



WILCO

Welfare innovations
at the local level
in favour of cohesion

Local welfare in the United Kingdom: Housing, employment and child care

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WILCO Publication no. 01

This report is part of Work Package 2 of the research project entitled "Welfare innovations at the local level in favour of cohesion" (WILCO). WILCO aims to examine, through cross-national comparative research, how local welfare systems affect social inequalities and how they favour social cohesion, with a special focus on the missing link between innovations at the local level and their successful transfer to and implementation in other settings. The WILCO consortium covers ten European countries and is funded by the European Commission (FP7, Socio-economic Sciences & Humanities).

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1. UNITED KINGDOM: GENERAL BACKGROUND

1.1. Structure and development of the welfare state

The foundations of the British welfare state are often traced to the Liberal government of 1905-15, which introduced many welfare measures such as free school meals, old age pensions, national insurance and national health insurance (Barr 1998). Even though the beneficiaries were limited to the relatively poor, these were incredibly popular because they were separate from the stigmatised social assistance known as the Poor Law (Timmins 1996). The second watershed in the development of the British welfare state came with the wide-ranging reforms which took place in a space of a few years after WWII. Then came a period of relative complacency in which it was believed that the welfare state had effectively ameliorated social problems (although there were notable critics). The third turning point was those changes initiated by the Conservative governments (1979-1997) and subsequently built on by New Labour (1997-2010), in which the recurring themes were a greater than ever role for the private sector whilst at the same time increasing centralised control.

The creation of the "welfare state" owed much to the influence of the landmark Beveridge Report on social insurance of 1942. It became a major wartime propaganda weapon, with both major political parties committed to its introduction and promising all-embracing state welfare provision to replace the piecemeal provision of before the war. In summary, the main reforms which followed were: free education up to age 15; a National Health Service (NHS) free at point of use; government commitment to securing full employment; public housing for rent; and social security benefits including National Insurance (NI), social assistance and Family Allowances.

British welfare state of post WWII is commonly characterised as comprehensive in approach. However, although there was much consolidation of limited and local pre-war coverage, the form of the "welfare state" was constrained by path-dependence and based on a haphazard collection of measures delivered at central and local levels. The social policies introduced at this time have also been described as "universal" (Barr 1998). Yet in some senses the Beveridge scheme for National Insurance was not "universal", for example, the economically inactive were excluded.

Since the early 1980s, there have been a series of radical changes in the arrangements for the delivery of welfare services influenced by the aim to restore Britain's international economic competitiveness. The Conservative governments were committed to rolling back the state and, in their latter terms in office, the welfare state in particular. Irrespective of whether welfare spending actually does hamper competitiveness and create a "dependency culture", the government believed it did, and acted accordingly to trim the welfare state.

Under the Thatcher (1979-1990) and Major (1990-1997) governments, the influence of the private sector in welfare provision was extensive. "Marketisation" of welfare involved two strands. One was encouraging individuals to finance their own welfare, by saving for their own pension, or taking out private health insurance, for instance. The other element was "contracting out" the provision of publicly financed welfare services to commercial or voluntary not-for-profit suppliers. Social policies were devised that encouraged the intermeshing of the "public" and "private" in the welfare field, involving new forms of welfare state organisation: markets for public services, decentralised systems, networks of multiple welfare providers, and new roles for commercial and voluntary providers (Timmins 1996). "Quasi-markets" were introduced, especially in health (Le Grand 1990). Provision was increasingly residual in nature because the government wanted cost control

and was prepared to accept the price of increased inequality. Some observers accused the government of "selling off" the welfare state.

Public service workers came to be condemned as bureaucrats who failed to promote the public's interests. The quasi-monopoly which local councils had in the delivery of social welfare came under attack. For example, their traditional role as "front line" delivery agencies of education, housing and social care services was challenged. These developments were elements of the so-called New Public Management. In his premiership, Major's badged these policies the "Citizen's Charter". A private sector ethos of customer service and choice was promoted, which was thought to result in a service more accountable and sensitive to users. As part of this drive, professional control, such as that held by teachers, was attacked. This involved target setting and performance management as a means of trying to raise standards.

When Blair became Labour leader in 1994 he began a policy review. Most strikingly he achieved the replacement of Clause IV of the party constitution which had called for "common ownership of the means of production, distribution and exchange". This signalled a move to the centre ground and led to the renaming of the party as New Labour. He rejected both right-wing pro-market approaches and old left support for public ownership of state services in favour of a Third Way, not based on either ideology and located between the state and the market. There has been much debate about the extent to which the Third Way was a new philosophy, or just a pragmatic approach in which what matters is "what works". In practice, the New Labour governments did little to reverse the reforms of the previous twenty years. Instead they built on them with "partnership" with the private sector, regulation of the public sector where free markets did not serve public interest, and efforts to increase support for welfare services by 'empowering' service users and involving the public in service planning.

Esping-Andersen categorised the UK as closest within Europe to the "pure" model of a "liberal" welfare regime because its welfare state focuses on individuals and assumes that they should provide for their families through paid employment. The government invests relatively low levels of public money into welfare provision and relies to a great extent on social assistance targeted to those without jobs or private resources. Benefits for those of working age are mainly financed through general taxation and set at such a level as to provide strong incentives to find a job. As a liberal welfare regime efficiency, rather than equity, and individual responsibility, rather than collective responsibility, are emphasised. However, British scholars have often resisted this classification, and pointed to the creation and persistence of key "universalist" institutions, such as the National Health Service, which are (in part) the product of British social democratic values. In response, Britain can be portrayed as an evolving regime hybrid: a Liberal model with Social Democratic traits, acknowledging that the "regime" is of neither type, but reflects a mixture of both.

1.2. Degree of centralisation

One aspect of the policy context in the UK has been developments at the supra-national level. Engagement with the EU has forced the introduction of social legislation such as the working time Directive and anti-discrimination legislation. The macro-economic context for social policy is also affected by the enlargement of the EU and globalisation generally. The UK has responded to globalisation in two ways: flexible labour markets achieved by keeping down social security benefits and opposing extensions of workers' rights, and prudence in macro-economic management.

Another important policy development affecting governance of the UK post-1997 has been the increased devolution of some aspects of social policy to the "home countries": England, Wales, Scotland and Northern Ireland. Matters devolved generally include health, education and welfare policy; local government; housing; agriculture, fisheries and the environment. The result has been policy divergence. Notably countries have gone their own way in health policy and education. The UK Parliament and Government retain power to legislate on all matters, whether devolved or reserved. The specific powers and devolved matters differ between Scotland, Northern Ireland and Wales.

Responsibility for regional and local government in England lies with the Department of Communities and Local Government (DCLG). It is responsible for national policy on how local government is set up, what it does, how well it works, and how it is funded. Other central government departments deal with national policy on specific local services. Between 1994 and 2011 nine Government Office Regions had an administrative role in the implementation of government policy, but they have been abolished by the current government. The structure of local government varies in different parts of the country. There are nearly 400 local authorities in England. In London, the Mayor and his Greater London Authority (GLA) take responsibility for strategic issues over the area. Local authorities in England and Wales employ over 2 million staff and account for around 25 per cent of total public spending. They are funded by a combination of grants from central government, local Council Tax (a property tax) and business rates.

The UK has a highly centralised system of government, and the powers of local government, have, until very recently, been very limited. Central government exercises considerable controls over local action, a situation dating back to the 1980s when the Conservatives embarked upon a sequence of measures which reduced the status of local government. The New Labour government took some measures to revitalise local government. For example, it introduced directly elected Mayors of local councils whose role was to give overall political direction to the council and choose a cabinet. Nevertheless, a hallmark of the New Labour government (1997-2010) was increased central direction of locally delivered services through target setting and inspection regimes. Further, the impact of this revitalisation of local government on social policy was limited as local councils did not carry this as one of their responsibilities.

Local government has a limited range of powers, particularly in relation to revenue raising and policy setting. The centre controls virtually all taxation, and power has followed money: local government relies on central government grant for some 75 per cent of its total expenditure. Over the period since 1945 power and authority have moved upwards within the English political system, as expectations of government responsibilities for improving individual lives have risen with the advent of the welfare state, and as parliamentary and governmental attention has turned to directing domestic policy. Across a whole swathe of issues with a strong local dimension, including health, education, housing, planning, and regeneration, post-war governments of whatever political hue wholly or partly took responsibility away from local government. Appointed bodies ("quangos") proliferated and they, schools, non-governmental agencies and private companies have all come to have a part in the delivery of public services. In many areas housing associations and arm's-length management organisations, rather than councils, have assumed responsibility for social housing. There has been an increase in oversight and regulation. Local domestic taxation has been capped. In sum, local government powers and responsibilities have been pushed both upwards to central government, and sideways and downwards to other local bodies. There has been less emphasis on local government having a unique local role.

