

Restructuring the English Working Class for Global Competitiveness

Alex Nunn

Policy Research Institute
Leeds Metropolitan University

Abstract:

This paper considers the latest developments in an ongoing attempt to restructure the English working class. It divides this project into two distinct phases. The first is associated with destructive policies to undermine the political, social and institutional structures of the working class embedded in the post-War social democratic and compromise. The paper then goes on to show how New Labour initially sought to rebuild the working class in the image of global competitiveness, at the outset of the second phase to restructure the English working class. The paper argues that the present moment in policy development represents a watershed in this second-phase. The aim now is to contain and overcome some of the contradictions thrown up by New Labour's early policies and to raise the workforce in terms of its position in the Global Division of Labour. To do so, there is a need to move up those sections of the working class currently working in, and competing for, low-value and low paid 'entry-level' work, in order to create space for largely inactive elements of the latent workforce to move into. The project is pre-figured by a wholesale acceptance of the politics of global competitiveness. The discussion is undertaken via an analysis of three key sets of policy documents associated with the Harker Review of Child Poverty, the Leitch Review of Skills and the Freud Review of Welfare.

Restructuring the English Working Class for Global Competitiveness¹

Introduction

Previous papers in this series have identified the broad ideological framework underpinning the New Labour Project (NLP) (Cammack, 2007) and the institutional, social, economic and political trajectory of reform (Nunn, 2007). The latter paper argues that the NLP can be seen as a second phase in neoliberalism characterised by a shift from the attempts in first-phase neoliberalism to dismantle the legacy social and institutional structures of social democracy towards a revised social and institutional structure which can support neoliberal accumulation over the long-term. A core theme in first-phase strategies was the launching of an attempt to restructure the working class. The aim was to remove the social and institutional framework supporting the working class and to expose it to increasing competition, through integration in the global division of labour. However, these efforts were only partly successful and left the NLP confronting two distinct barriers to competitiveness. These were first, a demand for additional labour power to be available for commodification, even if left temporarily unutilised, to allow for the expansion of absolute surplus value generation; and second, a demand to ensure higher levels of skills and therefore productivity, to enable increased relative surplus value generation. These two demands left the NLP tackling two policy problems left over by the destructive impacts of first-phase restructuring: significant problems of long-term 'economic inactivity' and disengagement from the formal labour market (what would later be termed 'worklessness') and significant sections of the economy engaged in low productivity and low value-added production.

Throughout the NLP, Gordon Brown has been at the centre of the domestic policy agenda aimed at tackling these problems (Nunn, 2006). However, three key policy reviews of child poverty (Harker, 2006), skills (Leitch, 2006) and welfare reform (Freud, 2007), and the response of central government to these (DWP, 2007; 2007a; DIUS, 2007), which broadly coincided with Brown's long accession to the leadership of the NLP sketch out the trajectory of future reform,

¹ An earlier version of this paper was presented to the ESRC/UN Seminar on Changing Cultures of Competitiveness at Lancaster University, January 2008 (<http://www.lancs.ac.uk/fass/events/changingcultures/seminars/seminar1.htm>). I am grateful for comments from participants at the seminar and from Paul Cammack.

or the next stage of the project to restructure the working class. The central argument of this paper is that the policy framework that emerges from these six documents marks an intensification of New Labour's attempts at remaking the English working class into a globally competitive workforce, capable of sustaining a lofty position in the global division of labour by satisfying the needs of Neoliberal accumulation. The paper will demonstrate this argument principally through a detailed discussion of the six documents associated with the three reviews and the government's response to them.

Restructuring the Working Class

Previously, I have argued that the NLP is characteristic of a second phase in the construction of neoliberal hegemony, consisting of five distinct spheres: ideology, institutions, social and labour market organisation, the organisation of capital and the construction of supportive political alliances (Nunn and Price, 2005; Nunn, 2006; 2007). The development of the second phase was shaped by a commitment to neoliberal globalisation, coupled with a serious attempt to confront some of the challenges posed by incomplete and stalling first-phase reform. In particular, following an ideological commitment to Giddens' Third Way and Neo-Schumpeterian economic strategies (Jessop, 2007), the NLP aimed to invest in the social and institutional infrastructure to facilitate competitiveness. Interestingly, this is in line with the broader shift in policy frameworks designed to embed neoliberalism at a global level, where there has now been a long-running commitment to tackling some of the negative implications arising from first-phase restructuring (Cammack, 2001; 2002; Craig and Cotterell, 2007; Nunn, 2005).

This paper focuses on the evolution of neoliberal reform within the social sphere. Here I have previously argued that social reform has emphasised two distinct problems faced by the UK economy. First was a need to expand the supply of labour power to cope with the tightening labour market and to facilitate expanded accumulation through tackling the long-term unemployment and economic inactivity. Second, was a marked commitment to improving the skills of the workforce in order to render the UK able to compete in the increasingly competitive global division of labour (Nunn, 2007:11-14). It is worth pausing here to consider briefly the origins of the problems facing New Labour and their construction from the point of view of the class structure of contemporary

England.²

There has been much political and media interest recently in the subject of the class structure and how this has changed over recent decades, particularly as regards the scope for mobility within the structure (Nunn et al., 2007:10-11). Studies since the 1980s have noted the changing occupational composition of the labour market as a result of industrial restructuring dating back to the 1970s and have posited this as a changing class structure with the proportion of the workforce engaged in 'middle' class administrative occupations increasing at the expense of manual occupations in primary and manufacturing industries (e.g. Halsey et al., 1980; Heath, 1981; Heath and Payne, 1999; Green, 2003). More recent studies show that this trend, while still underway in many parts of Western Europe (e.g. Breen, 2004; 2004a), may be nearing its completion in the UK (Goldthorpe, 2004).

