to the ‘progressive possibilities’ of Labour’s New Deal. And while Peck and Nikolas Theodore concede that there is more to the New Deal than most US versions of welfare-to-work, they argue that the Government has fallen for ‘work first’: ‘While significantly more broadly based and service-rich than US-style “work first” programmes, the New Deal for 18–24-year-old unemployed people nevertheless places overriding emphasis on assisting transitions into paid employment.’ This reinforces what they see as the neo-liberal policy orthodoxy on flexible labour markets, and it erodes, not builds, the stock of human capital. Such programmes run against the grain of traditional approaches to welfare provision:

The implication, then, is that as the Labour Government’s New Deal becomes orientated more around ‘work first’, its ‘progressiveness’ declines because it reinforces existing labour market inequalities. As a result, New Labour has moved away from the Left–liberal social agenda that addresses low-paid work, labour market inequalities and the issues addressed by philosophical egalitarianism.

A number of questions need to be addressed here. First, is the message really as bleak from the USA: does ‘work first’ necessarily exclude ‘progressive possibilities’ in the way that Peck and Theodore suggest? Second, is the New Deal really so orientated around ‘work first’? Are there, in fact, more ‘progressive possibilities’ to Labour’s welfare reforms – and to its Third Way – than many on the Left give it credit for?

Evaluating welfare-to-work in the USA

‘Work first’ has become the dominant welfare-to-work paradigm in the USA among Democrats and Republicans, especially where it matters at state government level. Support for human capital-based welfare-to-work programmes has declined. Getting welfare recipients quickly back into the labour market – rather than encouraging them to take education and training courses prior to work – has become the overwhelming priority. However, the question remains whether ‘work first’ models of welfare-to-work are too exclusive and whether they are incapable of operating alongside other models.

In America, welfare-to-work programmes, which have been going since the early 1980s, are judged against work levels among those on welfare; and the evidence they afford is mixed. Studies of the post-1996 reforms suggest that welfare
reform has had a positive impact in reducing welfare rolls – though a lot of the credit goes to the long boom in the US economy during the 1990s. In terms of the main themes of this chapter, however, the evidence also shows that the majority of those leaving welfare do so to work in low-skill, low-wage jobs.\textsuperscript{29} Indeed, welfare-to-work is really a process of welfare-to-work plus welfare. Welfare benefits, in terms of both working tax credits and benefits in kind like food stamps and medical insurance, remain.

Within the American political debate, this evidence tends to reinforce the liberal Left’s view that welfare-to-work is about ‘flipping hamburgers’; and that these ‘McJobs’, rather than leading on to something better, are more likely to be either ‘McJobs for life’ or a revolving door back to welfare. In either case, welfare-to-work does little or nothing to address fundamental issues of inequality and poverty, especially among families. American egalitarians want more from welfare reform.\textsuperscript{30}

None of this is a problem to supporters of ‘work first’ – or is it? Peck rightly argues that the essence of labour force attachment strategies is that any job is better than no job. What really matters is the ‘work participation rate’. In this sense, ‘work first’ is ‘outcome-indifferent’. But does this mean that advocates of ‘work first’ ignore broader issues such as in-work poverty and child-care provision – issues that generally fall within the progressive framework?

In the 1980s, American conservatives like Lawrence Mead argued that welfare must be made more conditional.\textsuperscript{31} Progressives too were shifting ground. David Ellwood supported time-limited welfare alongside more training and efforts to ‘make work pay’.\textsuperscript{32} A measure of bi-partisanship on welfare-to-work emerged. Democrat and Republican state governors alike – and Bill Clinton as chair of the state governors in the late 1980s was a leading figure – championed the new approach as welfare reform was increasingly devolved to states under the policy of federal waivers.\textsuperscript{33} By the mid-1990s, however, doubts were being raised on the means by which to deliver welfare-to-work. Support for labour force attachment strategies grew. In states like Wisconsin, this support crossed party lines. Labour force attachment was seen as a better way of getting people back to work, especially those (the majority) who had recently become unemployed and who had the necessary skills to find another job quickly. Progressives continued to believe in active government. They agreed with the ‘big government conservative’ Mead that those on welfare needed to be hassled – and this meant making welfare conditional by introducing time-limits. But they remained committed, unlike the libertarian Charles Murray,\textsuperscript{34} to government help for those on welfare in the form of training, family and child-care support and in-work benefits.

