

A Competing Values analysis of co-ordination mechanisms in UK welfare-to-work governance

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Competing Values analysis of welfare-to-work governance

Abstract

In this article I utilise a Competing Values Framework inspired approach to analyse the United Kingdom's governance of welfare-to-work. By mapping key New Labour reforms onto a CVF inspired model of governance (Newman (2001; 2007) I seek to build on the theoretical exploration by Newman (2007) of the remaking of activation and income support schemes governance. The paper suggests that welfare to work in the UK operates multiple forms of governance. Activation policies show some experimentation with networks, but a trend towards increased use of market mechanisms structured by traditional bureaucratic concerns for equity. In-work income maintenance schemes meanwhile suggest more hierarchical methods. The paper briefly considers how individual citizens' experience competing and contradictory co-ordination mechanisms and messages through their engagement with various service providers.

Introduction

Increasing attention is being directed towards the organisation, administration and delivery of social policies. It is recognised that the developing reform content of social policy and its impact on citizens is connected to developing governance reforms. Changes in the nature of delivery co-ordination mechanisms, be they hierarchical, network based or organised around markets interacts with and structures service users experience of policy in action (Berkel & Borghi, 2007: 279). In this paper I examine the nature of the changes taking place in the provision and administration of key UK activation and income support schemes. Rather than a single trend of co-ordination being discernable in welfare to work the paper suggests, in accordance with the notion put forward by Berkel & Borghi (2007: 281), that what we have is a hybrid model of provision that mixes the use of market, hierarchical and network co-ordination mechanisms of delivery. To this end the paper seeks to tease out the nature of the governance mix that is emerging within UK welfare to work policy by exploring two pillars of this approach namely activation policy and in-work benefit provision designed to incentivise employment.

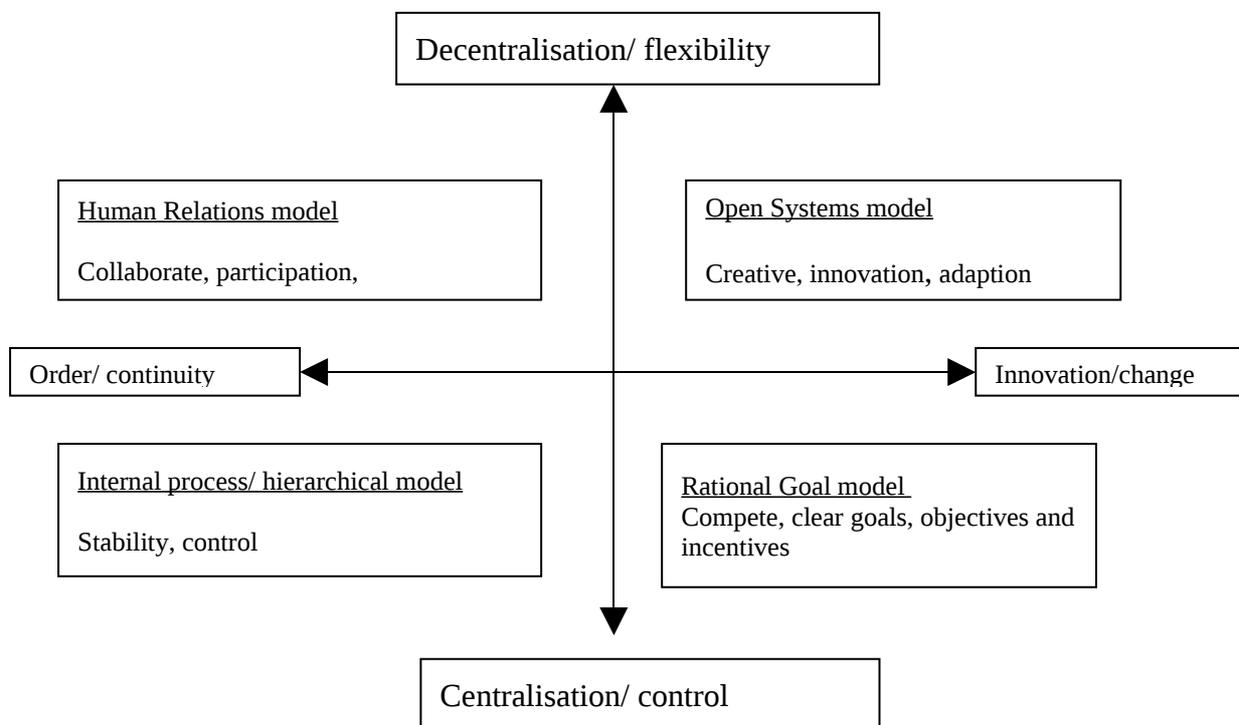
The UK's welfare-to-work system is a web of market, network and hierarchical mechanisms reflecting the range of services it provides, the customers it serves and the institutions involved. Building on Newman (2007) it seeks to set out the multiple methods of Governance that exist and overlap in the delivery mechanisms of key areas of the welfare to work system. Through a brief examination of the UK tax credit system how individuals experience the functioning of different governance models and their accompanying assumptions about behaviour is also explored.