While often presented as advantageous, this shift is also associated with several negative implications. First, has been a rising wage and status differential between those who have successfully made the jump to relatively secure and well paid service sector employment and those that are left behind in either residual 'un-skilled' manual occupations or relatively low-status and insecure service sector employment (Goos and Manning, 2003; 2003a). Second, the impact of increasing insecurity as a result of labour market flexibility has been felt most acutely by those in these lower-status occupations (Gallie, 1998; 2002) with a significant low pay-no pay cycle resulting in cyclical poverty (Smith and Middleton, 2007).

The third consequence of industrial restructuring saw significant proportions of the population left behind altogether, especially geographically concentrated communities associated with primary or Fordist manufacturing industries. Coupled with this, the growth of home ownership among those sections of the working class able to take advantage of opportunities in the expanding service sector led to the concentration of those who were less successful in public and social housing (Nunn et al. 2007:65-66; Hills, 2007:86-111). As individuals,

² Much the same analysis can be applied to the rest of Britain, and indeed the UK. The rationale for restricting the analysis to England only resides in the more complex patchwork of policy responsibility which arises from devolution to Scotland, Wales and Northern Ireland and the need to frame subsequent discussion in the context of the remit of the Harker, Leitch and Freud reports whose recommendations are relevant to these countries but whose implementation requires a different configuration of institutional responsibility.

families and whole communities moved rationally to exploit the benefit system, often aided by sympathetic workers in the public employment service (Catalyst, 2002; Nunn, 2006a), and governments played politics with the unemployment statistics (National Audit Office, 1989), significant pockets of 'hidden unemployment' and long-term economic inactivity emerged (Beatty et al. 2002; Beatty and Fothergill, 2002; 2004).

Of course, the restructuring of the UK economy was not the result of benign economic trends that happened to carry unfortunate 'negative externalities'. Rather, considerable political agency was exerted in the process, including the consciously designed destruction of the structure of the post-war working class. This included a three-pronged attack on the power of the working class expressed organizationally in the trade unions, electorally in the Labour party and institutionally through the nationalised and large-scale Fordist industries, corporatist bargaining processes and the welfare state. A key strategy in undermining these structures was Thatcher's programme of welfare reform, regulation of the Trade Unions, privatization of the nationalised industries and engineering of unemployment in 'cold bath' labour market policies (Gamble, 1990:198; Overbeek, 1990).

Thus the NLP's early attempts at engineering a transformation of the English working class emerged in the wake of the implications of a preceding attempt to change the class structure to meet the needs of Neoliberal accumulation. As such, it is possible to suggest that where Thatcher's attempts to deconstruct the legacy structures of the post-war working class constituted the first part of the overall project to restructure the working class, New Labour's early attempts to confront the problems thrown up by this inaugurated a second part. The paper now turns to what might be regarded as a watershed in this second part; the apparent intensification of the social reform process of restructuring the working class that lays ahead.

Making the Working Class Competitive

Before reviewing the three sets of policy reviews and government responses on which this paper centres, it is worth noting their timing and the context within which they were undertaken and published. The subject matter of all three reviews has long been a central concern of Gordon Brown. While Brown was Chancellor of the Exchequer, the Treasury would regularly identify the barriers to

high productivity growth posed by unemployment and low or insufficient workforce skills, for instance in the ten documents in the productivity in the UK series³ or regular joint publications and strategy documents with other 'spending' departments such as the Department for Trade and Industry, the various incarnations of the Department for Education and the Department for Work and Pensions.⁴ While the Harker, Leitch and Freud reviews were all commissioned in advance of Brown becoming Prime Minister, they all address concerns that are closely associated with his personal political agenda. In addition, the government responses to the Leitch and Freud reports were both published within weeks of his becoming Prime Minister. The strong impression is, therefore, that the six documents provide a reliable guide to the trajectory of policy under the NLP headed by Brown.

There is also scope to argue that the six documents mark something of a watershed in the evolution of the NLP. For instance, while the concern with both skills and productivity on the one hand and worklessness on the other is nothing new, the joining of these two agendas together is significant in its implications for the objective of transforming the working class. The shift in emphasis from 'work first' to a balancing concern with 'sustainability' and 'progression' is particularly noticeable. What is important is that the definition of sustainable employment takes shape within an overall contextual analysis of competitive globalisation. As such, what is really meant by 'sustainability' is competitiveness within the global division of labour, for those sections of the workforce concerned with goods and services that can be traded (as a part or finished product) and competitiveness domestically (including with migrant labour) for those that are concerned with more spatially constrained goods and services. It is in this light that the three sets of documents are reviewed below.

The Harker Review of Child Poverty

The issue of child poverty has received high profile treatment within the NLP. The 2000 Spending Review established a headline Public Service Agreement (PSA) target to eradicate child poverty by 2020. The target promised an interim

³ http://www.hm-treasury.gov.uk/documents/enterprise_and_productivity/the_evidence/ent_prod_index.cfm

⁴ The Department for Employment and Education, the Department for Education and Skills and now split between the Department for Children, Schools and Families and the Department for Innovation, Universities and Skills.

reduction of the number of children living in households with income below 60% of the median income⁵ by a quarter by 2004 (HM Treasury, 2000:Ch14). When it became clear that the 2004 target would not be met, the Treasury undertook a wide ranging review of the policies needed to meet the longer-term targets involving wide-ranging consultation with stakeholder groups and considering policy across all government departments. The review, published just over a year later in July 2004 alongside the Spending Review, suggested that the comparatively high rates of child poverty in the UK were due to

demographic changes, in particular a growth in the number of lone parent families; a concentration of worklessness among low-skilled households; and a widening wage distribution with increased in-work poverty and weaker work incentives (HM Treasury, 2004:15).