So, while many American progressives – and conservatives – became critical of human capital strategies, what they were critical of was those strategies’ ability, of themselves, to deliver welfare-to-work. For them, the problem was one of means. For many progressive supporters of ‘work first’, getting welfare recipients back into work quickly could be combined with human capital strategies that had broader objectives and progressive assumptions about the role of
government in providing welfare. Rather than one big ‘race to the bottom’, welfare reform in the USA, albeit in incredibly favourable economic times, has seen considerable investments in welfare-to-work programmes by state governments – including job search, short-term training and family and child-care support. Those hoping that welfare reform – even on ‘work first’ principles – would simply save money have missed the point: welfare-to-work programmes are expensive.35

The essence, then, of the New Democrat position was to combine what had been thought of as distinctively progressive or conservative political positions by insisting that welfare reform could combine additional services for those on welfare with strict expectations about their behaviour.36 Bill Clinton’s promise, in 1992, ‘to end welfare as we know it’ reflected a bi-partisan consensus on welfare reform that had emerged in the USA in the late 1980s, especially at state level.37 The package of reforms drawn up in Washington by Ellwood and Mary Jo Bane for President Clinton between 1992 and 1994 sought not, as the slogan suggested, to ‘end welfare’, but rather to insist that after a certain period those on welfare would be expected to work for their welfare cheques in a subsidised job at a private firm, public agency or non-profit organisation. This, essentially, is the welfare reform strategy pursued by the Labour Government in the UK.38 It marks the reform of the welfare state, not its demise.

**New Labour’s New Deal**

**What is happening to Labour’s New-Dealers?**

In Britain, as in the USA, early studies of the Government’s New Deal have been broadly positive.39 After six months on Job Seeker’s Allowance, young people aged between 18 and 24 are allocated a personal advisor whose job it is to provide assistance with an intensive job search. This ‘gateway’ period has been ‘intensified’ to boost ‘soft skills’ like punctuality, appearance and communication. At the end of four months, those individuals who have not found jobs are offered one of four options: full-time education and training for twelve months without loss of benefit for those without basic education; a six-month voluntary sector job; a job on an environmental task force; or a subsidised job (plus one day a week training). If an individual refuses one of these options, sanctions apply, including loss of benefits. It is important to note, however, that while the New Deal now covers most of the workless – including lone parents – the rules covering time-limits, compulsion and sanctions differ from programme to programme.40

Peck and Theodore argue that the structure and ethos of the New Deal for Young People is biased toward the employment options – either in the initial gateway period or in the choice of options after four months. In fact, of those who joined the New Deal prior to the end of April 1999, 47.1 per cent were on the education and training option and 20.5 per cent on the employment option.41 According to the House of Commons Select Committee on Education and
Employment, by the end of April 2000, 470,000 young people had started the New Deal for Young People and approximately 330,000 had left the programme. Of these 800,000, just over 215,000 individuals had found work – and 139,000 were in ‘sustained and unsubsidised jobs’ lasting more than thirteen weeks. Around 30 per cent of destinations are unknown – though some survey evidence suggests that more than half of that figure found work.42 There is also a very high (over 80 per cent) drop-out rate from the full-time education and training option.

The New Deal, which aims to get individuals back to work as quickly as possible, is supported by the Working Families’ Tax Credit (including child-care support) and the minimum wage. The primary aim of these ‘carrot and stick’ policies is to reduce the disincentives to take up a job, especially low-paid work. In many cases, the unemployed have found work with or without the New Deal: the economy has been growing for more than five years – there are vacancies nationwide; and, while a significant minority of young people in the New Deal have problems with basic numeracy and literacy, the majority clearly have the skills and ability to find work. The relative success of the New Deal has been such that it has faced a recruitment problem. While the number of New Deal programmes has risen, the size (and the cost) of the main New Deal for Young People has decreased, largely due to lack of demand and the higher proportion of individuals leaving the programme.43

In many respects, ‘work first’ is a product of good economic times: many of those on welfare are ‘work-ready’, and since 1997 there have been jobs to be had in a buoyant labour market. As in the USA, the question remains whether such programmes will work as the UK’s economy turns down and unemployment rates creep up. The challenge for social policy-makers is how welfare-to-work programmes deal with those who have very real problems in finding and holding down work, especially those in localities with deep-seated economic and social problems. The global economic downturn after 2001 will test the limits of welfare-to-work programmes in the UK and across the rest of the world.

