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The Freud Report on the future of welfare to work: Some critical reflections

Abstract

In December 2006 the Secretary of State for Work and Pensions announced a review of welfare to work policies in Britain. This was led by the investment banker, David Freud who reported in March 2007. This paper examines the report, particularly focusing upon broad issues – relationships between unemployment, worklessness and capitalism and gender issues – that are central to understanding the report's analysis and recommendations. It is argued that the report's general thrust dovetails neatly with New Labour's fixation with supply-side economics and its approach to exclusion that suggests paid work is the mark of the responsible and included individual, an approach that draws upon and reproduces capitalist and patriarchal patterns and structures of paid work.

Key words: capitalism, Freud Report, gender, paid work, welfare

Introduction

In a speech in December 2006 then Secretary of State for Work and Pensions, John Hutton MP (Hutton, 2006) argued that while welfare to work policies had been successful in the first decade of New Labour's reign, there would be new challenges in the decade ahead. These challenges were likely to require a different set of solutions to those introduced by New Labour in its first 10 years. New Labour, he argued, must recognize 'that the policies that were unquestionably right for today – may not be the policies best suited for the challenges of tomorrow' (Hutton, 2006: 5). In order to examine whether this was

the case, Hutton ordered a review of welfare to work policies, a review that would be headed by the investment banker, David Freud.

This paper examines the report, *Reducing Dependency, Increasing Opportunity: Options for the Future of Welfare to Work* that was produced by Freud (2007) (hereafter referred to as the Freud Report). After sections outlining the background to the report and its content, the paper goes on to reflect upon relationships between unemployment, worklessness and capitalism and gender issues that are central to understanding the report's analysis and recommendations. In this sense, the paper does not engage with the minutiae of detail in the report, but with issues that raise fundamental questions about the future of welfare to work and its position in reflecting and constituting patriarchal capitalism.

Background to the Freud review

As we have noted, the immediate context for Freud's investigation into the future of welfare to work policies was a speech by John Hutton MP. In his speech Hutton (2006) outlined four challenges facing welfare to work policies. First, was the future of 'Labour exchanges' (Jobcentre Plus) in not just helping people into paid work, but also supporting them to 'progress up the career ladder' (Hutton, 2006: 3). Second, how families of various forms (lone and couple) might be adequately supported, as well as recognizing the ethnic dimension of familial disadvantage. The third challenge, Hutton argued, was related to a 'poverty of place' (p. 3), which referred to questioning and addressing why those (mainly urban) areas with high levels of worklessness are often those with high levels of job vacancies. The fourth challenge can be termed as the 'sustainability of employment'. Here, Hutton's concern was with what economists describe as 'churning' between unemployment and short of periods of paid employment.

Despite references to what might be termed 'Old' Labour values – the right to work, fairness and universality – Hutton's speech was structured through an approach that placed the onus of worklessness upon individuals. This was highlighted in his reference to a "can work, won't work" culture', a phrase in the lineage of the Conservatives' 'dependency culture' and both the Conservatives' and New

Labour's previously widely used discursive device, the 'something-for-nothing society'. It is a phrase that emphasizes the wilful rejection of paid work, despite a capacity for it. Workless people are those who 'won't work', rather than those people for whom there are few jobs to apply for, who face barriers to work, including various and multiple forms of discrimination, and/or who do not consider paid work as being an important part of their identity.

In order to tackle the 'can work, won't work culture' Hutton argued that the Department for Work and Pensions (DWP) needed to undertake a 'wide-ranging review of [its] welfare to work strategy' (Hutton, 2006: 6) that would be concerned with three issues: the design of welfare to work policies, possibilities for the local devolution of welfare to '[deliver] employment services to some of our most disadvantaged communities' (p. 6) and the delivery of welfare, in particular developing more effective markets in the delivery of employment services.

David Freud reported on this review in March 2007 having analysed data from both Britain and overseas countries regarding the extent of worklessness, the form of welfare to work programmes and the effectiveness of those programmes. Possible detail of his conclusions leaked before the report's publication, resulting in newspapers headlines, such as 'Cheap loans aid for long-term jobless: Debt a disincentive to getting back to work' (*The Guardian*, 24 February 2007), 'Free haircuts to help jobless' (*Sunday Times*, 4 March 2007), 'Jobless single parents to face benefit cuts' (*The Observer*, 4 March 2007) and 'Suits Tattoo; Jobseekers get help in crackdown on welfare' (*The Mirror*, 5 March 2007). While some of these stories were more to do with unnamed sources commenting on potential implications of the Freud Report (although he does mention the role of indebtedness in causing worklessness), they did sum the general thrust of the report; that worklessness was a supply-side problem and greater conditionality was needed to reduce it.