While the substantive sections of the review drew attention to the wide range of government policy areas, departments and agencies that might contribute to combating child poverty (HM Treasury, 2004:19-84), the final conclusion focused in on the need to promote employment as the most effective route out of poverty for parents and their families (HM Treasury, 2004:85). The review suggested a new three tier definition of child poverty to reflect absolute and relative low income alongside other measures of material deprivation (DWP, 2003).

Despite the optimism of the 2004 review, by 2006 it became clear that progress against the child poverty target continued to lag expected levels (Palmer et al. 2006). At this point the then Secretary of State for Work and Pensions announced that child poverty would move to being the central priority of his department. In a speech to the Fabian Society he rolled out the familiar NLP arguments that ending poverty was a precursor to economic competitiveness, that paid employment is the most effective means of moving out of poverty and that this is properly the responsibility of individuals themselves, with the state taking on the role of enabling individual competitiveness in the labour market. He also stressed the continuing concern with tackling long-term inactivity, identifying the apparent paradox of worklessness co-existing with high levels of labour market demand. However, the speech also aired two relatively new concerns: first, to improve levels of upward social mobility and second to address issues of in-work poverty, potentially questioning the validity of the 'work first' approach (Hutton, 2006a). A month later, Hutton announced the appointment of

⁵ The chosen indicator of relative poverty. This is used in the annual Households Below Average Income report, (e.g. see DWP, 2007b).

Lisa Harker to review “the department’s policies and to help progress towards the ambitious target of eradicating child poverty by 2020” (DWP, 2006a). Harker, former Director of the New Labour think-tank the Institute for Public Policy Research, qualified her report (Harker, 2006) at the outset as having been constrained by the limited time available. However, the preface suggests that she is confident that the report provides

guidance on:

- What it would take to reach the 2010 Child Poverty target and get on track for meeting the 2020 target;
- How much more can be achieved through Welfare to Work programmes and what contribution various reforms could make; and
- The gap that needs to be met by other policies (p5).

In explaining the contemporary child poverty problem in the UK, the report draws attention to the continuing affects of first-phase restructuring:

Changes during the 1980s, when the gap between rich and poor grew faster in the UK than almost any other industrialised country, are still reflected in the shape of our society today. Despite significant increases in support for families with children in recent years, income inequality remains high, driven by high levels of wage and wealth inequality. The benefits of our rich society– in the distribution of income and employment opportunities – are not evenly shared (Harker, 2006:7).

However, by contrast with the 2004 review, Harker also draws attention to the weaknesses of second-phase NLP strategies, particularly the work first approach which underpinned social and welfare policy and the failure to seriously tackle inequality, as the last part of the quotation above suggests. She goes further, specifically suggesting that a continuation of the ‘work first’ Welfare to Work strategy would be unlikely to lead to the reductions in child poverty promised in the PSA target (14):

The contribution that employment has made to reducing poverty since 1997 has decreased over time. Indeed, while substantial gains in employment were seen between 1997 and 2001, since 2001 most of the fall in child poverty can be attributed to increases in tax credits. Continuing with current Welfare to Work policy is, therefore, very unlikely to achieve a significant reduction in child poverty by 2010 or 2020.

In moving the debate forward, Harker continues, with added emphasis, some key themes from second-phase strategies in the NLP. For instance, she continues to centre on the problem of tackling long-term economic inactivity and

particularly focuses on removing barriers to the labour market access of parents, through acknowledging the importance of female participation. The direct result of these strategies is to argue in favour of replacing decommodified domestic labour overwhelmingly performed by women, with commodified domestic labour (likewise most often performed by women) in the form principally of childcare but also other domestic services. At the same time, additional labour power is to be realised through the process of commodifying and creating economies of scale in childcare tasks in particular.

However, here, as on other issues, she goes further. Harker suggests that if a general transformation of the ways in which family structures (of both the one and two-parent varieties) relate to the labour market is to be brought about, the same measures as are extended to lone parents (almost always assumed to be women) need to be addressed to all families, and the partners of benefit recipients (whether male or female) need to be subject to similar encouragement to move into work. As such, she suggests an intensification of the effort to render both men and women equal in front of capital in their attempts to compete to sell their labour power:

By viewing jobseekers' needs in the context of their family, advisers would be able to support both jobseeker and his or her partner, with no presumption about who should go into work first. This would help to encourage each member of a couple to achieve his or her potential and enhance individual autonomy and life chances for women and men (18).

This approach includes, as did the Child Poverty Review before it, increases in the amount of market-based childcare available to facilitate parental labour market participation (25).

However, as suggested above, Harker also breaks with earlier NLP approaches which focus predominantly on work. She explicitly criticises the 'work first' approach, suggesting that it focused too intensively on labour market attachment and not enough on skills acquisition to facilitate *sustainable* entry into higher quality employment and also progression within the labour market (36). It is on this issue that the watershed within the NLP is most evident. Work-first welfare to work policies are suggested, often implicitly, to have resulted in large numbers of people being pushed toward low quality employment. This is a critique that has been levelled elsewhere at the impact of this process on employers' motivations to invest in training, capital modernisation or workforce retention

(Policy Research Institute, 2006:95). Harker identifies these effects with continuing in-work poverty as a constraint on efforts to reduce child poverty. She then uses this as the justification for abandoning the simplistic 'work first' message and moving toward a 'work first plus' package of active labour market policies which include an upfront work focus but also incorporate an emphasis on up-skilling and progression from 'entry level' employment to more sustainable employment in more competitive occupations and industrial sectors (Harker, 2006:37-52). Notably, and potentially putting her at odds with some of the wider thinking about welfare reform in the NLP, Harker explicitly rules out further conditionality for lone parents.