Latterly, however, the Coalition government has attempted to move power and decision-making away from the centre and towards localities. Yet there are a number of reasons why previous governments moved cautiously to introduce greater autonomy for local government. One of them was concern that the public had yet to be fully convinced of the merits of "localism", particularly when it resulted in varying standards of service delivery, the so-called "postcode lottery". The political culture in England, encouraged by public opinion and the media, traditionally looks to the centre to take the initiative on a range of domestic policy issues, and blames the centre when things go wrong in the localities. However, although centrally-imposed solutions sound fair and efficient in principle, in practice the challenge of imposing a uniform national standard of service delivery from the centre can prove intractable.

The second challenge that makes the tenets of localism hard to introduce is the degree of income inequality in England. On the one hand, these statistics strengthen the argument for greater decentralisation of power, as such heterogeneous local authorities will have very different needs and priorities. On the other hand, one consequence of this heterogeneity is that local authorities in England have very different expenditure needs and tax bases. To prevent an iniquitous position whereby the poorest authorities are unable to fund essential welfare services, it is generally accepted that there is a requirement for a redistribution of resources between areas.

The Coalition government has a very strong commitment to localised service delivery in principle. Localism is integral to the new government's plans and its underpinning philosophy. The ring fences around grants to local authorities from central government, which link pots of funds to particular purposes, are being removed to allow authorities to determine local spending priorities. The Secretary of State for Communities and Local Government said in his first major speech (11 June 2010), that his priorities were "localism, localism and localism".

1.3. Trends

The overarching theme of British social policy for the last twenty years has been the encroaching "marketisation" of welfare services. The government has been interested in market forces and use of the private sector as way of improving public policy and squeezing out better value for money. This involved a new form of welfare state organization: private commercial or voluntary providers alongside public providers. The assumption was that this process would use competitive pressure to promote greater efficiency and responsiveness to the needs of those using the services, Services from social housing to refuse collection, from social care to running prisons have been contracted out to private and voluntary sector agencies.

Under New Labour central regulation and performance targets were notable developments, although the current government favours localism. Another cross-cutting key motif of the current welfare system is the diversity of autonomous providers at the same time as "choice" for service users. The choice agenda raises numerous issues. In order for it to really work, consumers need to know what is best for them. Rational consumers need access to information and advice on which to base their choice. Furthermore, the diversity and choice agenda is likely to lead to inequality in access to services as this form of individualisation spreads.

The most important theme that is cutting across all aspects of welfare policy and beyond is the impact of the government's efforts to reduce the UK budget deficit. Britain's public sector enjoyed a decade of plenty under New Labour. But this has ended and under the Coalition four years of deep cuts look set to bite as the government has embarked on

bigger and more sustained spending reductions than at any time since the Second World War. By the next general election in 2015, the Coalition will have reversed all of its New Labour predecessor's increase in public spending as a share of national income. The axe has fallen across all areas of public spending: public sector workers face a pay freeze, the loss of nearly 500,000 jobs, and deterioration in their pension benefits; government departments apart from health and overseas aid must cut their budget in real terms by an average of 25% over the long term; and a harsher social security regime is being introduced. The effects will be felt most by the poor and in low income areas.

2. THE FIELD OF HOUSING

2.1. Demand and supply

In England, as in most western European countries, social housing was originally provided by charitable non-profit organisations with clear objectives to address the problems of particular groups. Subsidies to the supply of rented housing by local authorities started to be made available in the late 19th century, although to a very limited extent. Supply side subsidies were made available to expand the total housing supply regardless of tenure from the early twentieth century. However, it was after WWII that social housing started to play a major role in provision with a significant period of social housing building which lasted until the 1980s.

Different types of tenure

Since the 1960s, there has been a marked increase in the proportion of homeowners in the UK and a corresponding reduction in the level of households renting in the social sector. Home ownership has become the dominant form of tenure in England and has remained at a similar level since 2000, fluctuating between 68 and 71 per cent. 19.5 per cent of households lived in the social rented sector in 2000 and this gradually reduced to 18 per cent in 2003, where it has remained. The proportion of people living in the private rented sector has increased slowly, in 2000 this was ten per cent and in 2008 14 per cent (DCLG 2008). There are very few housing co-operatives in the UK.

London and the North East of England have the highest proportion of households living in social rented housing (24 per cent) and South East England the lowest level (13 per cent). London also has the highest level of households in the private rented sector (20 per cent) and the lowest level of home ownership (56 per cent). The South East of England also has the highest level of home ownership across all regions at 74 per cent (DCLG 2008).

Eligibility

The current criteria for allocating social housing are outlined in the Housing Act 1996 and in amendments made through the Housing Act 2002 and Housing Act 2004. All local authorities are free to set their own housing allocation policy as long as it conforms to certain legal guidelines. Local authorities must clearly set out the procedures and priorities by which social housing is allocated and ensure that information on these policies is made publicly available. Local authorities must also guarantee that the following groups are given "reasonable preference" under any allocation scheme: people who are legally classed as homeless (or threatened with homelessness); people occupying unsanitary or overcrowded housing or otherwise living in unsatisfactory housing conditions; people who need to move on medical or welfare grounds; and people who need to move to a particular locality and this would cause hardship to themselves or others if they were unable to do so.

Most local authorities have a waiting list of people who have applied for social housing, known as the common housing register. Allocation is usually based on a points-based system, taking into account how long applicants have been on a waiting list for social housing, their level of housing need, and other designated priorities. Housing associations (non-profit independent landlords with the responsibility to provide for particular groups, mainly lower income households) operate their own waiting lists and lettings policies, although they are expected to make a proportion of their lettings available to applicants approved by local authorities. Level of income is not related to eligibility for social

housing. Although in theory everyone is eligible for social housing in practice allocation is based on priority housing need and not income as such.

Shortages and surpluses in social housing

There are shortages of social housing, in 2009 there were 1.76 million households on local authority waiting lists, and a social housing stock of only four million. In the decade leading up to 2008/2009 the waiting list grew by more than 700,000 households (DCLG, 2009). This is partly because of significant losses from the social housing stock as a result of the 1979 Conservative Government's Right to Buy policy. Nearly 1.8 million properties have been sold to tenants since 1980 at heavily discounted prices, running at between 30 to 70,000 a year through the 1990s and 2000s. Sales fell sharply in 2005/2006 mainly as a result of smaller discounts and rapidly rising house prices especially in the south of England which made purchasing unaffordable (Whitehead 2007).

Social housing as a proportion of housing stock is likely to continue to fall due to continuing sales through Right to Buy, Right to Acquire (for housing association tenants) and Social HomeBuy (a shared ownership scheme) with no requirement to channel the resources generated into building new homes. There have also been increased demolitions associated with higher density, mixed tenure development. The low level of new building in the social housing sector in recent decades has contributed to shortages and the Decent Homes Programme launched by the government in 2000 meant that money was spent on the upgrading of substandard housing not on building new housing stock.

Shortages are a particularly acute issue in rural areas, exacerbated by the lack of available land, the growth in people buying second homes and the loss of homes for rent as tenants enacted their right to buy. London and the South East of England have the worst shortages, in particular affordable accommodation for young people leaving home and key workers (resulting in planning requirements that on all new developments a minimum of 25 up to 50 per cent must be affordable to people on low incomes). The Labour Government attempted to address the shortfall in housing in total by increasing output to 200,000 net additional units per year by 2016 including around 30 per cent affordable housing (including both social renting and low cost home ownership). However, the converse is true in some areas particularly northern areas of England where there are pockets of surplus homes both rented and privately owned for which there is no demand. Some are in villages where there is no longer industry for people to work or areas close to city centres.

Support for low income tenants

The main support for low-income tenants is through the payment of Housing Benefit from the Department for Work and Pensions (DWP). Qualifying tenants will normally receive benefit according to their means up to the full amount of the rent and eligible service charges. Eligibility is based on the rent of specific property, household income and characteristics. Local Housing Allowance support for low-income private renters since 2008 rarely pays the full amount of rent. In 2010, 70 per cent of housing benefit recipients in England and Wales came from the social rented sector in the form of rent rebates and 30 per cent from the private rented sector (housing association and private tenants) in the form of rent allowances. Scotland had an even greater prevalence of housing benefit in the social rented sector (82 per cent) compared with the private rented sector (18 per cent) (DWP 2010).

There is also a range of affordable home ownership options, including shared ownership (where a tenant rents part share in the property from a social landlord, and owns the remainder). The Labour Government also attempted to promote the supply of owner

occupied affordable stock for purchase, principally by using the land-use planning system to require that housing developers provide a proportion of lower cost housing within new developments (DCLG 2006). This approach is commonly known as inclusionary zoning and the current mechanism for securing the provision of affordable housing is through part of a planning application.

Sources of finance for housing construction

Since the late 1980s, the funding of new social housing development in England has involved the private and public sectors in an early form of public-private partnership. Funding for new social housing building comes from a combination of debt finance and capital subsidies from central government. Technically the subsidy is a loan which is repayable only on the sale of the property. This reduces the costs of private borrowing and also potentially gives central government the capacity to take back subsidy which some experts believe reduces the incentive for local authorities to build social housing.