A Competing Values Framework

The Competing Values Framework (CVF) provides a useful mapping tool for examining how organisations, cultures and values are structured according to what may be viewed as four contradictory mutually exclusive criteria (Quinn et al, 2007: 14). Although other work on the paradoxical nature of human behaviour suggests this

multiplicity is often necessary to deliver effective performance (see Talbot, 2005). The CVF model developed by Quinn seeks to map and highlight the different aspects of organisational structure and performance along two axis. The vertical axis relates to the extent to which the structure of an organisation emphasises flexibility or control. The horizontal axis meanwhile relates to the emphasis on openness to change and innovation within organisations or their focus on ensuring stability and favouring continuity. This gives in the CVF four possible ideal type permutations of organisational structure (see figure 1). These are the Rational Goal model, the Internal Process/ Hierarchical model, the Open Systems model and the Human Relations model (Quinn et al, 2007: 10; Newman, 2001: 33).

Figure 1. The Competing Value Framework (Quinn et al, 2007: 13)



Each model reflects key differences of emphasis in management and organisational structure. Defining the rational goal model is its focus on control, competition and external goals and resources in contrast to the Human Relations models commitment to valuing the building and sustaining of collaborative relationships. Similarly the Open Systems model places a focus on responsiveness, adaptability, flexibility and securing external support in order to prosper in comparison to the Internal process model. The latter concentrates on stability and continuity through routinisation and is defined by a process orientation and exercise of hierarchical control to foster the strongest sense of accountability (Quinn et al, 2007; Quinn & McGrath, 1982). Newman (2001: 33) has used a modified version of the model (see figure 2) to track and explore New Labour's modernisation of Government. By refocusing the CVF model on issues of governance Newman usefully explores how various aspects of New Labour's reform approach can be mapped onto this model and examines the

impact on behaviour and forms of relationships, authority and power that these reforms have had on public services in terms of shifting their governance frameworks across the grid. Turning here attention to the development of labour market activation policy and its relationship to the remaking of citizenship Newman (2007) argues that a number of different approaches to governance underpin the activation strategy in welfare reform. By taking a Competing Values Framework approach the various dynamics involved in shaping the development and delivery of welfare reform can be teased out. This is important as it presents a useful opportunity to unpack the different elements and of a nations approach to labour market activation policy and how this fits with political rhetoric. In doing so we are able to identify the complementary and contradictory elements that make up the particularity of a nations approach. Drawing on these different models of governance to examine a nations welfare reform trajectory helps to ensure that we treat transformation of institutions and the management of people as a complex, evolving dynamic rather than simply part of a national or international trend (Newman, 2007: 368).

Figure 2. CVF Models of Governance (see Newman, 2007: 369)

<p>Network Governance</p> <p>Trust relationships necessary to sustain policy networks and partnerships to deliver services as state has weaker ‘steering’ role.</p> <p>Participatory governance involving collaboration with users/user organisations by service delivery bodies.</p>	<p>Self Governance</p> <p>High autonomy and self-regulation underpinned by strong organisational and group values.</p> <p>Active & reflective welfare user.</p>
<p>Hierarchical Governance</p> <p>Continued bureaucratic rule & legal based power along with emergent strengthening of audit, regulation & evaluation activity.</p> <p>Citizenship rights and clientalism.</p>	<p>Managerial Governance</p> <p>Marketisation & contestability with governance based on assumption of utility maximisation.</p> <p>Increase in contracting and quasi-contracting which set incentives to drive institutional and individual behaviour.</p>