The Leitch Review of Skills

Improving the skills base of the workforce in order to enhance social inclusion and competitiveness is a central pillar of the NLP and has been from the start. In 2004 though, Brown, as Chancellor, outlined in his pre-budget report statement the need to go further:

For decades low skills have been our 'Achilles Heel' as a modern economy – and the post war 'laissez faire' training system has not, and will not, meet the skills needs of the future....

...Britain's future as a productive nation depends upon a shared determination - from parents and teachers to management and trades unionists - that the acquisition of skills by all and their continuous upgrading is a shared national purpose. And in furtherance of this, the Education Secretary and I have asked the Chairman of the National Employment Panel Sandy Leitch to build on today's decisions, report on the long term skills needs of the economy including for intermediate and degree level skills, and work with employers to ensure every employee is offered new opportunities (Brown, 2004).

The Pre-Budget Report (HM Treasury, 2004a, esp. Chapters 3, 4 and 5) itself and the associated report published on the same day, *Skills in the Global Economy* (HM Treasury, 2004b), both laid out the skills challenge in familiar terms: the problems facing the UK economy in the future were about commodifying more labour power through drawing excluded groups back within the scope of the formal labour market and raising their relative productivity once in it through skills enhancement. *Skills in the Global Economy* also sets out what became a central and notable feature of the subsequent Leitch review: that the productivity and competitiveness challenge is a national one that should be taken on not by government alone but in combination with employers and individuals

themselves:

There is much to do to equip Britain's workforce for the future, so today we ask employers, unions, individuals, schools, colleges, universities to keep working closely with government so that together we can meet the challenges ahead (HM Treasury, 2004b: Foreword).

While this focus has always been part of the NLP, the two year long Leitch Review of Skills is widely regarded in the public sector as something of a watershed in the development of the intensity of the skills theme in the NLP, especially in further emphasizing the economic basis for education and training. The review produced two weighty documents, the first (published in 2005) being a description of the context of competitiveness and the second setting out how policy should be developed to meet the competitiveness challenge. The discussion below focuses on the second report, published in December 2006.

The Leitch Review starts from the problematic of contemporary patterns of globalization and increasing competitiveness among both advanced industrial economies and emerging market economies alike.

The rapid growth of emerging market economies, including China and India, is shifting the global balance of economic activity. By 2015, China is likely to have become the third largest economy in the world, after the US and Japan. This creates new markets for UK firms and provides cheaper goods for UK consumers. It also means the UK will have a decreasing share of output in the sectors in which these countries have a comparative advantage. To maintain and improve growth, the UK must manage the resulting domestic structural change, allowing workers and resources to shift to more productive activities and sectors. This structural change is contributing to growth of high skilled jobs in the UK. To adapt to it the UK needs more highly skilled workers (Leitch, 2006:32).

This structural change is changing the skills demands of employment even in relatively low-skilled sectors in the UK, especially in service sector occupations requiring a physical presence, including those that have grown as a result of existing trends to replace de-commodified domestic labour with commodified services:

The shift in low-value added production to emerging economies does not necessarily mean that demand for relatively low skilled workers will continue to fall. Rather, the type of demand at the lower end of the labour market is shifting further towards service sector jobs, such as hospitality and personal service work (ibid: 33).

In this context, the Review identifies two particular issues that need to be tackled to enhance competitiveness. The first includes skills development to

enhance relative productivity. The second includes tackling a complex employment challenge which arises from comparatively high levels of employment in international terms, coinciding with equally comparatively high levels of long-term economic inactivity and the persistence of low-productivity and low quality employment (28-32). Skills, therefore take on the role as the main agent in addressing worklessness, low-productivity and insecure employment and of driving competitiveness and innovation growth at the upper reaches of the labour market. Skills are the new welfare and the missing variable in economic growth:

[I]n the new global economy...skills are an ever more important determinant of productivity, prosperity and business competitiveness. As the global economy integrates and technology breaks down the barriers between what can and cannot be traded, activities will increasingly be located according to comparative advantage. The UK's comparative advantage cannot and should not come from low labour costs alone. Instead it must come from the skills of its people. In the new global economy, the UK can only achieve world class prosperity through world class skills. ... As the global economy changes, skills will be an increasingly important driver of employment. Economic security will depend not on protecting particular jobs. Instead, ensuring that people are able to stay in the labour market, equipped with the skills and flexibility to find their next job and build their career, will be key to their security. The focus of welfare policy must shift from protecting people from change to ensuring people can adapt to change. A platform of skills will help people to find and stay in work. Providing opportunities to improve skills will help people advance in work (ibid: 30-31.).

Leitch's suggested response to this is four-fold. First, institutional simplification is needed to ensure greater clarity of organisational roles. This is then matched with a commitment to 'demand-led' skills provision, getting away from unreliable forecasting of future skills needs and giving employers a much enhanced position within the network of skills governance at a national (through the Commission for Employment and Skills (77)), sectoral (through revised Sector Skills Councils (78-9)) and local level (through Employment and Skills Boards (234)). He also suggests that by giving employers an enhanced role, skills provision can be 'depoliticised' and the approach locked-in over the medium term (until 2020 at least):

Establishing the employer-led Commission, will help to 'depoliticise' the skills agenda by securing a broad political and stakeholder consensus for the UK's world-class ambitions for 2020 and beyond. This will allow

the UK to take a clearer, long-term view of its employment and skills needs towards 2020 (ibid: 77).