Funding from the private sector comes from a relatively small number of financial institutions involved in the provision of mortgages across the housing sector. Subsidies to local authorities are revenue based and cover any difference between estimated rental income and estimated expenditure. Declining interest rates in the 2000s meant that local authorities could use rental income to pay for rent rebates for lower income tenants. Supply side subsidies to local authorities have risen because of investment in the existing stock to bring dwellings to a decent homes standard (DETR 2000) and organisations that achieve efficiency targets are allowed to borrow to undertake this investment. Transfers of stock from local authorities to housing associations are funded totally through the private sector except where they undertake new investment when they may bid for capital subsidy.

Connection to illegal activities

Housing in the UK is not seen as significantly connected to high-level illegal activities. The main focus has been on activities connected to residents such as anti-social behaviour and drug dealing. It is widely believed that anti-social behaviour is concentrated in social housing estates and that substance misuse and care in the community policies are strong contributory factors. There are a number of intervention strategies adopted by housing managers to address illegal and anti-social behaviour, including allocation policies, probationary tenancies, mediation services and transfers. The current Coalition government is proposing mandatory possession of a property should a tenant breach a court order in relation to anti-social behaviour or a housing-related conviction, which would only apply to social housing tenants.

Homelessness

Local authorities have a legal duty to provide accommodation for homeless people but this is confined to families and people with special needs. Due to accommodation shortages, families can end up in temporary accommodation such as bed and breakfast accommodation and hotels until social housing becomes available. The number housed in temporary accommodation rose from 45,000 in 1997 to over 100,000 in 2004 (Whitehead 2007). As single people are not covered by legislation, councils are not obliged to help them. The Localism Bill proposed by the Coalition Government will give local authorities the right to offer accommodation in the private rented sector as an alternative to social housing without requiring the household's agreement.

Rough sleepers are those unable or unwilling to access temporary or permanent housing and this can act as an indicator of long-term structural homelessness. England has seen a decrease from an average daily number of 681 in 2001 to a lower level of 459 in 2005. In 2008 the figure stood at 483. Scotland and Wales also saw decreases, in Scotland from 443 in 2003 to 282 in 2008 and in Wales from 183 in 2007 to 147 in 2008 (JRF 2009).

2.2. Structure of the administration

Government intervention in housing policy in England has been dominated by a central-local dynamic. Central government makes decisions about the system for rent determination, the amount of new construction, location of new construction and the financing/subsidy system. Rental income can be pooled across the whole stock or across owners and rents are directly related to value but modified by income factors. Private rents are based on the market and so the difference between private and social rents can be high. Through the Housing and Regeneration Act 2008, the Housing Corporation previously responsible for regulating social housing was replaced by two organisations, the Housing and Communities Agency, a national housing and regeneration delivery agency and a regulatory body the Tenant Services Authority.

Devolution of government for Scotland, Northern Ireland and Wales has meant that some policies relating to housing are different. Housing and regeneration in Scotland is overseen by the Scottish Executive with independent regulation of housing associations and local authority housing departments. The Welsh Assembly is responsible for all aspects of housing policy and local authorities transferred their stock to housing associations. Local authorities in Northern Ireland do not manage any homes though they are consulted on housing policy. The Northern Ireland Housing Executive oversees housing policy, funds new housing schemes through housing associations and manages around 100,000 homes.

Since 1988 almost all new social housing has been provided by housing associations or registered social landlords. There has been a policy of large scale voluntary transfers of housing stock from the local authorities to housing associations. These transfer all or part of a local authority's stock through a privately funded management buy-out to a housing association. Ownership is now spread among some 2,200 housing associations in England, Wales and Scotland, of which nearly ten per cent are transfers together with about 200 local authorities who have not transferred all of their stock. 11 per cent of housing associations own collectively about 80 per cent of all social housing.

Local authorities only own properties within their boundaries but housing associations are increasingly organised in group structures which bring together those part of large scale voluntary transfers, traditional housing associations providing for general needs, those providing for special needs and subsidiaries operating in the intermediate market. Housing associations are governed by non-executive boards and their core business is the letting and management of rented properties for low income households. They must comply with the requirements of their respective regulatory authorities.

There is also an initiative to allow private developer social housing but the vast majority of provision will continue to involve housing associations. The owners and managers of the stock will remain formally in the social sector but use private finance to fund additional provision with the help of subsidy.

2.3. Housing in relation to social exclusion

Social exclusion and poverty and the housing market

In the first decades after WWII people with a broad range of incomes lived in social housing but since the 1980s new lettings have been focused on those deemed to be in most need. Therefore, the household characteristics of the social sector are very different from other tenures. Those in the social sector are disproportionately young and old, lone parents, retired or economically inactive. Unemployment is concentrated in the social sector (six per cent compared to two per cent) and almost two thirds of household reference persons are outside the labour force. 63 per cent included no working member and 42 per cent included someone with a serious medical condition or disability. Tenants in social housing are significantly poorer than those in the private sector whether these are tenants or home owners. Almost 50 per cent of social tenant households have incomes below £10,000 per year as compared to 17 per cent overall (DWP 2005).

The private rented sector with housing benefit provides for a significant proportion of homeless households, especially among single people. It also disproportionately houses new immigrants and the mobile poor.

Spatial concentration of low-income housing

Many housing estates were built in the 1950s and 1960s but without good transport links or decent facilities to allow them to develop into secure and thriving communities. Most were social rented housing only and thus there was no mix of people with varying incomes found traditionally in successful communities. There are concerns that there is tenure polarisation and concentrations of poverty particularly in the social sector and in specific neighbourhoods and estates.

Ethnic concentration/segregation

In England 7.9 per cent of the population are from ethnic minorities but 28 per cent of live in social housing (ten per cent of social housing residents are from a minority or immigrants). On many large urban estates there are high concentrations of ethnic minority households, both relatively new and those who have lived in the country for two or more generations. Migration from EU countries is spread more widely across the country. 12.5 per cent of social sector households include someone from a black and minority ethnic group mostly Caribbean and Pakistani (Rutter and Latorre 2009).

Stigma

Social housing has moved from a tenure of choice to one where social housing is often seen by many as inferior to private provision especially owner-occupation. The focus of successive governments on owner-occupation is likely to increase this attitude (Whitehead 2007). A by-product of the shortage of social housing has been that only the most vulnerable groups get allocated social housing which has concentrated people experiencing severe health, economic and social problems in the same area.

2.4. Recent developments

Key issues

Most of the current debates in the UK around housing policy include issues of: supply; segregation; entitlement versus need; location; tenure and use mix; broadening the role of social housing; funding; and rents.

The economic downturn has halted the upward trend in housing supply which will challenge policy targets on supply. Since the financial crisis, government focus shifted from national issues of housing supply and affordability to responding to the symptoms associated with the global financial crisis such as repossessions. There is concern that housing supply issues will not receive appropriate attention leading to an even greater imbalance between supply and demand. A further consequence of the financial crisis is that the private house-building industry will take time to recover lost capacity in order to deliver the growth required.

The Localism Bill proposed by the Coalition government includes plans for reform of social housing, including a shift of responsibility from central to local government with the abolition of the TSA and a single Ombudsman for social housing complaints. Local authorities will be able to determine who should qualify to go on their housing waiting list, although rules on eligibility will still be set centrally.

For new social housing tenants, eligibility will be means-tested every five years (previously tenure was secured for life). The rationale for this being that it will allow local authority landlords to manage their stock more effectively and better reflect actual need. As only 31 per cent of current social housing households have at least one person working, there are concerns that this could prove a disincentive to work. Also, housing associations will be able to charge up to 80 per cent of the market rate for rent on properties, a significant increase for people by definition on low incomes.

The Decentralisation and Localism Bill whilst giving local authorities more freedom in relation to housing will not require them to build new homes and abolishes the regional spatial strategies and house-building targets. The Coalition government has also committed to further reform of the planning system to make it more efficient, effective and supportive of economic development. The annual centralised subsidy system is to be replaced by a locally run system in which local authorities will keep their rental income and use it to maintain their housing stock.

The Coalition government aspires to the building of 150,000 new homes by 2014 (HM Treasury 2010). A New Homes Bonus scheme will be introduced to provide an incentive for local authorities to build, matching the Council Tax (a tax levied on households by local authorities) on every new home and the Decent Homes programme started by the Labour Government will be completed. Alongside this, there will be cuts to the affordable housing subsidy and some experts believe there is no real framework to support the major expansion in house-building that is needed.

As part of welfare reform there are changes planned to the way Housing Benefit awards are made for low-income tenants. There will be a ten per cent reduction in benefit for those who have received Jobseekers Allowance for more than one year. Entitlement will be calculated with reference to the pool of local rents below the 30th centile (previously the 50th) and the total amount will be capped. There is a possibility that this could mean the

movement of low income tenants away from high rent areas, areas of higher employment and disruption of social networks.

Migration has always been a part of UK life but there has been an increase due to asylum arrivals, sustained work permit and other work visa flows and large-scale migration from the new EU member states after 2004. At the same time there has been a large reduction in the social housing stock as well as a reduction in the numbers of new build social housing over the last few decades. This has occurred at a time when there has been an increase in the number of households in the UK mainly due to longevity and marital breakdown. These factors have contributed to larger social housing waiting lists in many parts of the UK. This has led to debates about the tensions between "entitlement" and "need" as well as about social cohesion more generally. Competition for housing is perhaps the most important area of tension between established households and new migrants (Rutter and Latorre 2009).