Exploration by Newman (2001) of New Labour's approach to reforming the administration and delivery in the field of education, health and local government policy indicates that its modernisation of governance arrangements have drawn on all the quadrants outlined in Figure 2 above. I suggest this model can be applied to an examination of the developments that have occurred in the governance of social security and employment services. Doing so enables us to identify and discern the multiple trends and tensions that have arisen in potentially contradictory governance reforms in the Public Employment Service and the administration of out-of-work and in-work benefits. To this end the following sections explore the Department for Work and Pensions, its principle agency Jobcentre Plus and recent developments around marketisation and the recent integration of the Pension Service and Disability and Carers Service. Attention is then turned to HM Revenue and Customs the body responsible for administering the delivery of the UK's system of tax credits to support those in low paid work and those with children. Including these organisations permits the research to fully map out the multiple methods of co-ordination and the implicit assumptions that underpin them in use in the field of UK employment and social security governance.

Co-ordination mechanisms in welfare to work: centralising administration?

In 2001 the Department for Education and Employment and the Department for Social Security underwent a reorganisation that produced the Department for Education and Skills and the Department for Work and Pensions. It is the latter department that interests us here as its creation was essentially about concentrating employment services and benefit payment activity into one department (Wiggan, 2007a: 418). This was part of the Labour Government's wider strategy to join-up and integrate services in order to realise a more holistic form of governance (see Pollitt, 2003; Ling, 2002). It must be recognised though that joined-up working and integration of services is as much a political issue of priorities as it is a technical issue. In the case above reform split employment services from skills provision. The latter was now to be the sole preserve of the Department for Education and Skills. A point reinforced by the absence of targets within the Public Service Agreements for

the DWP set out in Spending Review 2004 to improve the skill levels of low paid and disadvantaged clients (Wiggan, 2007b). The sidelining of skills from employment suggested that the Government were focusing on 'work first' rather than education, training and human capital building in the new department (Carmel and Papadopoulos, 2003). Arguably the gradual shift towards market co-ordination mechanisms and their employment orientated outcome payments to private providers supports this.

The delivery of social security and front line advisory and employment placement services in the UK has tended to be delivered in a predominantly hierarchical centralised system (I suggest that the in-work benefit system largely continues this tradition). Even with the creation during the 1990s of the Benefits Agency and Employment Service as semi-autonomous 'Next Steps' agencies the reality was of limited decentralisation of authority (Caulfield, 2004: 139) The Benefits Agency and Employment Service did have their own Framework Agreements which governed their behaviour. Under their successor organisation Jobcentre Plus this has been replaced with a departmental document covering the responsibilities of the whole Department for Work and Pensions (Talbot and Johnson, 2007: 54). The notional autonomy previously enjoyed has it seems been downgraded as the focus has shifted to joining-up service provision. Responsibility for out-of-work welfare to work services occurs within a chain of responsibility running through Jobcentre Plus, the Department for Work and Pensions and to the Treasury all governed by Public Service Agreements (see Wiggan, 2007a; Papadopoulos & Carmel).

The creation of Jobcentre Plus, the Department for Work and Pensions and the imposition of Public Service Agreements by the Treasury to guide departmental and agency activity centralise control over the direction of policy. At the same time the delivery and administration of welfare to work is increasingly the responsibility of not only the public sector, but also the private and voluntary sectors. Various programmes and pilot initiatives have been implemented by the Department for Work and Pensions and Jobcentre Plus to promote labour market activation and have involved a growing measure of decentralisation in the governance of welfare to work. Formal and informal partnerships with other public sector bodies and voluntary organisations and private sector has grown. Newman's (2001) CVF inspired model of governance types indicates that centralisation and hierarchical policy formation along with decentralisation of delivery are complementary aspects of managerialist strategies identified in the Managerial Governance quadrant (see figure 2 below). In the following section I examine the development of the decentralised market co-ordination mechanisms during the last ten years of New Labour Government.

Shifting governance: trialling networks and moving to markets

The governance of direct employment service placement activity has shifted over the course of New Labour Government. The private sector already had involvement in the provision of training and job education programmes through organisations such as the Training and Enterprise Councils. They were not however heavily involved in the direct delivery of job search advisory activity, which remained the preserve of the Public Employment Service (Finn, 2005: 108). At this point the approach taken was to combine a relatively hierarchical and bureaucratic approach to job placement

services, often driven by commitment to implementation of tighter conditions of eligibility for benefits and greater demands for job search something that developed under the previous Conservative administration (Blackmore, 2001), alongside a market driven approach to training provision.