These governance innovations are matched by a commitment to lever up basic skills, especially through working with the existing workforce, and to link the skills and welfare systems more closely, allowing a path from unemployment through to relatively secure working class employment. Overall, enhanced skills provision is the objective across all levels of the labour market but with a market failure model helping to allocate responsibility for this. As such, the state is expected to assume the burden at the lower levels of the labour market, with employers and individuals identified as being increasingly responsible at higher levels. Across all levels, skills are deemed to be important, but the focus is principally on 'economically valuable skills' with qualifications and provision associated with skills not fulfilling this description being de-prioritised (79-85).

The general policy framework proposed by Leitch again suggests significant themes of continuity with earlier NLP strategies, principally the pursuit of a highly qualified workforce to promote flexibility as a means of securing competitiveness in the global economy. However, it also marks an intensification of the project with a new emphasis on shifting specific social groups upward within the class structure by linking skills and welfare provision and careers advice, creating space within the active but unemployed tier of the labour market for currently inactive groups to occupy. It also marks an intensification of the effort to position other parts of the UK workforce at a higher point within the global division of labour. It is therefore possible to argue that the recommendations of the Leitch Review are securely embedded within the intensification of second phase attempts to make the English working class competitive in global terms.

What is also notable is the recourse to governing strategies which are used elsewhere in second-phase neoliberalism, including within the NLP. These include the attempt to broker and utilise relative autonomy to design a long-term political project within which both capital and labour are expected to cooperate. For its part, capital is expected to cooperate by accepting responsibility for designing skills provision, and for training and providing opportunities to progress within their occupational structures, at the same time lifting their own competitive ambitions and re-organising production so that enhanced skills can be utilised to realise productivity growth.

The UK will not reap the benefits from a world class skills base...unless the skills delivered are the ones employers and individuals need and businesses want, and know how to use effectively in the workplace (ibid: 89).

As such, management skills to get the maximum productivity are to be strengthened (89-92). For their part, individuals are encouraged to transform their attitude to learning, accepting responsibility for their own up-skilling and skill up-dating throughout their lifetime. Again, suggesting considerable leadership among a relatively autonomous political class, this is reported as no less than 'embedding a culture of learning':

Individuals will have to be part of a new, shared national mission, engaging in learning and investing where it will improve their pay and job prospects... (ibid: 103).

This is not purely rhetorical flourish. The commitment is matched to a sophisticated understanding of individual behavioural motivations which is increasingly understood as beyond the constraints of rational economic man (for instance, see Talbot, 2007). As such, influencing individual behaviour is increasingly seen as part of the governing strategy of the NLP (Knott et al. 2007; Cabinet Office, 2007; 2007a) and Leitch's recommendations take on this objective in a set of proposals to raise individual aspirations and to inform and motivate choices to enable individuals to realistically pursue these (Leitch, 2006:105-116). As a result, the Review also focuses on motivating individuals to take responsibility for transforming their own behaviour as part of the attempt to re-make the working class as a whole.

The Freud Review of Welfare

The final of the trio of major policy reviews to be considered here is the Freud Review of Welfare, which was announced by the Secretary of State for Work and Pensions, John Hutton in December 2006. Responding to both the Leitch and Harker Reviews and drawing heavily on the text of the 1944 Beveridge Report, Hutton argued that the Review should focus on the design and delivery of welfare reform and in particular on how this could address continuing challenges associated with worklessness and economic insecurity among those repeatedly cycling between low-paid work and unemployment (Hutton, 2006).

Unlike the Leitch Review, which took two years of consultation and two reports, the welfare reform review commissioned from David Freud (former international Banker, Financial Times Journalist and adviser to the government on the Channel

Tunnel, and great grandson of Sigmund Freud)⁶, proceeded at breakneck speed, producing a final report by March 2007. Questions could be posed regarding the independence of this review, conducted as it was in a short time frame and without the principal author having any obvious previous expertise in social policy. This is especially the case since some aspects of the trajectory of welfare reform had already been set by the 2006 Green Paper (DWP, 2006) and the subsequent 2007 Welfare Reform Act. The thrust of the Green Paper and the Act was to revise the system of benefits provided to inactive claimants, creating a new single benefit and claim system (the Employment Support Allowance) and placing a much stronger emphasis on work (through the roll-out of the Pathways to Work scheme), with an enhanced role for the health system in providing assistance to identify what work people with incapacities can do rather than corroborating their inability to work.

The Freud Review (Freud, 2007) builds on the changes to the inactive benefit system and the findings of the Leitch and Harker Reviews. It begins from the same starting point as the other reviews: that much has been achieved in social reform and outcomes by the NLP but more remains to be done, if worklessness and low skills are not to be allowed to continue to inhibit competitiveness:

The openness and flexibility of the UK economy has presented labour market opportunities for many individuals. It has also created specific challenges for individuals with no or low skills. The global labour market is expanding at an unprecedented rate and parts of the economy, particularly the service economy, are likely to be exposed to international competition to an extent that they have not been before. In short, in an increasingly global economy a failure to tackle low skills could damage the UK's competitiveness and entrench poverty (Freud, 2007:26).

The logic for reform is thus set out as three-fold: as enhancing competitiveness (26-8); as benefiting the exchequer (and thus tax payers) (67-75); and as being in the interests of workless people themselves as a result of the much vaunted 'health and well being' benefits of employment (45-9). On this last point, Freud cites (45) a widely publicised synthesis of research undertaken by Waddell and Burton (2006)⁷ which reviews evidence of the links between work and well-being. While Waddell and Burton find overwhelming evidence of the benefits of

⁶ Biographical details were drawn from Freud's 2006 book, *Freud in the City* (Freud, 2006).