3. THE FIELD OF EMPLOYMENT

Employment policy in the UK is in transition. The Coalition government that came into office in May 2010 has been pursuing a policy of austerity, which has resulted in a re-shaping of employment policy. It is too early to assess fully the impact of these unfolding changes. In consequence, the policies of the former New Labour government that the new government inherited are outlined in the section on the structure of the administration in this document, while the distinct emerging policies of the Coalition government are discussed in the last section, which is on recent developments.

The UK presents a particularly interesting example for research into local innovation in employment policy, since it is often perceived as being one of the most centralised welfare states in Europe. Central government is of importance for some core elements of employment policy such as social security benefits and JobCentre Plus (a government agency for working-age people in Great Britain that provides help and advice on jobs and training for people who can work and financial help for those who cannot find employment). Nevertheless, a significant number of employment-related responsibilities in the areas of education, training, and economic development are now devolved to the Scottish Parliament and Welsh Assembly, and increasingly to local authorities. For reasons of brevity this document outlines the situation as it pertains to England, although some of the statistics presented relate to the UK or Great Britain.

Disabled people are not one of the disadvantaged groups that the WILCO project is particularly focused on. Nevertheless, the situation of disabled people in relation to employment policy is discussed in some depth here. This is because one of the major issues for UK employment policy is that the numbers of working age people out of work and receiving benefit for reasons of long term sickness and disability dwarfs the numbers of jobseekers. Therefore if the number of benefit claimants of working age is to be reduced - and the government has this as one of the goals of its employment policy- policy-makers need to respond to the barriers to work that disabled people face.

This document is organised as follows. In the first section data on unemployment, the informal labour market and the situation of part-time and temporary workers are presented. In the second section the main policies to combat unemployment and the roles of different organisations in this (e.g. profit, non-profit) are outlined. Third, barriers to work because of gender, age or ethnic group are analysed. Finally, recent developments in employment policy and key current policy issues are described.

3.1. Demand and supply

Data on employment and unemployment

The proportion of the economically active who are unemployed is similar for both males and females (Table 1). The principal difference between the sexes is that, as might be expected, there are higher economic inactivity rates for females. On the other hand, unemployment rates vary considerably by age (Table 2). For example, the unemployment rate among school leavers aged 16-17 is 34.1% and among young people aged 18-24 is 17.5%. This observation, together with fears about the long term "scarring" effect of unemployment on young people, has led to concern among policy-makers about the numbers of under 25s not in employment, education, or training, who have been termed "NEETs". Among people aged 50-64 the unemployment rate is low, but inactivity rates are high. In consequence, an issue for policy-makers with respect to the over 50s is the large

numbers of older workers who have left the labour force before state retirement age for reasons of sickness and disability.

Table 1 - Economic activity, by gender

Nov 2010 - Jan 2011		United Kingdom (thousands) not seasonally adjusted			
All aged 16 to 64					
	All aged 16 to 64	Economic activity rate (%)	Employment rate (%)	Unemployment rate (%)	Economic inactivity rate (%)
All persons	40,094	76.7	70.6	7.9	23.3
Male	19,959	82.9	75.8	8.7	17.1
Female	20,135	70.4	65.5	7.0	29.6

(Source: Office for National Statistics, 2011a)

Table 2 - Economic activity, by age

Nov 2010 - Jan 2011		United Kingdom not seasonally adjusted		
	Employment rate (%)	Unemployment rate (%)	Inactivity rate (%)	
Aged 16-17	25.5	34.1	61.3	
Aged 18-24	58.2	17.5	29.5	
Aged 25-34	78.8	7.5	14.9	
Aged 35-49	81.1	5.4	14.3	
Aged 50-64	64.9	4.8	31.9	
Age 65+	9.1	2.3	90.7	

(Source Office for National Statistics, 2011a)

There are also differences in unemployment by ethnic group (Table 3). Among males, unemployment is highest for Black Caribbeans (14.5%), Black Africans (13.1%) and Bangladeshis (12.9%). For females, unemployment is highest for Pakistanis (19.7%), Black Africans (12.3%) and mixed ethnic groups (11.6%). Unemployment is much lower for Indians and non-British white groups. Economic inactivity is particularly high among Bangladeshi and Pakistani women, whereas Black Caribbean women have a low economic inactivity rate. Disabled people have much lower employment rates and are more likely to be economically inactive than non-disabled people. There are important intersections between area deprivation and disability benefits status, with a high proportion of men in areas of long-term industrial decline claiming disability benefits (Riddell *et al.* 2010).

Table 3 - Economic activity, by ethnicity

Great Britain, 2004	Percentages			
	Unemployment rates: by ethnic group and sex ¹		Economic inactivity rates: by ethnic group and sex ²	
	Male	Female	Male	Female
White British	4.5	3.7	15.8	25.2
White Irish	4.9	3.5	17.5	25.1
Other White	6.1	6.1	16.8	29.1
Mixed	12.6	11.6	22.1	34.4
Indian	6.5	7.7	18.9	33.9
Pakistani	11.0	19.7	28.3	69.2
Bangladeshi	12.9		29.5	74.7
Other Asian	11.3	7.0	22.7	40.1
Black Caribbean	14.5	9.1	19.7	26.2
Black African	13.1	12.3	28.0	43.2
Chinese	9.7	7.1	37.3	44.2
All ethnic groups	5.1	4.3	16.7	27.2

¹Base is all economically active people.

²Base is all people of working age (Males aged 16-64, Females aged 16-59)
(Source Office for National Statistics 2006)

Until the reforms instigated by the Coalition government there was a raft of government subsidised job schemes for those most disadvantaged in the search for a job (for an overview see Harari 2010). Table 4 shows the numbers in government supported jobs compared to the total numbers in employment as at November 2010 - January 2011. These programmes have since been scaled back in the search for budget cuts.

Table 4 - Workers in employment, by gender

	Nov 2010 - Jan 2011 United Kingdom (thousands) not seasonally adjusted				
	All in employment				
	Total in employment	Employees	Self employed	Unpaid family workers	Government supported training & employment programmes
All persons	29,214	24,999	3,996	94	125
Male	15,653	12,742	2,799	33	79
Female	13,560	12,257	1,196	61	46

(Source: Office for National Statistics, 2011a)

Data on part time and temporary working

In the UK, the increase in short-term working has resulted in high "under-employment", as a growing number of people are in part-time work because they cannot find a full-time job, rather than out of choice (Ben-Galim *et al.* 2011). Table 5 shows that part-time working is much more common among women than men, with 43.7% of all women in

employment working less than full-time hours. Three-quarters of female part-time workers did not want a full-time job, but only 45.0% of men preferred to work part-time and a quarter of them were working part-time because they could not find a full-time job (Table 6). The proportion of ethnic minority women working part-time is lower than that of white women (35.5% compared to 41.5%), this is true for all ethnic groups except Pakistanis and Bangladeshis. This indicates that although their employment rates are lower than those of white women overall, once in employment ethnic minority women are more likely to work full-time (Government Equalities Office n.d.).

Table 5 - Workers in full time and part time employment, by gender

Nov 2010 - Jan 2011		United Kingdom (thousands) not seasonally adjusted		
Full-time and part-time workers				
	Total people working full-time	Total people working full-time as % of all in employment	Total people working part-time	Total people working part-time as % of all in employment
All Persons	21,212	72.6	7,940	27.2
Male	13,602	86.9	2,015	12.9
Female	7,610	56.1	5,925	43.7

(Source Office for National Statistics, 2011a)

Table 6 - Part-time workers and reasons for part-time working, by gender

Nov 2010 - Jan 2011		United Kingdom (thousands) not seasonally adjusted					
Part-time workers (reasons for working part-time)							
Total Part-time workers	Total as % of all employees	Could not find full-time job	% that could not find full-time job	Did not want full-time job	Ill or disabled	Student or at school	
All Persons	7,801	31.2	1,184	15.2	5,320	163	1,079
Male	1,949	15.3	509	26.1	877	72	475
Female	5,852	47.7	676	11.5	4,443	90	605

(Source Office for National Statistics 2011a)

The percentage of employees on temporary contracts was 6.2% in November 2010-January 2011 (Table 7), and in 38.0% of instances this was because the worker could not find a permanent job. In only a fifth of cases did the employee not want a permanent job.

Table 7 - Temporary employees and reasons for temporary working, by gender

Nov 2010 - Jan 2011		United Kingdom (thousands) not seasonally adjusted						
Temporary employees (reasons for temporary working)								
	Total temporary employees	Total as % of all employees	Could not find permanent job	% that could not find permanent job	Did not want permanent job	Had a contract with period of training	Some other reason	
All persons	1,562	6.2	594	38.0	327	96	541	
Male	739	5.8	305	41.3	141	53	237	
Female	823	6.7	289	35.1	186	43	304	

(Source: Office for National Statistics 2011a)

Data on unemployment by occupation

Unemployment is concentrated in certain occupations (Table 8). It is highest among those unemployed who were previously in an elementary occupation, and lowest among those previously in managerial and professional occupations. In addition, a high percentage of the long-term unemployed (unemployed for 1 year or more) were previously in elementary occupations. Data from February 2011 (Office for National Statistics 2011b) showed that long-term receipt of Jobseeker's Allowance (JSA, the social security benefit for the unemployed) was highest among people previously in the following occupations: transport and mobile machine drivers and operatives; elementary trades, plant and storage related occupations; skilled agricultural trades; process, plant and machine operatives; and elementary administration and service occupations. People in low-paid jobs were more likely to become unemployed than those in higher paid jobs, and this can create a problem of "low pay, no pay" cycles (Lawton 2009).