The Freud Report

The terms of reference for Freud's review were:

To review progress on the Welfare to Work programme since 1997, taking account of the evidence from the UK and international experience, and make policy recommendations on how the Government can

build on its success in using policies such as the New Deal to continue to reduce inactivity and in-work poverty, and meet the Government's 80% employment aspiration. (Freud, 2007: 1)

In some ways, the terms of reference for the review were rather narrow as the emphasis was only upon the out-of-work aspects of the welfare to work policies; policies that increasingly provide the 'stick' of mandatory work activation measures. However, as has been observed elsewhere (Grover, 2005), equally important in getting workless people into paid employment has been the 'carrot' of the 'making work pay' strategy, the combination of the National Minimum Wage and Tax Credits. Little reference, however, is made by Freud to the efficacy and efficiency of these policies in incentivizing people to enter employment. This is odd because it is those policies that New Labour sees as being central to tackling in-work poverty, and it would have been particularly helpful to have an idea of how, for instance, in-work benefits (Tax Credits) would relate to the single working age benefit that Freud recommends.

It is fair to say that the Freud Report is more concerned with meeting the 80 per cent employment aspiration than it is with tackling in-work poverty, for it mainly focuses upon ways out-of-work benefits might be developed in order to tackle worklessness among what are described as 'the hard to help' (Freud, 2007: 6). 'The hard to help' workless include disabled people, lone parents (hereafter referred to as lone mothers as around 90 per cent are female), Black and minority ethnic people, and those who are described as having few skills (academic qualifications or their vocational equivalents).

There are at least three reasons why Freud believes it is beneficial to achieve an employment rate of 80 per cent. First, he argues that work is good for individuals. Citing Waddell and Burton (2006) he notes (Freud, 2007: 5) that: 'Work is generally good for health and well-being'. However, he does not discuss the provisos of Waddell and Burton's (2006: ix) claims, which include the observation that: 'Beneficial health effects depend on the nature and quality of work'. The DWP, however, is taking this proviso seriously, with Lord McKenzie (Parliamentary Under Secretary of State at the DWP) recently calling 'on the expertise of businesses, government and charities to discuss and agree what constitutes "good work"' (DWP, 2007).

Second, there are a number of economic arguments. Some relate to macro-economic change in the future and the potentialities that this

has for further disadvantaging the 'lowest skilled' (Freud, 2007: 5). Here, Freud concurs with the Leitch (2006) review on skills that the aim in the future must be to increase the proportion of the population with basic numeracy and literary skills and level 2 qualifications. However, it is unclear how Freud's proposals for welfare reform will impact on such concerns beyond the suggestion that Jobcentre Plus should provide 'basic skills screening and support, designed and delivered in partnership with employers, other agencies and providers' (Freud, 2007: 112).

A second set of economic arguments relate to the micro-finances of individuals. Freud (2007: 22) argues that the tax benefit system has now addressed: 'the unemployment trap for key groups – particularly lone parents. This means that individuals are better off in work, and reinforces the evidence that work is the best and most sustainable route out of poverty'. However, such conclusions are contradicted by the observation that over half (54 per cent) of children living in poverty are in households where at least one adult is in paid work (CPAG, 2006). Wages alone do not deliver an above poverty income for some single people and childless couples, let alone those with dependent children. After all, capitalists employ individuals, not their families and, beyond the minimum, they pay wages they think individuals are worth to their enterprise in the context of the supply and demand of labour. In brief, the equation of paid work with tackling poverty is mistaken.

It is in the context of these concerns that Freud recommended three main changes to welfare to work policies:

- A bifurcation in the provision of work activation services between Jobcentre Plus that will service the claiming and job-readiness needs of able-bodied claimants in the first year in which they are workless and considered to be available for work, and private sector contractors who will take on the 'hard to help' cases thereafter. This will involve the abolition of the New Deal for Young People. Sick and disabled claimants will be dealt with by Jobcentre Plus in the initial three month 'assessment phase' of the new Employment Support Allowance, followed by interventions by the privatized service.
- Changes to the conditionality of claiming out-of-work benefits for lone mothers by making them claim Jobseeker's Allowance (JSA) when their youngest child reaches the age of 12. It is expected that

this age will fall further as 'wrap around childcare becomes available from 2010' (Freud, 2007: 91).