⁷ It is notable that the press release accompanying Waddell and Burton's report focuses overwhelmingly on the undoubted benefits of work.

employment for health, their report also highlights some of the negative impacts of poor quality employment:

the provisos are that account must be taken of the social context, the nature and quality of work, and the fact that a minority of people may experience contrary effects. Jobs should be safe and should also be accommodating of sickness and disability (Waddell and Burton 2006:38).

These are considerable provisos given the social context and quality of work available to people making the transition from long-term unemployment, and the fact that Waddell and Burton's definition of the type of work that is beneficial includes the importance of fair pay, control and autonomy, job satisfaction and security (ibid: 34-5), all of which are questionable in 'entry' level employment.

Freud also unquestioningly accepts the government's 'aspirational' 80% employment rate target. In order to achieve this, he suggests that Welfare to Work services need to be differentiated not on the basis of the traditional 'client groups' (such as young people, older people, short-term unemployed, lone-parents, and disabled people) but between those experiencing short-term unemployment and those who are long-term unemployed and face serious or multiple barriers to work. While the former group should remain the focus of the public employment service, the latter group are to be diverted to private sector agencies who are to be offered increased flexibility and enhanced payments to tackle these barriers (52-65). Freud also suggests that, in the future, contracts with private providers should include long-term (three year) payment structures to support 'sustainability' and progression.⁸ He also suggests enhanced conditionality for some groups, such as lone parents, with the expectation of availability for work starting when the youngest child is aged 12 rather than 16 as at present (77-95).

Freud's recommendations are again in line with the intensification of restructuring the second phase of the project to remake the working class. The focus is on designing interventions designed to tackle the problem of many job seekers cycling between low quality work and unemployment in order to shift this section of the working class into more globally competitive positions: hence the focus on sustainability. At the same time this is intended to create the room for currently workless groups to move into the gap, competing to offer their labour

⁸ Current contracts with sustainability payments have generally stopped at 13 weeks which is often not long enough to support long-term returns to work (see Policy Research Institute, 2006).

for commodification. Nothing in the Freud report looks toward engaging employers in improving the quality of employment or its security, much less towards regulation or legislation for this. This is despite the explicit proposal to persuade and cajole employers to invest in skills provision in the Leitch report. The implication of this is therefore not so much that poor quality or insecure work will disappear (especially in sectors or functions that cannot be traded internationally) but that the degree of competition in this sector of the working class will change, as people move into it from previous situations of worklessness.

Of course, tackling the profound and multiple barriers many people face to gaining employment is to be welcomed, as these present significant individual and social problems. But it is revealing that the primary motive emphasised by Freud is to expand the proportion of the population whose labour can be commodified, reducing the fiscal drain on revenues and enhancing competitiveness. It is further revealing that the proclaimed benefits of work are emphasised much more than the equally widely noted deleterious effects of poor quality and insecure work.

Again, there are also elements of continuity with earlier NLP strategies. The focus on privatisation and creating a huge new market for commodified service provision is notable here and is an extension of current practice in various aspects of New Deal provision, Employment Zones and Working Neighbourhoods pilots. Indeed, Freud, as might be expected from a successful city banker, explicitly notes this as an aim of his recommendations:

The scale of the potential market is large. Once it matures, it will be made up of the flow of new hard to help clients from Jobcentre Plus. In the early years it could be further swollen as existing customers on incapacity benefits participate in work related activity. Based on the analysis in this report I have no doubt that this will be an annual multi-billion pound market (Freud, 2007:75).

The emerging response

The response to the Harker, Leitch and Freud reports give a strong indication of the future trajectory of both the NLP and the project to remake the working class. In broad terms the recommendations of the three reviews have been unhesitatingly accepted. Certainly the background contextual analysis and rationale for action are accepted wholesale; unsurprising, given the Gordon Brown's frequent previous urging of the need for competitiveness and the social

change required to achieve this (e.g. Brown, 2005).

The response to the Harker Review was the publication of a revised Child Poverty Strategy, *Working for Children* (DWP, 2007) in March 2007. The report performs a largely 'holding' function with little in terms of decisive new policies or initiatives. It largely confines itself to discussing measures already announced (such as the extension of childcare through the roll-out of children's centres or extended hours care in schools) or evidence about the potential success of pilots such as the high profile Employment Retention and Advancement Demonstration and the extension of the pilot in-work credit scheme, both of which offer financial incentives for lone parents (among others) to move into and stay in work. The only note of significance in the report is the inference of the government's preference for Freud's recommendation that conditionality should be strengthened for lone parents after the youngest child reaches twelve (rather than the current sixteen) against Harker's much softer incentive-based arguments (21).

It is perhaps unsurprising that the response to the Harker review took such a cautious line. Published in March 2007, it appeared shortly before Tony Blair formally announced his resignation in early May, but after it had become clear that his Prime Ministership was drawing to a close. By contrast, the Welfare Reform Green Paper *In Work, Better Off: Next Steps to Full Employment*, and the Leitch Review implementation plan both published on the same day a matter of weeks after Gordon Brown became Prime Minister, are much more forthright in setting out the broad parameters and direction of future policy development. The Ministerial Foreword to the Welfare reform Green Paper by the newly appointed Secretary of State Peter Hain suggests that:

This Green Paper delivers a step change in the employment and skills support we offer to those who are most disadvantaged in the labour market... it reinforces our strong commitment to the values of equality and opportunity, and to the principle of rights matched by responsibilities, with work for those who can and security for those who can't.

Likewise the Leitch Implementation Plan, *World Class Skills*, also promises to be a watershed and again the Foreword, signed off by no less than six cabinet ministers, undertakes to deliver a 'step change' but this time this not only in relation to government policy and public service provision, but to the wider culture within the workforce and among employers (DIUS, 2007:5).