When New Labour took office they outlined a more interventionist stance to moving people into employment based around active labour market policies. Along with this they signalled a willingness to experiment with governance methods that departed from the previous focus on hierarchy and markets and the low cost standardisation of employment placement and training programmes. One such indication was the launch in 1998 of Prototype Employment Zones (PEZ) that later developed into pilot Employment Zones from 2000 onwards. An examination of the development of Employment Zones from 1998 through to 2007 shows that after an early focus on creating effective local partnerships geared to innovative practice with the third sector under PEZ, subsequent Employment Zone governance arrangements have shifted decisively in favour of competition, marketisation and the greater involvement of the private sector. The development of the Employment Zone pilot initiative is indicative of the direction of the Government's thinking on broader employment placement welfare to work activity.

Prototype Employment Zones placed considerable focus on establishing local partnerships that would permit local experimentation and divergence of practice in the PEZ in comparison to national policy. They were set up in five areas with the design of delivery of employment services in those areas geared towards the circumstances of the locality and personalised services appropriate for individual's needs. In each PEZ it was left up to the local partnership to plan how various services should be brought together to improve delivery through joined-up working. Whilst the national Employment Service was involved in the partnerships they were not the lead organisation in the partnership whose lead was often taken by local authorities or Training and Enterprise Councils (Haughton, 2000: 675).

Individual jobseekers were given greater choice over whether and how they participated in the system showing how the new network methods were facilitating a change in the way citizens experienced the delivery of policy. Not only was participation voluntary, but also each client could negotiate with their personal advisor about the exact route and nature their return to work trajectory would take. In contrast to previous programmes and arguably subsequent reforms this meant clients enjoyed access to a service that was personalised and tailored to their skills and needs (see Haughton et al, 2000: 675). Interestingly Newman's (2007) analysis of governance arrangements and their association with organisations and modes of citizenship suggests that for institutions the use of networks is associated with collaboration and for individuals with greater say in the organisation of services. The governance of the prototype Employment Zones reflected what Jones and Gray (2001: 181) view to be, '*innovation-based local partnerships, practising progressive and sustainable welfare reform through experimentation*'.

What is clear is that PEZ utilized quite explicitly a network mode of coordination with the size and composition of partnerships and the nature of collaborative activity left to each individual local partnership. Whilst the official evaluation of the PEZ lauded many of the aspects of this approach the implementation of what became known as the

pilot Employment Zones broadly dispensed with this method. Rather the Governance of employment services in EZ areas shifted to marketisation to encourage the private sector to take a lead in delivery and foster competition in order to drive service improvements. A brief consideration of the pilot EZ shows that contrary to the network method of coordination in place in the Prototype Employment Zones the pilot Employment Zones were driven by a market mode of governance. I suggest that in retrospect this was an early indication of what has become a broad trend in the governance of welfare to work. Recent governance and policy reforms are embedding the market mechanisms found in the rational goal/ managerial reform quadrant of the CVF model as the predominant form of coordination for public employment services. The experimentation with network organised modes of coordination, delivery and accountability that led to the innovative local partnerships of the PZ were only short lived.

In Newman's (2001) analysis of the various modernising trends underpinning New Labour's Governance reforms the pilot initiative of Employment Zones is mentioned as an example of partnership activity. The prototype Employment Zones can be characterised as network methods of Governance. The pilot Employment Zones which replaced the prototype Employment Zones in 2000 however, should I suggest be allocated to the Managerial Governance quadrant of the CVF model (see Figure 2). The organisation of pilot Employment Zones and their delivery of employment placement activity differ considerably from the prototype Employment Zones they replaced. Rather than local partnerships between the state, third sector and private sector where local authorities often took the lead pilot Zones have been dominated by the private sector and driven by the testing of market reforms.

Launched in 2000 pilot Employment Zones were focused on 13 (originally 15) of the most deprived areas of the country and involved putting out to tender contracts to run employment services in these areas, replacing that provided by the Public Employment Service for specific groups of clients. These have been those most likely to be facing multiple barriers to employment including the long term unemployed who have been in receipt of Jobseeker's Allowance for 12/18 months and since 2003 young people who would otherwise return to the New Deal programme and lone parents, although for the latter participation has been voluntary.