Table 8 - ILO unemployed rates by previous occupation

2010 Q4		United Kingdom	
SOC (Standard Classification) 2000	Occupational	UNEMPLOYMENT RATES (as per cent of economically active)	LONG-TERM UNEMPLOYED (percentage share by occupation)
All		7.7	100.0
Managers & senior officials		2.9	7.1
Professional occupations		2.4	4.4
Associate professional & technical		3.2	7.3
Admin & secretarial		4.5	7.2
Skilled trades		6.1	11.9
Personal services		4.7	5.6
Sales & customer services		9.6	11.3
Process, plant & machine operatives		8.0	12.5
Elementary occupations		12.6	32.6

(Source Office for National Statistics 2011a)

The legal position of part-time or temporary workers

The incidence of temporary contracts is relatively high in the UK. The Conservative governments (1979-97) took deregulation measures even though employment protection was already weak (Deakin and Reed 2000). This made it easier to hire and fire employees and to contract work on a temporary basis. For example, the qualifying period required by employees to achieve the right to claim unfair dismissal and financial compensation for economic redundancy was raised from six months to two years (Cam *et al.* 2003). Furthermore, the relatively unstandardised British education system produces incentives for employers to use temporary contracts as screening devices (Gebel 2010).

A more flexible labour market, with high numbers of part-time and temporary jobs, has made entry into work easier (Ben-Galim *et al.* 2011). On the other hand, removal of employment protection has increased insecurity at the bottom end of the labour market. Studies of repeat JSA claimants have found that by far the most common reason that workers return to benefits from employment is because a temporary contract has ended (see for example Knight 2010). Greater flexibility has resulted in other effects: with the emergence of a large pool of skilled and disposable labour, incentives for employers to invest in staff training and retention have been reduced (Clifton *et al.* 2009).

When the Labour Party came to power, employment protection was raised, with the qualifying period reduced to one year in 1999 (Deakin and Reed 2000). Until 2002, there were no statutory restrictions on the use, length and renewals of temporary contracts. However, in 2002 renewals were forbidden for employees who had been employed for four years or more (Gebel 2010). Nevertheless there are fewer differences between temporary and permanent jobs than in countries which have stronger protection of permanent jobs as well as stronger unions (Gebel 2010).

Part-time workers are, in theory, legally protected from being treated less favourably than an equivalent full-time worker doing a similar job on the same type of contract. Any job benefits (e.g. pension schemes, company cars, employee discounts, health insurance, profit share), employment terms and conditions, or opportunities (e.g. for training) open to full-timers should also be available to part-time workers. Part-time workers should get at least the same hourly pay rate as a full-timer doing a similar job. Nevertheless, part-time jobs are typically low paid and have fewer prospects for promotion and access to training. The interaction between low pay, part-time work, and the separation of men and women into different types of jobs hits women for whom part-time work is not always a matter of choice if they have caring responsibilities.

The informal labour market

Informal work can be defined as "the paid production of goods and services which are unregistered by, or hidden from the state for tax, benefit, and/or labour law purposes, but are legal in all other respects" (Katungi *et al.* 2006:1). Informal employment in the UK is composed of three different activities: evasion of both direct (i.e. income tax, National Insurance contributions) and indirect taxes (e.g. VAT, excise duties); social security fraud where the officially unemployed are working whilst claiming benefit; and avoidance of labour legislation, such as employers' insurance contributions, minimum wage agreements or certain safety and other standards in the workplace, such as through hiring labour off-the-books or sub-contracting work to small firms and the self-employed asked to work for below-minimum wages. Informal economic activity often intensifies the segmentation of the labour market along age, gender, class and ethnic lines (Leonard 1998).

Its hidden nature makes it very difficult to assess its size and extent. Research by the London-based charity Community Links (Llanes and Barbour 2007) suggests that informal paid work is an integral part of the socio-economic fabric of some communities in deprived areas. The size of the informal labour market has been estimated at around £75 billion (TUC 2006). Similarly the annual informal economy has been calculated to be around £75-120 billion (Small Business Council 2004). The Grabiner Report (2000) concluded that, not including the difference between tax collected and that which might be collected with 100 per cent compliance (i.e. tax evasion) the informal labour market involved billions of pounds. Government estimates indicate that around 120,000 people are likely at any one time to be working and claiming benefit (Grabiner 2000). A European Commission (2004) study estimated about 2 per cent of GDP being undeclared. However it has been stated that "it is generally accepted among UK experts that the 'shadow' labour market economy accounts for between 8 and 10% of GDP" (Matemen and Renooy 2001:55).

The Office for National Statistics (2005) has pointed to a 2003 survey that suggests that construction is by far the most significant industry in this area, accounting for 46.7% of all informal work, with repair work accounting for 11.6% and other services (including hairdressing and cleaning) another 12.2%. Manufacturing accounted for 14% of informal work in this survey. In another study the main sectors where such work takes place were listed as agriculture, social and personal services (i.e. cleaning and care work), construction, tourism/hotel and catering trades, and fashion/clothing manufacture (Evans *et al.* 2006). This list was confirmed in a Home Office consultation on illegal working (Home Office 2003).

3.2. Structure of the administration

The Department for Work and Pension's (DWP) approach to worklessness balances a national social security benefit system of national insurance and social assistance with a range of other employment support having a national framework, but being delivered locally through different channels, including the DWP's own delivery organisations, private providers, other public sector organisations and the voluntary and community sector. Governments since the late 1990s have believed that this mixed-economy approach offers scope to make significant improvement to employment services and outcomes, and to do so efficiently. This section outlines the employment policies associated with the New Labour government that the current Coalition government has inherited.

While successive UK governments have approached employment practices with a light touch, policymakers have been increasingly involved when it comes to jobseekers. It has been argued that policy has increasingly been driven by a desire to embed a new consensus in which it is accepted that the unemployed have responsibility for tackling their own unemployment (Newman 2011). Labour's New Deal programmes of the late 1990s, which have been built upon by the Coalition, applied a carrot-and-stick approach to reduce unemployment. Certain groups, such as young people, were identified as being most susceptible to long-term unemployment and were referred to intensive job-search support services. Where jobseekers failed to comply benefits could be withdrawn. Other aspects of policy to combat unemployment since 2008 have included the new Employment and Support Allowance (ESA) for long-term sickness and disability benefit claimants and revised obligations for lone parents with older children to work. The overarching theme of this welfare reform was to combine support with incentives for people to move away from benefits.

Employment services have been contracted out to a range of public, private and third sector providers. Recommendations in the Freud (2007) report to contract out employment services reflected an acceptance of this position. This was strongly supported by

contractors' lobby groups (Davies 2008; ERSA/AVECO 2006). Critiques of this model focus on the need for trust between the parties rather than on control of the terms of the contract (Brown and Troutt 2004). The funding mechanism entrenches barriers between agencies competing for funds, and this does not readily promote partnerships. Tensions are increasingly evident between private and third sector providers concerning which agencies can best build on local knowledge and expertise, but devolution continues to be a major principle of service delivery (Carson and Kerr 2010).

Alongside national policy responses, local authorities have been tackling worklessness. This was articulated through the Houghton Review (2009), which looked at how worklessness was to be made a mainstream priority for local government and its partners. The experience of the Future Jobs Fund (FJF) showed that local councils, the voluntary sector and many other organisations had the organisational strength to deliver quality employment opportunities for the young and the long-term unemployed. The FJF fund of around £1 billion was allocated so that from early 2010, everyone between the ages of 18 and 24 who had been looking for work for a year got an offer of a job, work experience, or training lasting at least 6 months. By the end of March 2011 over 100,000 jobs had been created. It has now been discontinued because of the need to make efficiency savings.

An example of a policy of giving local authorities the scope to use funding in innovative ways to address local priorities was the Working Neighbourhoods Fund (WNF), which provided resources to local authorities to tackle worklessness and low levels of skills and enterprise in their most deprived areas (DCLG 2009). Key to delivery were the targets and implementation plans that local areas agreed in consultation with their partners in the private and community and voluntary sectors. Originally the total WNF was to be £1.5 billion, but it was later cut.

Although most policy on employment was directed at making individuals more employable, an example of working with employers was local employment partnerships (LEPs). These were a government initiative to encourage employers to form relationships with JobCentre Plus. A LEP involved an employer working with JobCentre Plus to ensure that priority customers (e.g. unemployed lone parents and those in receipt of inactive benefits due to ill health or disability) within local communities have access to employment opportunities. This could involve JobCentre Plus assisting employers with job matching and screening, open days or the delivery of pre-employment training.