- A move towards the introduction of a single benefit for working age people that will provide a safety net, support a return to work by 'incentivising and easing the transition to work' (Freud, 2007: 99) and that will clearly demonstrate the link between the rights and responsibilities of workless people.

While pressure groups were deeply concerned with the proposals regarding lone mothers, the Freud Report was generally welcomed by politicians. According to *The Guardian* (6 March 2007) Freud 'produced his report in just 10 weeks and the three party front benches endorsed it in just 10 minutes'. Then Chancellor of the Exchequer, Gordon Brown MP was particularly enthusiastic about the report and was cited in the *Daily Mail* (6 March 2007) as saying, 'This starts a new phase of welfare reform which I will champion'. These observations of the acceptance of Freud's findings are concerning for a range of reasons related to the detail of the report. However, more fundamentally, there are broader issues related to its assumptions about the importance of paid work that are problematic and that challenge some of the claims made in it.

Capitalism, unemployment and worklessness

The Freud Report is premised upon the idea that what is now described as 'unemployment' has been tackled. Freud makes this clear when he argues that 'unemployment is probably close to its frictional level' (Freud, 2007: 51), a level that is acceptable because it indicates that people are between jobs searching for work, 'a sign of a healthy and diverse economy' (Hutton, 2006: 5). Because 'unemployment' has been tackled, there has to be a more concentrated focus upon worklessness. If an employment rate of 80 per cent is desired then those described as being 'economically inactive' will have to be brought into the paid employment fold; that means, and following the 2006 welfare Green Paper (Secretary of State for Work and Pensions, 2006), a 70 per cent employment rate for lone mothers, reducing the Incapacity Benefit caseload by one million and increasing by one million the number of older workers in employment.

The problem with this approach is that it is not clear that unemployment has been tackled. While the numbers, for example, who are classified as unemployed were lower in 2006 than they were in 1997, the recent trend has been upwards. This is particularly so for young people (aged 18–24), for whom the number who were unemployed was higher in 2006 (520,000) than in 1997 (495,000), although the rate was slightly lower in the former year (12.7 per cent in 2006 and 13.1 per cent in 1997). While long-term youth unemployment was far lower in 2006 than it was in 1997, it too has increased in recent years; from 11.6 per cent of unemployed 18–24 year olds in 2002 to 15.4 per cent in 2006 (all figures from National Statistics, 1998, 2006: Table C.1).

More fundamentally, this view of unemployment assumes that the government has some semblance of control over the British economy. This, of course, was its aim; to reduce what regulation theorists describe as conjunctural (or cyclical) crises in the accumulation process (Tickell and Peck, 1992), or what New Labour described in popular terms as the ‘boom and bust’ economy (cf. Blair, 1998). While it is possible to manage such crises within existing accumulation regimes, it is possible that they will develop into structural (or major) crises, such as that witnessed in many Western societies in the 1970s. Such crises are unlikely to be within the control of governments and there is little to suggest that a welfare reform package designed to deal with worklessness during a period of relative economic stability will be able to deal with it during periods of more structurally challenging economic change. It is, therefore, premature to think of unemployment as having effectively been tackled in contemporary society.

This relates to a further point about the Freud review; that it decouples worklessness from macro-economic concerns. The report (Freud, 2007: 20) does make reference to the OECD’s (Organization for Economic Cooperation and Development) framework for understanding labour market performance, which includes setting the ‘appropriate macro-economic policy’, but for the most part it individualizes unemployment as being the consequence of cultural or personal failings in the context of a benefit system that is structured by perverse incentives and disincentives. In brief, the report neatly dovetails with New Labour’s ‘supply-side fundamentalism’ (Peck and Theodore, 2000).

In this sense, while the report argues that ‘[a]chieving the changes on the scale recommended in this report implies much more than

purely tinkering with benefit rates, conditionality and the provision of support' (Freud, 2007: 20), it is exactly these issues that it examines, for it is structured through the idea that the decision making of people receiving various benefits is premised upon an economic rationality in the most crude of utilitarian ways. Hence, the argument for a single benefit for working age people and a move to placing conditionality upon all groups of claimants, including lone mothers and current recipients of Incapacity Benefit (IB) (under the Employment Support Allowance to be introduced from 2008 only new IB claimants will be expected to engage in job-related work activities – Secretary of State for Work and Pensions, 2006). In this sense, the Freud Report implies in Laurence Mead's (1986) terms that long-term workless people are "dutiful but defeated" and in need of "help and hassle", reinforced by sanctions for those who do not co-operate' (Deacon, 1997: xiv). For Mead, the issue was 'not the level of benefits but the terms and conditions on which they were paid' (Deacon, 2002: 50), meaning that benefits needed to be more authoritarian in character in order to clearly delineate the conduct required from individuals in return for benefit payments. Following on, there is an assumption in the report that given the correct balance of conditionality, levels of benefit and measures to tackle particular barriers to work (for instance, childcare in the case of lone mothers) – there should be little reason why individuals cannot be prepared for and successfully gain paid work.