Both the Welfare Green Paper and the Leitch Implementation Plan accept the main conclusions from the Leitch and Freud reviews. In the case of the response to Leitch this relates to the need to improve the skills of the working population in order to cope with the dynamic context of competitive globalisation. The first two paragraphs of the foreword make this clear:

It used to be that natural resources, a big labour force and a dose of inspiration was all that was required for countries to succeed, economically. But not any more. In the 21st Century, our future prosperity will depend on building a Britain where people are given the opportunity and encouragement to develop their skills and abilities to the maximum... (DIUS, 2007:3).

The first paragraph of the executive summary of *World Class Skills* continues this thrust, explaining that the reforms set out in the document are intended to “sustain and improve our position in the global economy” (9). With Leitch’s depiction of the context accepted, the report moves onto its main mission, to bring about a culture change where individuals and employers fully accept the responsibility for joining with government in an attempt to increase competitiveness. The message is clear: for those already in the labour market this alone is not enough. What is needed is a working class which, once actively engaged in the formal labour market, is then committed to playing its own part in raising the rate of surplus value. Nor can employers rest on their laurels; they must work to enhance their competitiveness by committing to raise the capacity of the labour power they exploit to generate higher rates of relative surplus:

This document sets out the practical reforms that we will be introducing in England to spark of this ‘skills revolution’...Changing the culture in this country in relation to skills is at the heart of that revolution. We need to embed the value of skills in our culture in a way it never has been before. We need individuals to feel that it is their responsibility to improve their skills throughout their working lives, because the benefits that will bring for them and their families. We need employers to take responsibility for the skills of their employees, because of the increased productivity and profitability that investing in skills will deliver. And when they do take that responsibility, they need to know that Government accepts its responsibility to support them (DIUS, 2007:7).

This culture change is to be achieved at all levels of the workforce. Towards the bottom of the class structure, the intention is to foster engagement with training to improve employability, overcome barriers to active labour market participation and to become competitive in seeking work (DIUS, 2007:22-23). Here *In Work, Better Off* takes up the baton. It is largely concerned with advancing the existing

agenda (for instance, reform of incapacity benefits) on tackling long-term inactivity but also introduces a predominantly new emphasis on resolving difficulties associated with the low pay-no pay cycle. Here the challenge is to move toward the government's 'aspirational' 80% employment target (DWP, 2007a:8). In contrast to Freud, the report argues that there is a continued need to target specific groups such as the long-term sick, lone parents, older people, ethnic minorities, people in very deprived inner-city areas and the low skilled (DWP, 2007a:25-28). The objectives of welfare reform are to be achieved through increased partnerships, with service providers offering guaranteed recruitment and pre-employment screening and training matched to the needs of large scale employers, in return for their commitment to offer jobs, work experience and further training and development to people who have been out of work for long-periods or who have additional support needs (DWP, 2007a:31-37):

We expect individuals to take advantage of all the opportunities open to them to prepare themselves for work. This may mean undertaking short, work-focused skills training to improve their employability... in return individuals can expect to be helped to prepare for and find appropriate jobs...we would like employers to consider disadvantaged customers for their vacancies and in return they will get help in identifying and preparing the right people for those vacancies. This might mean committing to work trials, providing suitable induction and technical training for individuals without the appropriate work experience; and considering employee mentoring. Those who successfully complete a pre-employment programme would be guaranteed job opportunities. We may also ask employers to review their job application processes and flexibility of employment, to support fairer and more inclusive recruitment practices (DWP, 2007a:32).

In addition, the report promises additional conditionality for Lone Parents and others not taking sufficient 'work related activity', with additional payments for this as well as a strengthening of in-work financial support and childcare, and the expansion of in-work payments to other families with children (DWP, 2007a:41-54). Here the emphasis is on recognising poverty traps, as indeed the creation of the in-work tax credit system⁹ did, and diverting public funds toward subsidising low-pay for certain groups, the result being to enhance competition for employment. The Green Paper also largely goes along with Freud's

⁹ Initially introduced by the Conservative governments of the 1990s in the form of Family Credit and then changed and expanded several times by labour as various forms of 'tax credits'.

recommendations regarding contracting out public employment services for the longer-term (over 12 months) unemployed and those with entrenched barriers to work, the implication being to commodify employment services (DWP, 2007a:57-65).

The thrust of the Green Paper is to encourage both capital and labour to act in more competitive ways. Individuals are to be assisted in improving their own capacity to compete for work, by tackling their barriers to employment. Financial impediments associated with differential costs of going to work, such as childcare, are to be ironed out through public subsidy, allowing individuals with these costs to compete more effectively to sell their labour against those who do not. Capital is to be encouraged, through state absorption of much of the costs and some of the risks of recruitment, to improve its practices, specifically by not discriminating against those with chequered employment history, women or ethnic minorities, thereby allowing labour to compete on a more equal basis for employment. This is all an extension of what has gone previously. However, the emphasis on integrating welfare support with more proactive skills provision may have the implication of an 'escalator effect' whereby those engaging at the lower end of the labour market move up to higher-value added activity enabling others who have been inactive to fill the gap they leave, for instance through the creation of a new adult careers service. Overall, the plan appears aimed to increase both absolute and relative surplus value generation through expanding the scope of the formal labour market at the same time as increasing productivity.

Conclusion

The first phase of the project to restructure the working class was concerned with dismantling pre-existing social and institutional supports of the social democratic and corporatist compromise. It involved casting organised labour out of the national policy making coalition. It also involved undermining the popular and workplace power of the highly unionised male working class working in primary and Fordist, and often state owned or controlled, industries. These elements of the working class were subjected to 'cold baths', stripped of either their job or their job security and measures were taken to integrate them more fully in the global division of labour, though imperfectly as it turned out. This much is all well documented and can be placed in the context of attempts to build first-phase neoliberal hegemony.