3.3. Access to the labour market

Long term unemployment

Long term unemployment is concentrated in specific groups by gender, age and ethnic group. Disability, qualifications and employment history are also associated with experiences on long term unemployment.

Firstly, data on recipients of JSA from January 2011 showed that among females the proportion of recipients who had been claiming for a year (12%) or more was lower than for males (17%) (Office for National Statistics 2011c). Secondly, age is a factor. For both men and women, younger workers (18 to 24 year-olds) were less likely to be long-term unemployed. Some 38% of unemployed men aged 50 and over were unemployed for 12 months or more compared with 15% for 18 to 24-year-old men (Begum 2004).

Third, some ethnic groups are more vulnerable to long-term unemployment than others. Among males, 25% of Black Caribbean claimants of JSA had been receiving benefit for more than a year in January 2011. The other major ethnic groups with an above average rate of

long term unemployment among male JSA claimants were the white Irish (19%), Black Africans (19%) and Bangladeshis (17%). The ethnic groups with the lowest prevalence of long-term JSA receipt were white other (i.e. not British or Irish) (14%), Indians and Pakistanis (both 15%) (Office for National Statistics 2011c). As for males, among females it was the Black Caribbean group of claimants that was most vulnerable to long term benefit receipt (17%). The other ethnic groups with relatively high long-term JSA receipt among females were: Chinese (16%); white Irish (15%); and Black African (14%) (Office for National Statistics 2011c).

In the UK the cost of benefits for unemployed disabled people is of strong policy concern. It is therefore notable that unemployed disabled people were more likely to be long-term unemployed than people with no disabilities (34% and 20% respectively) (Begum 2004). Among the unemployed, people with no qualifications were most likely to be unemployed for one year or more (Begum 2004). Work history also plays a role in the UK as, on average, of the long-term unemployed who find work, half will be out of work again after one year (Ben-Galim *et al.* 2011).

Labour market discrimination

There is little evidence for wage discrimination against women, minority ethnic groups and based on age in the research literature. This could be because discrimination is more likely to take place at the recruitment stage, when it is harder to prove. For example, once in employment minority ethnic women are as successful as white women in reaching a higher occupational level and, taken together with the lower employment rates for ethnic minorities, this would indicate that their labour market disadvantage applies mainly to finding work (Government Equalities Office n.d.). An exception is the finding that for mentally disabled people there is evidence of wage discrimination (Longhi *et al.* 2010).

Nevertheless, there still exist pay gaps, for example the gender pay gap. Even though legislation on implementing equal pay has been in place for 40 years, the gender pay gap in Britain remains among the highest in the European Union at 15.5% (Fawcett 2011). There are a number of reasons for this. Firstly, direct and indirect discrimination against women still persists in the workplace. Secondly, women are more likely to be employed in part-time jobs that are typically low paid and have fewer prospects for promotion and access to training. Outdated gender norms and stereotypes around men and women's value in the workplace still exist. Men's work is generally given a higher value both socially and economically. Lastly, women still do the bulk of caring and the lack of flexible working and a long working hours culture mean that women pay a penalty at work for their caring role. Added to this women are often faced with negative attitudes, discrimination and even dismissal in the workplace because of their roles, actual or potential, as mothers and carers.

The geography of unemployment

The problem of worklessness is unevenly spread around the UK (Beatty *et al.* 2011). The list of the top 20 districts in terms of their working age benefit claimant rate is dominated by former industrial areas. The South Wales Valleys are particularly strongly represented, but the list also includes substantial cities such as Liverpool, Glasgow, Stoke on Trent and Hull. Two seaside towns (Blackpool and Hastings) feature on the list, and a single London borough (Hackney). In contrast, there is a large part of southern England outside London where the working age benefit claimant rate is much lower (Beatty *et al.* 2011). Within UK employment policy, an increased focus on addressing particular geographical concentrations of worklessness has led to interest around how to effectively devolve the delivery of employment outcomes to sub-regional and local levels.

The cause of the uneven pattern is that major job losses in traditional manufacturing and production sectors and significant growth across service based industries have led to new labour market requirements (Martin and Morrison 2003). This labour market change has resulted in marked distinctions between high and low quality jobs and particular challenges for those without the skills, qualifications, work experience and flexibility expected in growth sectors (Escott 2009; Gordon 2003). The impact of change has been uneven, with some social groups being marginalised and living in areas regarded as "uncompetitive communities" (Gordon and Turok 2005:243). These neighbourhoods are experiencing risks of high unemployment (DCLG 2009). For Londoners there are additional barriers to employment as the extremely high cost of housing, transport and child care in London relative to earnings can make it more difficult to move off benefits, accept offers of part-time work or travel to take up better jobs (Ben-Galim *et al.* 2011).

Research on "area effects" has suggested that while spatial concentrations of worklessness are mainly the result of compositional effects (i.e. the grouping together of individuals with characteristics associated with labour market disadvantage), localised "cultures of worklessness" and discriminatory practices by employers (either real or perceived) can contribute to prolonging worklessness (Hasluck *et al.* 2009).

3.4. Recent developments

Current key issues in employment policy

The key issues currently debated in this field include the problems of long-term unemployment and worklessness, especially among groups who have not been the focus of employment policies until recently or are perceived as tougher to help (e.g. lone parents, people with disabilities). Another issue for the government is how to deliver responses to these social problems at as low as possible cost, which is being attempted by paying the organisations contracted to provide employment services by results.

It is clear that the Coalition government believes that the problem of worklessness is one of labour supply, not labour demand. It is taking two significant steps in this regard, although criticisms have already been made of the way these policies are going to be implemented.

First, the welfare system is to be reformed to make it more difficult for people to remain long-term on benefits and to make work a more attractive proposition. Many will see their benefits reduced. For example cuts to the child care element of the Working Tax Credit and to Housing Benefit for single people aged under 35 have been announced. Further, proposed reforms would increase the conditionality of welfare by time-limiting certain out-of-work benefits and imposing benefit sanctions on claimants who turn down an offer of skills training (DWP 2011b).

Second, the principles that underpinned New Labour's New Deal programme are remaining the foundation of UK back-to-work support. What is new is that the previous plethora of schemes and initiatives to help the unemployed are being pulled together in a new simplified flagship "Work Programme" that is currently being rolled out. As many benefit recipients find a new job within 6 months in any case, the Work Programme focuses on those with the greatest difficulty finding work. Therefore young people are to be referred to the Work Programme after 9 months out of work, other adults after 12 months out of work, and certain other unemployed people who face the greatest barriers to employment can be referred earlier. By 2014, it is estimated that the Work Programme will be supporting two million benefit claimants (Ben-Galim *et al.* 2011). It is claimed by the

government that the Work Programme will create a structure that will allow providers of employment services greater freedom to tailor the right support to the individual needs of each "customer" (DWP 2010). To meet this aim programmes are currently being designed by employment service providers at the local level reflecting local labour markets, rather than by the DWP from the centre as was previously the case with the New Deals. Employment services are being made more flexible by an emphasis on outcomes achieved by the provider rather than on specifying the processes by which these may be achieved (e.g. stipulations as to how long a client is to be in "work-related activity" has gone). These new programmes are being designed in partnership between government and providers from across the public, private, and third sectors, and social enterprises. The numbers of providers are considerable: in April 2011 the DWP announced that over 300 sub-contracted organisations are to be part of the Work Programme.

Another principle of the Work Programme is to ensure good value for money for the taxpayer by basing payments largely on results. For example, the Work Programme will make long-term job sustainability, rather than getting jobseekers into work short-term, a key measure of success and link providers' payment milestones to job sustainability targets over a three-year period (DWP 2011b). Thus providers will be encouraged by market incentives to develop support that helps clients to sustain work in a way that increases the expectation of what welfare-to-work programmes should achieve.

However, even though it is claimed that employment services will be designed by many organisations at the local level, a report (Ben-Galim *et al.* 2010) has argued that the Work Programme does nothing to change the highly centralised welfare systems, as in order to achieve economies of scale it hands responsibility for supporting jobseekers to a small number of "prime providers". This arises because the payment-by-results structure for the Work Programme means that only a relatively small number of organisations able to take on significant financial risk have been able to compete for main prime provider contracts. This concentration of provision risks innovation at a local level being squeezed out of the system.

Another recent development is outreach activity by JobCentre Plus staff in locations such as doctor's surgeries, children's centres, libraries and community centres, to pro-actively reach potential clients who may be reluctant to engage with what they perceive as threatening arms of government.

Effects of the financial crisis

The financial crisis has affected employment policy in several ways. Firstly, public sector jobs are being lost, which disproportionately impacts on deprived areas that find it harder to attract private businesses. Secondly, subsidised employment schemes have been cut. Finally, some argue that the recession has led to greater part-time and temporary working.