Welfare reform beyond Thatcherism

New Labour modernisers insist that welfare reform can deliver on Old Left goals like social justice while sustaining an efficient market economy. New policies to enhance levels of human capital, especially of the poor, can bring a measure of social justice to society by promoting opportunities in the labour market. The Left, however, while acknowledging the Blair Government’s belief in some measure of social justice – on combating poverty and social inclusion – insists that Labour’s commitment to egalitarian values has evaporated. In particular, the Left insists that Labour has given up on any attempt to make economic outcomes more equal.

The data on welfare-to-work transitions gives some credence to the Government’s critics. The fact that the New Deal results in a relatively high level of unsustained jobs – about 25 per cent of those who enter employment through...
the New Deal for Young People do not last thirteen weeks – would appear to support Peck and Theodore’s view that there is a ‘revolving door’ between welfare and part-time, temporary and low-paid work. The USA’s evidence on welfare-to-work destinations supports the view that those leaving welfare usually end up at the bottom of the labour market. The New Deal is meant in part to offer the unemployed across all age groups – including the long-term unemployed – the opportunity to enhance their human capital as a means not just of getting work but increasing their chances of finding better paid and more secure work – and in this way, enhancing the life chances of those who start with least in society. The fact that a quarter of young New Dealers enter employment that does not last thirteen weeks, or that the vast majority of young people on the education and training option fail to finish their courses, suggests that something is wrong. It is too early to determine whether the New Deal is enhancing the human capital of those at the bottom of the labour market. The challenge for any future government is to provide, for those who do find work, the support necessary to keep their jobs and to start building ladders to better positions in the future.

But does the New Deal help New Labour pass the Oppenheim test: that is, does it improve the relative position of the worst-off relative to the average? Simply in terms of relative rates of wealth and income, the answer must be no. After a period of stabilisation in levels of income inequality in the UK in the 1990s, the end of the decade saw the gap between rich and poor widen as the economy boomed and wage differentials opened. It is certainly true that the Labour Government, especially after the 2000 Comprehensive Spending Review, has pursued a fiscal policy that redistributes the fruits of a booming economy to poorer groups in society, especially those in low-paid work and families. The effect of Labour’s fiscal reforms has been to make the tax and benefit systems more equalising.

But, even if in the longer term the Government’s welfare-to-work programmes and its wider reforms to education and training do boost the human capital of the poor, it is very unlikely that this would lead to a reduction in inequality, as average incomes are also likely to rise. Those already well-stocked in human capital are always going to have the edge where education and training attracts a premium in the labour market. As David Miller concedes, ‘supply-side egalitarianism’ may be ‘an excellent approach, but it will probably work much more effectively as an anti-poverty device, preventing people from dropping out of the bottom of the labour market, than as a device for reducing inequality between top and bottom’. For that reason, many egalitarians like Miller remain committed to the kind of government interventions in the capitalist economy, in terms of both the ownership of property and the fiscal powers of the State, specifically ruled out by New Labour. Moreover, those who support a more modest ‘asset egalitarianism’ make very limited claims, insisting that the objective is to guarantee minimum starting-points, not equal starting-points, let alone equal shares. As Andrew Glyn and Stewart Wood argue, policies concerned with the absolute
position of the least advantaged can co-exist with policies that tolerate and even encourage the pursuit of wealth. As a result, society may become less egalitarian, even if more meritocratic. According to Glyn and Wood:

In this respect New Labour has disentangled the traditional social democratic aims of promoting equality and eliminating poverty in ways that many on the left find both unacceptable (in respect of greater inequality in the top half of the distribution) and unconvincing (in respect of the near-exclusive emphasis on the labour market).  