The second phase of the project acknowledges the considerable crisis tendencies inherent within first-phase strategies and seeks to offset these in order to embed and sustain neoliberal accumulation for the long-term. This second phase has been implemented in the UK by the New Labour governments that have been in power since 1997. Indeed, so deeply intertwined have these successive governments been that the implementation of second-phase reform can justifiably be defined as the New Labour Project.

This project initially sought to tackle the social problems faced by the incoming administration while accepting, unchallenged, the 'reality' of increasing globalisation, an increasingly developed global division of labour and greater international competition. In this context, the ultimate goal was to create a working class that could compete towards the higher end of the global division of labour. This meant both increasing the skills base of the employed workforce and expanding the scope of labour market participation, recognising the hindrance to competitiveness and productivity posed by long-term unemployment and low skilled and low-value added employment.

However, attempts to tackle these problems were fragmented. A consequence of this has been that while the overall employment rate has risen markedly many of those that have re-entered the labour force, or at least active job search, have been 'shovelled' into low value added work. The resulting low pay-no pay cycle has allowed employers to continue with short-term practices that are not sustainable – read competitive – in the context of longer-term competitiveness challenges. The ready supply of new labour from employability programmes has been a disincentive to substituting capital for labour and reorganising their own practices for enhanced competitiveness. As the employment rate has risen, employers have continued to report difficulties in accessing sufficient labour power (known as 'Hard to Fill Vacancies') or sufficiently skilled labour power (known as Skills Shortage Vacancies) (though these are not necessarily currently rising – see LSC, 2007).¹⁰ Additionally, there is a recognition that the effectiveness of existing strategies, policies and programmes, such as the New Deal, may have peaked. A residual long-term unemployed – workless – population remains. While some sections of this element of the working class

¹⁰ The emerging results from the National Employer Skills Survey show a small decline in hard to fill vacancies in 2007 though this could be due to the slight downturn in demand over the period surveyed.

have been able to benefit from the support available to enable them to compete more effectively to sell their labour power, those with multiple or more profound 'barriers to work' have not yet made this transition.

As a consequence of these difficulties, a shift has taken place towards addressing the low pay–no pay cycle and the more profound barriers facing the residual workless population. It attempts an 'escalator effect' to raise those currently in low level employment and active job search (and cycling between these positions) into more competitive positions in the global division of labour, thereby leaving a gap into which the currently workless can move. This group is then to be the subject of much more strenuous efforts to tackle their barriers to work, including attempts to resolve institutional inertia through contracting with the private sector.

This is reflected in the replacement of Incapacity Benefit with the new Employment Support Allowance to be introduced in 2008, and the roll-out of the 'Pathways to Work' scheme designed to 'encourage' long-term inactive benefit claimants to move first toward management of their health conditions, second toward active job search and third toward employment. The future development of the project has been mapped out through the Harker, Leitch and Freud reports and the government's responses to them, and consolidated in the White Paper issued in March 2008, *Raising Expectations: enabling the system to deliver* (DIUS, 2008). This places responsibility for coordination and the commissioning of provision upon local authorities, and involves not just working to expand the workforce (and thus the extent of absolute commodification) on the one hand and to increase productivity (and thus the rate of relative surplus value generation) on the other. It involves joining these two efforts together. This involves a coordinated strategy to deal with the problems left unresolved by successive attempts to redesign the English working class. The approach to welfare policy in relation to worklessness and child poverty then is married to the Leitch agenda precisely because this is the link that can enable the other two to enhance competitiveness. What is distinctive about the intensification of second phase strategies is the determined attempt to wrestle with problems of sustaining and progressing in the labour market once people gain 'entry' level work. The joining of the welfare and skills agendas together is an attempt to create an 'escalator' effect whereby skills provision can lift individuals out of entry level work into more competitive occupations and sectors which are located

within the global division of labour, rather than the domestic service sector. The underlying logic appears to be that this then will create the space for currently workless individuals to move into the vacated 'entry' level employment. However, much will depend on the implementation of these policy goals if this 'escalator' effect is to be successful (Nunn and Johnson, 2008) in shifting the UK workforce higher up the global division of labour as envisaged, and it remains to be seen on how the low-pay problem in domestically contained and routed service industries (personal and domestic services and the like) will be tackled (Palmer et al. 2007:10). The responses to Harker, Freud and Leitch are so far sketchy and despite a rash of new publications (DWP and DIUS, 2007; DWP, 2008; DWP, 2007c; 2007d), it is not yet clear whether this new effort will succeed. It does now appear that local authorities will be called upon to play a leading role, absorbing the work of the Learning and Skills Council in the process. But whether the result will be to push the unemployed and workless towards increasingly productive employment or into poor quality and poorly paid jobs remains to be seen. If the latter, then the whole strategy is likely to be highly counter-productive and fail to enhance competitiveness.

This paper presents an initial analysis of the intensification of aspects of the second phase in the restructuring of the working class under conditions of neoliberal capitalist hegemony. It is based largely on a re-interpretation of the policy intentions set out in key policy documents. However, the project will require further study, continuing to focus on the policy intentions spelled out in the current rash of policy papers on reform of the skills and welfare systems. It will also require detailed analysis of implementation plans and progress to uncover the internal consistency of the project from intention through to implementation and further a detailed analysis of the impact of efforts to restructure the working class within the context of a broader global project to secure neoliberal capitalist hegemony through the politics of global competitiveness.

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