Firstly, prior to the recession, the numbers on out-of-work on benefits (benefits for the unemployed, sick, disabled and lone parents of working age) were falling, with the biggest reductions in the areas with the highest claimant rates. However, nearly 80 per cent of the job growth in Britain's weakest local economies was in the public sector (Beatty *et al.*, 2011). The loss of public sector jobs due to the financial crisis looks likely to exacerbate unemployment in these areas and there are difficulties in relying on a private sector-led revival in places where there was little growth in the private sector even before the recession. Private sector job losses following the financial crisis have not been concentrated on specific industries, but rather the recession hit weaker businesses across the sector.

Secondly, the public sector has always worked within financial limits, but the current fiscal position is such that there are significant challenges ahead for all of the public sector. This includes a reduction in local resources to tackle worklessness. As part of local government's contribution to cutting the deficit, the WNF has been scrapped, although it is hoped that the new Work Programme will help to reduce the need for the type of services provided through the WNF (DCLG 2010).

Lastly, flexibility was lauded for securing lower-than-expected unemployment after the crisis (Ben-Galim *et al.* 2011). The argument is that employers, because they were able to reduce labour and production costs easily, were able to adjust to changes in demand without resorting to mass redundancy. The increase in part-time and temporary working which occurred in the UK was seen as a measure taken by employers to preserve jobs and retain skills. However, the assumption that flexibility was the key ingredient in lower-than-expected unemployment has been questioned. Gregg and Wadsworth (2011) argue that relatively low unemployment in the UK (when compared to past recessions) resulted from the cut in VAT (sales tax) and negative inflation over the course of the recession, which meant employers were able to resist pressures to increase wages. In other words, real wages fell enough to mitigate the threat of widespread redundancies. Nevertheless, whatever the cause of relatively low unemployment, the financial crisis has exposed the need to strike a better balance between demand for flexible, part-time and entry-level jobs and the vulnerability of groups in low-paid and temporary jobs who struggle to find and stay in work.

New local innovations

"Localism", one of the key policies of the Coalition government, is the ethos of doing everything at the lowest possible level and only involving central government if absolutely necessary. David Cameron, the Prime Minister, has set out his vision for a redistribution of power away from central government, spreading choice and giving more power to neighbourhoods and professionals. The current government's stated aim is to achieve a "Big Society" where people, neighbourhoods and communities have more power and responsibility and use it to create better services and outcomes (DWP 2011a). The rhetoric is that the needs and priorities of local communities are extremely place-specific and are best understood and addressed locally. The policy, therefore, is couched in terms of providing local authorities with increased flexibility and freedom so that they can prioritise and allocate funding in ways which best meet the needs of local communities (DCLG 2010). The government is therefore looking to devolve functions to the local level, although there are some functions which it is accepted are best co-ordinated or delivered at the national level (DWP 2011a). Nevertheless there is a "mixed market" of policies and interventions delivered by a number of national, local and private organisations.

In light of potential moves to effectively operationalise devolved governance in the sphere of employment policy, significant considerations include: how best to devolve budgets to sub-national levels; whether particular governance approaches are likely to lead to innovative activity; how to devolve powers to local levels whilst retaining an effective performance management role; and the role of central government itself in supporting and facilitating devolved governance (Atkinson 2010). In addition, numerous case studies from the UK offer evidence that there is often a considerable implementation gap between the rhetoric and the development of partnership working (Carson and Kerr 2010). It remains to be seen whether these issues can be overcome in the future.

4. THE FIELD OF CHILD CARE

4.1. Demand and supply

In the United Kingdom (UK), the care of pre-school age children has been seen largely as the "private" responsibility of parents and beyond the direct concern of the state. The state took an active role in child care provision during the Second World War, but this was considered to be a temporary measure to meet the need for female labour. The launch of the national Child care Strategy in 1998 (DfEE 1998) by the Labour Government was the first peace-time government policy for widespread child care provision. It marked the start of a government commitment to improve the quantity and quality of child care in England, taking on the task of ensuring "good quality, affordable child care for children aged 0-14 in every neighbourhood". The Ten-Year Child care Strategy was published in 2004 (HM Treasury 2004) and had two overarching aims, to improve child outcomes by giving children the opportunity to attend a high quality early years setting and to reduce child poverty by facilitating parental employment.

The UK has always had a mixed economy in terms of the provision of child care and provision may be located in the public sector, independent sector by the market and the voluntary sector, informal provision by families and very limited provision by employers. National statistics cannot be used to determine the proportions of different types of providers as they make no distinction between for-profit and not-for-profit settings.

Child care providers consist mostly of small for-profit businesses, providing full and sessional group care, out-of-school care and family day care. Informal care has traditionally formed a significant proportion of child care, with grandparents the most common informal carers. The for-profit child care sector has grown by 70 per cent since 2002 which reflects other areas where government has invested a significant amount of public money into a system. Private, for-profit UK child care businesses now make up 72 per cent of the child care market, followed by not-for-profit businesses at 17 per cent and the public sector at 12 per cent. Seventy five per cent of the private, for-profit providers are classified as small businesses as many nurseries originally single trader operations have consolidated into larger operations. A distinctive feature of the UK market is corporatisation with shareholder companies providing about eight per cent of all child care places in 2009 (Penn 2011).

The use of child care facilities does not always reflect demand as this is also influenced by the participation rate of parents, levels of unemployment, the length of parental leave, school opening hours and the availability of alternatives such as grandparents and other informal arrangements. The UK is moving towards a fuller coverage of child care services and the national child care strategy created an impressive expansion of formal child care places. Between 1997 and 2006 an estimated 644,000 new registered child care places (net) were created in England. Nursery education is the most popular option for parents and has over a 95 per cent take up where it is provided for four year olds, whilst there are about 25 per cent of three year olds who do not take up a place (Speight *et al.* 2010). However, despite the various initiatives around formal child care, many families still opt to use informal carers, particularly grandparents to look after very young children. In part this reflects affordability and accessibility of formal care but in other respects simply reflects parental choice (Bryson *et al.* 2006; Kazimirski *et al.* 2008; Speight *et al.* 2009).

Although more mothers work full-time than in the UK than some other European countries, it is still more typical for employed mothers to work part-time and this corresponds to a high part time use of child care services. It is widely accepted that mothers work part-time

and make use of part-time child care facilities particularly since the introduction of free nursery education. Public opinion is generally more mixed concerning the desirability of full-time child care and the use of formal child care for children younger than three years old. However, the increased economic activity of professional women who can afford to purchase care on the market has led to increased demand for private nursery and child-minding places in some areas.

In the UK the compulsory school starting age is five however the reality is that most four year olds are at primary school and being taught the early years curriculum in reception class. A universal entitlement to free, part-time early education was introduced from 1997 and since 2004 all three and four year olds have been guaranteed such a place, while access is now being extended to target two year olds. Free entitlement to early education for three and four year olds is fifteen hours (this increased from 12.5 hours in 2010). Early education can be delivered by private for-profit and not-for-profit child care businesses, provided they meet curricular requirements which are less rigorous than those for the wider education sector. Providers are funded on a per child basis by local authorities to deliver nursery education. There are very few countries that use the market to provide nursery education in this way (NESSE 2009). Most of the expansion in nursery education places has taken place within private child care provision rather than state funded nursery classes and schools.

The government provides several forms of subsidy to parents for child care costs. The most widely used is through the funding of child care provision, of which the one with the widest coverage is the free part-time pre-school nursery education place. There is also assistance with child care costs for low-income employed families through the tax credits system, and for employees if their employers adopt the child care voucher system (where employees receive vouchers as part of their salary and do not pay tax or National Insurance up to the value of £55 per week) introduced in 2005.

In 1999 Family Credit was replaced by Working Families Tax Credit, and its Child care Tax Credit component. This demand side subsidy for low income parents signified a more generous contribution to child care costs than any previously. In 2010 488,000 families received support for child care through Tax Credits, 64 per cent of whom were lone parents. They received an average of £67 per week or £70 for lone parents (HMRC, 2010). Parents are required to pay for at least 20 per cent of their child care costs (soon to be 30 per cent), the argument for this contribution has been that it prevents parents from choosing the most expensive type of child care and also deters providers from increasing prices knowing that costs are not merely met by the public money. A parent only using the part-time free place and not paying for additional hours would not be able to work enough to be entitled to Tax Credits.

Alongside the expansion of child care the government has introduced a series of reforms and initiatives concerned with leave facilities. Statutory maternity leave has been lengthened and the level of financial support rose in three stages of reform starting in 2002. It is now possible for mothers to take up to a year of maternity leave, of which 39 weeks are paid (6 weeks at 90 per cent of earnings and the rest a flat-rate statutory maternity pay). Statutory paternity leave was introduced in 2003 and is paid for two weeks for most fathers at the same rate as statutory maternity pay. Another important development was the introduction of the right to request reduced or flexible working hours in 2003. However, there is still a gap between the end of maternity leave and the provision of a free part-time child care place at two or three years old.

4.2. Structure of the administration

The impact of the EU Barcelona Summit recommendations is unclear in the UK. The government has received recommendations concerning the need to provide affordable child care in most of the years since these commenced (in 2001 to 2004 and most recently in 2006) to "further improve access to and affordability of child care". However, the recommendations occurred before the national child care strategy had been implemented and extended.