In the end, the Government’s critics on the Left have a point: the New Deal and its associated policies are primarily about a policy agenda narrowly focused on social exclusion and paid employment – a view readily conceded on the ‘big government’ Right. As Raymond Plant argues, there is nothing inherently social democratic about the New Deal: enhancing the marketable skills of the poor still leaves the market as the final arbiter of the value of those skills. But neither is the New Deal very neo-liberal (say, of a Charles Murray vintage). There is something third-wayish about the New Deal in terms of how it conceives of citizenship, the labour market and the role of the State (see also chapter 9 of this volume, by David Morrison).

For that reason, lumping the Labour Government’s welfare reforms into one big political pile with those of previous Tory governments – and the New Right generally – has limited value. In the end, New Labour is more than just Thatcherism Mark 2. There is, to be sure, a degree of continuity between Labour and Conservative approaches to welfare (to work) over the past two decades. But there are important social democratic elements in New Labour’s policy-making that betray a continued commitment to social justice – and which cast doubt on a straightforward ‘neo-liberal convergence’ thesis.

Central to the ‘Third Way’ politics of New Labour and the New Democrats is the notion that different policy approaches, whether from the Left or the Right, can in some way be combined, if not actually reconciled. The welfare reforms of the Labour Government reflect this political strategy. They combine policies on incentives, prevention and rehabilitation, as well as a new paternalism. On incentives, New Labour, like Clinton’s New Democrats, has moved to ‘make work pay’ by introducing in-work tax credits and a minimum wage, to provide support (such as child care) to enable individuals to take up jobs, as well as subsidies to support low-paid employment (in the New Deal, for example). On prevention and rehabilitation, the Labour Government has introduced policies to enhance the human capital of those on welfare and those in work. All of these policies fit, though not exclusively, a progressive social democratic agenda on welfare reform – and, in sum, they mark out a substantial role for the State in providing welfare.

At the same time, New Labour, again like the New Democrats, has drawn on the ‘new paternalism’ of some (e.g. Mead), but by no means all, of the New Right. The Labour Government has made the rights of citizens to welfare even more contingent on responsibilities – in particular, the responsibility to find
work. New Labour’s welfare reforms demand, as the new paternalism requires, certain types of behavioural response and sanction those forms of behaviour deemed ‘irresponsible’. Third way politics is not neutral on the ‘good citizen’. This element of new paternalism in New Labour and the New Democrats led to the policy of work requirements and marks an obvious break with the old progressive agenda, on both sides of the Atlantic, which believed that rights to welfare should not be contingent on work requirements. But while New Labour and the New Democrats have broken with the post-war progressive Left, they have retained a distance from sections of the Right – in particular, that element (e.g. Murray) of the New Right advocating a deterrence strategy. This strategy considers that welfare entitlements should be withdrawn to prevent undesirable behavioural outcomes (like teen pregnancy). It is a strategy that seeks the end, not the reform, of the welfare state.

Pursuing such a welfare middle way, especially for progressive politicians, brings threats as well as opportunities. As Kent Weaver argues, Bill Clinton’s repositioning of the Democratic Party widened the policy options on poverty and welfare for a Centre-Left party. The ‘modernisation’ of the Labour Party has done much the same. But these new opportunities bring with them dangers when the policy-making door is opened to reforms far more radical than those initially envisaged. In 1996, after having largely ceded the legislative initiative to Congress, President Clinton signed the Republican welfare reform bill. Welfare politics in the US took a giant leap to the Right. Crucially, the 1996 legislation ended federal entitlements and introduced a five-year time-limit to the newly devolved state welfare support.

But must the ideological concessions made by New Labour and the New Democrats inevitably lead to further shifts to the Right, as Weaver warns is possible? As Steven Teles argues, the New Democrat position on welfare – after a certain period, benefit claimants should work or study for their welfare – reflects contemporary public opinion. Most Americans, Teles shows, want those on welfare to work, but they don’t want the government to cast them adrift. Such a view underpins Mead’s ‘new politics of poverty’. This shift in public policy from welfare to employment, as Mead concedes, re-legitimises the welfare state – and this is just as likely to promote a shift to the Left as one to the Right. Once the voters know that those on welfare are going to be hassled to find jobs, they are more than happy to help them – even generously.