In 2004 another round of reforms took place that further strengthened the market nature of employment placement activity in Employment Zones. Tenders were invited for multiple providers to operate services in six of the largest Employment Zones in order to increase competition within zones and stimulate the participation of new entrants to the market. This tendering round in 2003/04 attracted 70 bids. In the remaining seven Employment Zones tenders were invited for Single Provider Employment Zones (SPEZ) and these attracted 39 bids. In the Multiple Provider Employment Zones services were delivered to a randomly allocated mandated client population. From 2007, all clients groups required to participate in the Multiple Provider zones have been permitted to choose their provider (Rafferty & Wiggan, 2008: 31; see also Griffiths & Durkin, 2007) rather than the provider being randomly allocated by a Jobcentre Plus Advisor.

The commitment of the Government to market mechanisms following the replacement of the prototype Employment Zones can be seen in the decision to form a

organisation 'Working Links'. This organisation exists as a partnership organisation formed by the private sector company Manpower along with Cap-Gemini, the then Department for Education and Employment and the Employment Service. The Working Links organisation went on to win bids in nine of the fifteen original Employment Zones proposed. The private sector company Pertemps Alliance won one and Reeds in Partnership won four, whilst a local partnership won the bid to operate the Employment Zone in Wales (Finn, 2005). The dominance of the private sector in the pilot Employment Zones in comparison to the previous prototype zones is indicative of the shift away from networks to market orientated mechanisms of accountability and co-ordination of the delivery of employment placement activity.

The growth of market co-ordination methods

A recent review commissioned by the New Labour Government has further served to promote market mechanisms as the co-ordination method of choice for delivering employment services and subsequent Government proposed reforms have echoed this. In 2006 the Secretary of State for Work and Pensions asked the investment banker David Freud to head up a review of Britain's welfare-to-work policies. The result of this review was published in 2007 in the report, *Reducing dependency, Increasing Opportunity: Options for the Future of Welfare to Work* (Freud, 2007). The review examined evidence from the UK and internationally, particularly the Netherlands and Australia in order to consider the progress of their relatively radical experiments in marketisation and explore the lessons this had for Britain. I will not concern myself here with the political and economic discussions and debates surrounding the appropriateness of focusing principally on achieving an 80% employment rate, which admittedly is a key concern of the Freud report. Or consider whether this will reduce the incidence of child poverty. These issues are beyond the focus of this paper but have been discussed and critiqued by others (see Grover, 2007; Davies, 2008). Rather I will concentrate on the proposed reforms to the governance of welfare to work and what this tells us about shifts in the underlying co-ordination mechanisms across our CVF model for delivering employment services. By 2008 it is estimated that, the UK employment service market will be worth around one billion pounds (DWP, 2007: 16).

We are seeing a move away from a hierarchical bureaucratic approach to employment placement activity and advisory service by the UK Public Employment Service. Of course this does not mean that these methods are solely market or network focused. As Berkel and Borghi (2007: 283) bureaucratic ideas from older forms of public administration help structure the nature of the expansion of market mechanisms by focusing on issues of equity. The private and voluntary sector organisations competing to provide services have for example been restricted to specific target groups such as the long-term unemployed, lone parents or disabled people (see Rafferty & Wiggan, 2008). This action is taken to reduce the opportunities for contracted out providers to cherry pick the most job ready customers and to avoid unnecessary expenditure on those job-seekers who will most likely find work without intensive assistance. Hierarchical and bureaucratic methods also predominate in the provision of in-work benefits. These are delivered by a single organisation HM Revenue and Customs with interactions structured by rules and regulations that delineate citizen entitlements and govern the exercise of bureaucratic power. Even where private providers have taken on responsibility for the payment of some out-of-

work customer benefits in Employment Zones. In the event of the application of sanctions by the provider for non-cooperation by the customer this must be cleared with Jobcentre Plus. The experiment with market and network mechanisms within welfare to work with its emphasis on local flexibility and discretion is interwoven with continued Government concern to exercise control and establish the boundaries of flexibility.