In England there has been standardisation and centralisation of child care regulation. Ministerial responsibility lies with the Department for Children, Schools and Families (now the Department for Education) while child care settings have been registered and inspected through Ofsted (Office for Standards in Education) since 2001. In addition, there are standards and inspections for child-minders. The 2006 Child care Act provides a statutory framework for the Early Years Foundation Stage to ensure a quality standard to which early childhood settings must adhere in order to qualify for the early education grant. Generally, regulation would be considered moderate compared to other EU countries.

The development of child care since 1998 in terms of funding, the goals for provision, and governance is highly centralised. Central government indicated in its National Child care Strategy published in 1998 that child care would remain a "mixed economy". This was in line with New Labour's approach to public services more generally, the main premise being to work in partnership with private and voluntary sectors. In the case of child care, Early Years Development and Child care Partnerships were set up in each area of local government. These brought the private, public and voluntary sectors together to plan the development of child care provision, using funding streams that flow from central government. Under the 2006 Act's "child care sufficiency" duty English local authorities must ensure the efficient operation of the local child care and early education market of private providers. A "cost neutral" franchise model of child care provision in extended schools as well as in Sure Start Children's centres located in disadvantaged communities should operate.

4.3. Access to child care

Child poverty in the UK is over 20 per cent (Bradshaw 2009) and since 1997 most policy in relation to early childhood provision has been targeted to alleviate this. Choice of specific child care services is limited, as it always has been but before 1997 there were whole areas where there was no provision at all. Deprived areas have been the focus of a number of policy initiatives such as the Neighbourhood Nurseries Initiatives which aimed to provide 45,000 child care places in the 20 per cent most deprived areas, over 500 Sure Start Local Programmes which integrated early education, child care, parenting support, employment advice and health services, and 25 Early Excellence Centres which integrated early education and care. These were combined into the universal Children's Centres programme and by 2010 the aim was to have 3,500 centres supporting young children and their families, one in every community.

For vulnerable groups issues of affordability arise and the fact that for-profit businesses can place limits on the number of children they accept who want access to free provision alone. Single mothers have been a focus of policy intervention for such a long time that access is better than it has ever been for this particular group and it is other groups such as large families, families living in temporary accommodation, families with disabled individuals or from ethnic minority groups that are more disadvantaged at present. Issues

of appropriateness of child care also arise for these groups as well as for those living in rural areas with poor transport links and parents who work atypical hours.

Despite the expansion in formal child care services coverage can still be patchy with vacancies in day care, out-of-school and child-minder places in some areas and heavy shortages in others. Regional variation in child care provision does occur and some regions have two or three times more nursery places than others. In most places there is a difference between more urbanised and the more rural areas mainly as a result of the large proportion of child care provision lying in the private sector (setting up where demand is higher). Ofsted reports that poorer quality nurseries tend to be found in poorer areas and the best in wealthier areas (Ofsted 2008). However, overall it tends to be a lack of affordability more than availability that impedes access to child care. There are also indications that for the disadvantaged the complex format of child care provision and its funding, including the requirement to buy a "child care package", deters parents from taking up provision.

Child care is considered expensive in the UK, a private nursery place is usually the most expensive, public nurseries are usually less costly but supply is limited. In the UK parents pay a relatively high share (75 per cent) of the proportion of child care costs between state, employees and employers. In 2005 on average families spent 11 per cent of their income on child care, this rose to 20 per cent for those in the lowest income quintile compared with 8 per cent for families in the highest income quintile. Lone parents spent more of their household income on child care than couples (16 compared to 10 per cent) (Plantegna and Remery 2009a). There are clear indications that for-profit provision is likely to be beyond the means of the disadvantaged.

Child care costs rose by 4.9 per cent in 2008 and by a further 5.1 per cent in 2009. Approximately 13 per cent of revenue comes from government subsidies including support for employer contributions, with about 20 per cent accounted for through direct and indirect employer contributions through workplace nurseries and child care vouchers. The Daycare Trust, a national child care charity, conducts an annual survey of child care costs, and in 2010 average costs for 25 hours per week were £88 in England, which is more than half gross average part-time earnings (£153 per week). Parents in London had the highest reported costs, paying up to £11,050 per year for 25 hours child care per week, or £22,100 for 50 hours (Daycare Trust 2010). There had been a rise in costs above the rate of inflation for all types of child care, despite the UK being in recession.

A number of policy initiatives have focused specifically on the quality of provision. In particular there has been a drive to improve the quality of staff working in early years settings since qualifications have been shown to affect the quality of child care and early years education. In 2006 the Early Years Professional Status was introduced, which was a new qualification equivalent to the Qualified Teacher status. Funding was made available to daycare settings through the Transformation Fund between 2006 and 2008 and the Graduate Leader Fund since 2008, with the aim that a graduate early years professional had a lead role in every Children's Centre by 2010 and in every full daycare setting by 2015. In 2008 the Early Years Foundation Stage for 0 to five year olds was rolled out, a new curriculum framework integrating the Foundation Stage curriculum with the National Standards for Daycare and Child-minding and the Birth to Three Matters Guidance for providers working with children under three.

4.4. Recent developments

The main debates in the UK are still about issues of: quality; staffing; flexibility; stability and the complexity of provision. The financial crisis has led to a decline in the number of child care places in the UK, approximately 12,000 places were lost in 2009 (Ofsted 2010). Forty per cent of for-profit nurseries reported their economic performance weakening, a third reported a "significant worsening" and for every two child care business start-ups there were three closures (Blackburn 2009). Given that a significant proportion of nursery education is being provided within the market, this lack of sustainability could undermine nursery education as well as child care policies. The financial crisis and its impact on employment could also impact on the viability of the system and the number of places available where parental demand for full-time care reduces.

Given the emphasis on quality provision for disadvantaged children, the viability of Children's Centres delivering child care could become an issue of concern. In a study by the National Audit Office 53 per cent of Children's Centres operated at a loss and only six per cent made a surplus (National Audit Office 2009). In many cases child care and early education was also being provided directly by the local authority rather than private providers which contravened the provisions made through the 2006 Child care Act. (Philips *et al.* 2009). The lack of parental demand for more than the free early education removed the incentive for participation of for-profit providers.

The Coalition Government's welfare reform plans include specific reference to child care costs and the recognition that child care costs are a key determinant of work incentives. The overall level of funding will be reduced from April 2011, when the proportion of child care costs that can be received through the child care element of Working Tax Credit is reduced from 80 per cent to 70 per cent. The Government has also announced its intention to extend child care support for those working for fewer than 16 hours. There are concerns that without additional funding this will mean existing resources are spread more thinly and will not provide sufficient levels of support for parents to make realistic choices about work. The Coalition Government has announced that shared parental leave will be central to any changes to leave arrangements.

Some opinion leaders in the field believe that the government's decisions on spending cuts are adversely affecting families. Cuts in the child care element of the Tax Credit reduce work incentives, while the design of the proposed Universal Credit could penalise dual-earner families. Sure Start Centres have had their budget protected (but only in cash terms) but are to be refocused on poorer families and no longer a universal service for the whole community. Although there will be expansion of the free nursery places to disadvantaged two year olds (the poorest 20 per cent of families) from 2012, support for children in their first year is being reduced with the abolition of the baby element of the Tax Credit and Sure Start Maternity Grants (Ben-Galim 2011).

Within the context of the localism trend, the government is in the process of decentralisation and deregulation of early education but will need to obtain a balance between handing the responsibility to local government with the need to keep hold of some regulation.

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THE WILCO PROJECT

Full title: Welfare innovations at the local level in favour of cohesion

Acronym: WILCO

Duration: 36 months (2010-2013)

Project's website: <http://www.wilcoproject.eu>

Project's objective and mission:

WILCO aims to examine, through cross-national comparative research, how local welfare systems affect social inequalities and how they favour social cohesion, with a special focus on the missing link between innovations at the local level and their successful transfer to and implementation in other settings. The results will be directly connected to the needs of practitioners, through strong interaction with stakeholders and urban policy recommendations. In doing so, we will connect issues of immediate practical relevance with state-of-the-art academic research on how approaches and instruments in local welfare function in practice.

Brief description:

The effort to strengthen social cohesion and lower social inequalities is among Europe's main policy challenges. Local welfare systems are at the forefront of the struggle to address this challenge - and they are far from winning. While the statistics show some positive signs, the overall picture still shows sharp and sometimes rising inequalities, a loss of social cohesion and failing policies of integration.

But, contrary to what is sometimes thought, a lack of bottom-up innovation is not the issue in itself. European cities are teeming with new ideas, initiated by citizens, professionals and policymakers. The problem is, rather, that innovations taking place in the city are not effectively disseminated because they are not sufficiently understood. Many innovations are not picked up, because their relevance is not recognised; others fail after they have been reproduced elsewhere, because they were not suitable to the different conditions, in another city, in another country.

In the framework of WILCO, innovation in cities is explored, not as a disconnected phenomenon, but as an element in a tradition of welfare that is part of particular socio-economic models and the result of specific national and local cultures. Contextualising innovations in local welfare will allow a more effective understanding of how they could work in other cities, for the benefit of other citizens.