Rationality, political economy and gender

A more fundamental problem for this line of thinking is that it makes a 'rationality mistake' (Barlow et al., 2002). This argument is perhaps best made in research concerning the attitudes of lone mothers to paid work which suggests that they are structured through gendered moral rationalities rather than economic rationality (Duncan and Edwards, 1999). In this sense, the decision of lone mothers to do paid work is structured through moral considerations, often informed by the attitudes existent in their local neighbourhoods and social networks towards working mothers and lone motherhood. However, such sociologically based explanations of work and worklessness are not engaged with in the Freud Report. This is deeply problematic if, as the press is speculating, the age of the youngest child at which lone mothers are

subjected to the JSA regime will fall from 12 years to as low as 3 (*The Guardian*, 12 February 2006; *The Independent*, 6 March 2007), for the conditionality of the JSA does not allow paid work to be turned down upon economic grounds (low pay and so forth), let alone moral grounds.¹

This observation points to a number of issues related to gender. It is clear that the report sees paid work as the cultural indicator by which individuals should be measured, for it is held to denote responsibility and inclusion. By implication, this devalues other forms of work as being of little consequence. In particular, the value of reproductive work is noticeable by its absence from the report, except where it is delivered through childcare enterprises and, therefore, is commodified. In other words, social reproduction that is recognized in other areas of government policy – such as the current emphasis upon parenting (mothering) in tackling offending and anti-social behaviour – is ignored in the Freud Report and is, in fact, merely interpreted as an obstacle to paid work. In this sense, it is clear in the Freud Report that the provision of childcare is desirable because it will free lone mothers as unemployed labour to take paid work.

Moreover, the Freud proposals will merely entrench the disproportionate levels of poverty of women compared to those of men and exacerbate labour market divisions between them. There are several reasons why this is the case. First, the privatization of the work support and activation services for the ‘hard to help’, that Freud sees lone mothers as being part of, is likely to encourage conservatism in labour market expectation and participation because the private enterprises delivering services will be paid by results (i.e. on the numbers of people placed in work and their staying there). This commercial imperative will encourage the reproduction of existing gendered labour markets as women are more likely to be placed, as the easiest route to profit for the job placement service provider, into jobs where they are already employed in the greatest numbers.

This links to a second more theoretical reason why the status quo will be defended through the Freud proposals. Following Fraser (1997), the political economic position of women is only part of the explanation of why they endure inequality in the workplace. A related explanation concerns the cultural valuation system, structured through androcentrism and sexism, which privileges traits associated with masculinity and which devalues and disparages activities and acts – such as caring – coded as being ‘feminine’. In terms of paid

employment the political economic and cultural valuation systems conjoin in the segmentation of labour markets, concentrating women in employment thought of as 'women's work' and which is associated with caring. Hence, without cultural re-ordering, attempts to force women into paid employment through highly conditional benefits will merely reproduce economic inequalities, and undermine one of the aims of the developments in the Freud Report; the tackling of poverty.

Conclusion

The Freud Report was welcomed by politicians as setting the scene for welfare to work policies in the forthcoming decade. The report indicates a shift in focus from those officially defined as unemployed to other workless people. While New Labour has shown an interest in worklessness, particularly that associated with lone motherhood, since its election in 1997, the Freud Report arguably marks a newly invigorated attempt to tackle it. In doing this, however, it takes a rather conservative approach. It may have looked forward to the challenges ahead in terms of worklessness, but it has drawn upon an income maintenance discourse of long-standing that associates a lack of paid employment with individual failings encouraged by the provision of relief for those who are not in work. In this sense, the Freud Report represents continuity in the state's dealing with worklessness and outlines an approach from which is unclear how the tackling of poverty will flow because of its reproduction of capitalist and patriarchal work patterns and structures.

Notes

- 1 In what was described in *The Guardian* (19 July 2007) on 'a tougher than expected welfare green paper', it was argued by the government that from October 2008 when their youngest child reaches age 12, lone mothers will be expected to claim JSA, rather than claiming Income Support as lone mothers. From October 2010 this age will be reduced to seven years. (Secretary of State for Work and Pensions, 2007, para. 34)

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