The Freud Review proposed the further development of market mechanisms in welfare to work delivery. The Green Paper on welfare reform launched in 2007, *In Work, Better Off* (DWP, 2007) takes up the essence of the Freud report and suggests a restructuring of welfare to work provision and the expansion of private and third sector organisations in delivery. The pilot Employment Zone programmes have existed alongside a much larger package of programmes, which formed the core of employment placement schemes for Jobcentre Plus clients. The New Deals (New Deal for Young People; New Deal for Disabled People; New Deal for Lone Parents; New Deal for Partners and New Deal for 50 Plus) shared a common theme, but have been geared to specific customer audiences and as such the nature of their delivery and respective delivery and flexibilities has varied. They have however been delivered primarily by Jobcentre Plus although partnerships and contracting with private and voluntary sector organisations has also occurred to a limited extent. The Green paper *In Work, Better Off* proposed not only the merging of these individual programmes into a single 'flexible' New Deal in recognition of the fact that many of the problems faced in moving into employment cut across the target groups, but also the significant expansions of contestability and contracting out. The proposed 'new' New Deal programme consists of stages of increasing support and conditionality to find work. The early stages will explore a client's case history, their needs, objectives and skills and clients will be relatively free to organise their own job search activities and will receive more generic job search support from JobCentre Plus. Overtime a greater degree of compulsion to find employment will occur and interventions will become more focused and further assessment of skills and needs will take place (Rafferty & Wiggan, 2008). Under the proposals after 12 months (or sooner for fast tracked priority groups which might include disabled people and lone parents) clients would enter the Flexible New Deal. The objective is ostensibly to improve the responsiveness, flexibility and personalisation of the programme to improve it fit with an individual's needs, goals and capabilities and to realise efficiency savings and improvements in job entry and retention effectiveness (Rafferty & Wiggan, 2008). It is in the proposed 'flexible New Deal' and the provision of more specialist services to hard to place jobseekers where current proposals suggest an expansion of market mechanism of co-ordination in helping to deliver employment services.

"We believe that private and third sector organisations have a key role to play in delivering this more specialised support. They already play a valuable role in delivering programmes such as Employment Zones and the New Deals for disabled people and job seekers. Around a quarter of DWP expenditure is already directed towards contracted provision. Since the beginning of the Government's welfare reform programme in 1997 we have been systematically testing the impact of opening up the design and delivery of labour market support to competition. There are a number of important reasons for expanding the role of private and third sector organisations in the delivery of welfare to work. They can bring a distinctive approach to service delivery based on their specialist knowledge, experience and

skills. They also offer scope to be more innovative, developing new and creative ways of working with customers.” (DWP, 2007)

The Freud Review set out a number of potential contracting options that the Government might utilise in organising its employment market including the use of a prime contractor model whereby a single organisation is tendered to operate the system, but who may sub contract to other specialist providers to deliver services as they see fit. Freud discusses the possibility of using what might be thought of as a regional prime contractor model involving the award of 11 tenders. Under this approach a prime contract would be tendered for Scotland and Wales and nine English regions (Rafferty & Wiggan, 2007: 70). The Government’s subsequent Green Paper has however been relatively silent on what approach it will take, but the direction of travel in favour of market mechanisms is clear. Since 1997 increasing emphasis has been placed on market mechanisms of co-ordination for organising and delivering welfare to work policy in the UK through their role in employment placement activity. Returning to our earlier CVF model of governance in Figure 3 I suggest how the employment placement programmes fit into a CVF governance model for welfare to work. It indicates that a mixture of co-ordination mechanisms is, not surprisingly, still in operation the trend is towards greater use of market methods in placement and advisory service activity.

In Employment Zone areas not only has control of placement activity been passed to the private sector, but also as an incentive mechanism to reward early placement has transferred control of customers benefits payments. EZ providers are required to pay customers benefit for 26 weeks or until they find employment. The DWP however give providers only 21 weeks money providing an incentive for the provider to move clients into employment. If a customer does move into employment the provider then keeps the remainder of the customers benefit payment (. In certain pilot areas then a decentralised system organised through markets is taking hold. This complements the embedding of an increasingly marketised system of placement activity suggesting a shift in the governance arrangements for out-of-work support away from hierarchical governance to the managerial governance quadrant of the CVF model. In the next section the paper explores the administration and delivery mechanisms of the key UK in-work income maintenance scheme – the tax credit system. In comparison to the shift to decentralised forms of delivery and growing reliance on market mechanisms in activation policy, in-work support continues to be organised around a hierarchical bureaucratic mechanisms.