After its first term in government since the 1970s, New Labour’s attack on the so-called ‘something for nothing’ welfare culture is starting to pay political dividends. The flip-side of getting tough on social security entitlements – always that part of the welfare budget least popular with voters – is a series of budgets that has set the Blair Government on a more traditional Labour course to increase spending on the public services, especially on health and education, as well as increasing the incomes of the ‘working poor’, especially those with children. These increases in spending are being paid for by higher taxes – both in terms of higher tax rates and a higher tax take. While Brown’s budgets have been
embraced by the Left as ‘redistribution by stealth’, there is nothing very underhand about the Labour Government’s commitment to increasing the income of those at the bottom of the labour market and to those with children. The Government has remained true to its New Labour colours by not raising the income tax rates of high earners, although national insurance rates were increased by the chancellor in his 2002 budget. But the extra money flowing into Treasury coffers after four years in office of New Labour has been targeted on those households at the bottom of the income scale. After two years of sticking to Tory spending limits, a measure of egalitarian public policy is back on the political agenda.

The fact that the Clinton presidency did not mark a liberal counter-revolution after the Reagan–Bush years rather misses the point about what being a New Democrat is all about.58 By the same token, that Blair has not turned the welfare clock back to a pre-Thatcher era – he never said he would – is to miss what is really new about New Labour. Like the New Democrats, New Labour’s welfare reforms cross ideological lines. But there remains, despite those overlaps, a distinctively progressive and social democratic side to the reforms. This is not a Government in thrall to the New Right. Yes, there are continuities between Labour’s welfare-to-work programmes – and with its broader political economy – and those of previous Conservative administrations. But putting ‘work first’ on its welfare reform agenda is not to exclude more progressive policy reforms on family poverty, opportunities in the labour market and social inclusion. Indeed, the ‘new paternalism’ in New Labour’s Third Way, rather than being the thin end of a conservative wedge, may in fact help to sustain social democratic values and egalitarian public policy-making – not undermine them. There is, after all, room for social democratic politics after Thatcherism.

Notes

1 See Teles 1996; Weaver 1998.
2 See Oppenheim 1999.
4 HM Treasury 1999; Brown 2000; see also Mulgan in Hills et al. 1998.
5 CSJ 1994.
7 See the chapters by Goes, Cammack and Morrison in this volume.
12 Oppenheim 1999: 5; see also Oppenheim 2001.
13 Lister 2000a; see also Lister 2000b.
14 See Finn 1999.
15 See Driver and Martell 1998: chapter 2.
16 See King and Wickham-Jones 1998.
17 Deacon 2000a:16; see also Deacon 2000b.
19 See Lo and Schwartz 1998.
21 King 1995.
22 King and Wickham-Jones 1998.
23 See Labour Party (undated).
28 See Wiseman 1996.
30 See Jencks 1997; Lo and Schwartz 1998; Teles 1996.
31 Mead 1986.
33 See Weaver 1998; also Weaver 2000.
34 Murray 1984.
35 Wiseman 1996.
36 Teles 1996.
37 Wiseman 1996.
38 See Glennerster 2000.
39 Anderton, Riley and Young 1999; see also Institute for Fiscal Studies 2000.
40 See Finn 2001.
41 Institute for Fiscal Studies 2000: 99.
42 Select Committee on Education and Employment 2000: 1–2, 5.
43 Select Committee on Education and Employment 2000.
45 Clark, Myck and Smith 2001.
46 Miller 1997: 89.
47 Kelly and Gamble 2000.
48 Glyn and Wood 2001: 64; see also White 1997.
49 Mead 1997.
50 Driver and Martell 1998; Driver and Martell 2002.
51 See Grover and Stewart 1999.
52 Rhodes 2000; see also Crouch 2001.
53 See Driver and Martell 2000; Deacon 2000b; see also Barrientos and Powell (chapter 1 this volume) who stress the ‘traffic flow’ problems as Left and Right merge on the Third Way.
54 See Weaver 1998.
55 Ibid.
56 Teles 1996
58 O’Connor 1998.
References


Welfare reform and ‘Third Way’ politics