Figure 3: Mapping delivery structures

<p>Network Governance</p> <p>Prototype Employment Zones</p>	<p>Self Governance</p>
<p>Hierarchical Governance</p> <p>Existence of rules governing access to benefit & tax credit entitlements, imposition of sanctions.</p>	<p>Managerial Governance</p> <p>Pilot Employment Zones</p> <p>Proposed <i>In work, better off</i> (DWP, 2007) reforms e.g. Flexible New Deal</p>

Individuals experiencing competing governance models: the tax credit system

The above analysis suggests that in the welfare to work system there is not much occurring in the self-governance quadrant, at least in terms of the governance of institutions. Reforms under New Labour suggest that welfare to work is increasingly being driven by co-ordination mechanisms associated with the Managerial Governance quadrant, notably markets and incentives. Newman (2007: 371) rightly points out that citizens are positioned as both the consumer of services and their co-producer whilst continuing to be subject to bureaucratic discretion. The active citizen implicitly assumed in Government policy reform and present in the self-governance quadrant has not been fully realised. The policy and administrative mechanisms of welfare to work continue to place citizens in a web of contradictory co-ordinating pressures. Government for example pushes the notion that individuals should be masters of their own destiny in negotiating and responsibly using the welfare provision available and planning any move into the labour market (self-governance). At the same time delivery mechanisms frequently operate through the presumption of rational self-interest. The benefits system may impose sanctions on those not looking for employment, providers in employment Zones may offer financial inducements to take up employment and the HMRC delivered tax credit system is designed to send strong financial signals about the value of taking up paid work. The expansion of governance mechanisms that favour incentive structures for individuals and fit the narrative of self-governing active welfare users also functions alongside continued bureaucratic power. The interaction of these different spheres of governance is evident in the delivery by HM Revenue and Customs of the Working Tax Credit and Child Tax Credit. The UK tax credit reforms are predicated on the assumption that offering a top-up to the wages of adult earners within low-income families would ensure that employment remained more financially attractive to the low paid than the main forms of out-of-work benefits (Income Support, Jobseeker's Allowance) (HM Treasury, 2002; 2005). It operates on the assumption of rational self-interested individuals acting as active welfare citizens. For a significant minority of its users however claiming tax credits through HM Revenue and Customs has been dominated, first by the experience of maladministration and the exercise of bureaucratic power

and discretion (see Treasury Committee, 2006; Field, 2006: 55).

In April 2003 the child Tax Credit and Working Tax Credit were introduced and with Inland Revenue (now HM Revenue and Customs) responsible for administration of the system. Given that the number of families entitled to support was around six million this was no small undertaking. Many have families have benefited significantly from the financial support delivered through this aspect of the welfare to work system, but a significant minority have been placed in financial difficulty due to administrative problems with the system and the approach of Revenue and Customs to rectifying these. It is not my intention to provide a full review of the tax credit system and its advantages and disadvantages, but to draw attention to how certain aspects of it reflect a hierarchical model of institutional governance in comparison to the assumptions of self governance and managerialist rational action that are meant to guide the actions of individuals claiming tax credits themselves.

The tax credit system has been designed to be sensitive to changes in family circumstances in order to provide in-year adjustments of tax credit awards so that families receive financial support when they need it. Claimants are therefore required to notify the Revenue of any change in circumstance so that awards can be altered. At the end of the financial year reconciliation is conducted to assess that claimants have received the correct award. If recipients of awards have been underpaid then they receive a settlement for the difference and if they have been overpaid the Revenue requires repayment of the difference. For the year 2005-06 one third of total awards had been overpaid with 494,000 awards overpaid by £1000. Over 360, 000 overpayments were to households where income was less than £10,000 (Parliamentary and Health Service Ombudsman, 2007: 7). Partly this is simply the functioning of the system as designed, but since reform in 2003 technical problems and administrative error has contributed to claimants receiving incorrect awards. Approximately 250,000 awards were identified in 2007 as being affected by administrative error and the one quarter of the complaint cases being investigated by the office of Parliamentary and Health Service Ombudsman concerned administrative errors (Parliamentary and Health Service Ombudsman, 2007: 5). As a consequence of inaccurate awards and demands for repayment of award overpayments at the end of year some families have experienced serious financial hardship and stress. The rigidity of the Revenue's IT system particularly in the early stages of operation meant that it was unable to take proper account of the varied and changeable nature of claimants circumstance. Staff dealing with tax credit queries was unable to gain a holistic view of a claims history and claimants frequently found themselves unable to contact the Revenue. Letters went unanswered and the helpline was often engaged due to an insufficient number of trained staff for the volume of calls (Parliamentary and Health Service Ombudsman, 2005: 7).

A key Code of Practice process (COP 26) governing the circumstances in which HM Revenue and Customs would decide not to recover a portion or the whole of the overpayment in the light of any official administrative error also operated unsatisfactorily. Not only did the process not begin until a claimant actively requested it, but decisions were slow and rested largely on the subjective judgment of staff within HMRC about the reasonableness of a claimants belief that the award they had received was correct (Parliamentary and Health Service Ombudsman, 2005: 6). The failure to effectively train staff to identify appropriate application of COP 26 has

undermined the complaints procedure. The exercise of decision making has been criticised on the grounds that too often officials failed to place themselves in the circumstances of the claimant when the official award notice was initially received. The claimant may have been experiencing severe health problems or bereavement or may have had already notified the Revenue of a change in circumstance and made the assumption that subsequent award notices would therefore be correct (Parliamentary and Health Service Ombudsman, 2007: 10).

The self actualising individuals envisioned by an active welfare state and who are here expected to control their engagement with in-work support in the light of clear incentive structures have actually found themselves facing the coercive and controlling power of a major government department. The case of the tax credit system shows citizens experiencing the application of bureaucratic power not as customers of a service, but as clients of state largesse. The culture of the Inland Revenue and then HM Revenue and Customs has not fully adjusted to paying money out to low income families with complex changeable circumstances (Treasury Committee, 2006: 51). The IT and administrative system put in place was indicative of an approach orientated less around customer requirements the creation of a streamline top down system interested in ensuring an ostensibly consistent treatment of all claimant groups. As it has it became evident that this has proved problematic for engaging with many of its low income claimants the Revenue's processes struggled to respond effectively. Processes and guidelines such as COP 26, put in place to alleviate complaints and identify errors are relatively unresponsive bureaucratic and hierarchical mechanisms of delivery.

Conclusion

Newman (2007: 368) has identified the remaking of welfare governance as a site of tensions, risks and opportunities for individuals as new methods are overlain and/ or joined on to previous forms of governance. The suggestion is that multiple forms of governance continue to exist and that the identification of one trend towards say markets or networks and away from hierarchy is perhaps incorrect. This paper has sort to utilise the concept of competing model of governance to examine the development of welfare to work governance in the UK. Multiple co-ordination mechanisms are in operation including hierarchical, market and network methods confirming the existence of a hybrid form of service delivery. Mechanisms of market co-ordination are present and evolving in governance reforms of employment placement and advisory activity (DWP, 2007; Freud, 2007; Grover, 2007). Delivery of and control of what services are offered by the Public Employment Service has diminished as greater responsibility for delivery is decentralised through outsourcing to private and third sector organisations. In the case of the Employment Zone pilots this replaced not only more hierarchical state delivery, but also the network approach favoured in the earlier initial prototype Employment Zone experimentation (Haugton et al, 2000).

The growing importance of market mechanisms combined with the outcome target driven approach of Jobcentre Plus and the Department for Work and Pensions suggests that employment service activity is firmly embedded in the managerial quadrant of the competing values governance model. For individuals this shift to private and third sector providers has stimulated the development of a caseworker method focusing on individual needs and capabilities. Clients who are furthest from

the labour market may benefit from the potential empowerment this offers, but the expectation that users respond to incentive and potentially coercive structures and should take control of their engagement with welfare to work could offset this. The interaction of self and managerial governance models forms potentially competing and/or complementary pressures on the individual.

The in-work form of welfare to work delivered through the tax credit system by HM Revenue and Customs reflects the continued existence of hierarchical mechanisms of delivery. Payment to claimants of tax credit awards operates through a centralised state system with the central government body HM Revenue and customs solely responsible for this task. Investigation of the running of the tax credit administration by the Parliamentary and Health Service Ombudsman and the Treasury Committee of the House of Commons raised a number of concerns (Treasury Committee, 2006; Parliamentary and Health Service Ombudsman 2005; 2007). The administrative system created to deliver payments was geared towards a one size fits all approach with minimum allowance for flexibility, rather than beginning with a customer orientated perspective. The opaque exercise of discretion and a departmental culture not used to making payments to low income households at risk of hardship compounded this. The policy itself implicitly invites claimants to think of themselves as active citizens responding to an incentive structure. Yet the reality for many of those interacting with HM Revenue and Customs is of the hierarchical exercise of bureaucratic power.

What this suggests is that significant areas of welfare to work policy are being administered and delivered in accordance with the managerial and hierarchical governance quadrants of the CVF governance model rather than the network or self-governance forms.

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