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Introduction

In most of the literature on varieties of capitalism and welfare states as well as within the public policy debates in Europe, the UK is constantly classified alongside the US; the two countries are taken to represent both the so-called Anglo-Saxon liberal market economy model (Hall and Soskice 2001) in contrast to the coordinated market economy and, in welfare state comparisons, the residual welfare state in contrast to social democratic or conservative corporate welfare states (Esping-Andersen 1990). Within the policy debates in Europe the choices are often presented as between following the American or the European social model (for review see Hopkin and Wincott 2006), representing some combination of the social democratic and conservative corporate varieties. Comparative research design often involves comparisons between an example from the selection of liberal market economies against an example or two, chosen from the presumed wider range of coordinated market economy or social democratic/corporate social models. It is rare for comparative research to address in any detail the differences between the liberal market economies or the so-called residual welfare states.

However, the lumping together of the UK and US in one box must come more into question as the UK since the renaissance of its social dimension following the change of government in 1997 is now often presented as an example of the modernisation of the European social model or models. True the similarities in the orientation of the economies are still present and have become even clearer in the current credit crunch that has affected the UK and US more than other European countries, but in the area of social policy the UK is increasingly arguing the case that it is managing to combine the best of the European social model approach with the flexible and deregulated economy required by global markets¹. There is widespread pressure within Europe, both at national and EU level, to reform and modernise the so-called European social model or models; some of the key principles of the reform are to increase the share of the population in employment by raising employment rates particularly for women and for older workers; promote flexibility in employment but balanced by security; and reform tax and benefit systems in line with a range of related objectives, including to make work pay, to deter early retirement, to promote reconciliation of work and family life and to promote a productive knowledge economy combined with social inclusion. The UK's response to Europe's so-called Lisbon agenda (Rodrigues et al. 2002) has been to declare that not only is it following this approach but in fact it has been at the forefront of developing and adopting all these principles; it can thus be considered an exemplary model for the rest of Europe.

¹ Blair made this claim when taking on the presidency of the EU in 2005 for example (Hopkin and Wincott 2006)

For many European commentators the identification of the UK model with the modernisation plan adopted by the EU is simply creeping Americanisation of the European social system. However, looked at from a US perspective, the example of the UK may be more warmly welcomed; it has followed some of the US social policies such as a work first policy, but appears to have done so with a more human face. So is the UK providing a new model in Europe and possibly for the US, a third way between the liberal model and the European social model? And can the UK model both deliver the economic efficiency demanded by the markets and the decent work still demanded by democratically empowered citizens?

The UK as the US model system with a more human face?

First, therefore, we need to consider whether a case can be made that the UK has taken a US-type model and combined it with stronger and fairer systems of protection and support for its citizens. We can consider whether there is evidence of achieving social goals alongside economic performance by examining the following four questions:

1. Is the UK succeeding in combining productive work with a fair income?
2. Has the UK managed to combine security with flexibility?
3. Does the UK provide a significantly stronger degree of social protection?
4. Does the UK provide for equality of opportunities?

1) Is the UK succeeding in combining productive work with a fair income?

One of the main performance criteria by which European models have been said to underperform compared US is with respect to the employment rate. This indicator has taken on great importance with the demographic changes and concerns over the ageing of societies. Sustaining a social model is argued not to be possible unless a higher share of the working age population is gainfully employed, such that they are not dependent on the state and indeed contributing to fiscal revenues to fund the social transfers required for the dependent population. This commitment to a higher employment rate is evident in the Lisbon target of a 70% overall employment rate for the EU by 2010. However, increasing the employment rate is held by many economists and policy makers to require wages to be kept low at the bottom end of the labour market, in line with the policy adopted by the US (OECD 1994). This policy potentially conflicts with the social inclusion objectives of the EU.

Thus a key indicator of whether or not the UK is charting a third way is if it is succeeding in combining a high employment rate with better wage protection for the most vulnerable employees. The UK does enjoy a high employment and rising rate (see figure 1) by European standards that is in fact highly comparable to the level for the US, at least when measured on a headcount basis² (71.5% compared to 72% for US and 64.3% for the EU27, 66% EU15 in 2006 (CEC 2007)). This high employment rate reflects some important institutional characteristics of the UK economy that can be considered to

² The UK still has an above average employment rate when measured on a full time equivalent basis but the margin above the mean is much reduced; in 2006 the UK FTE employment rate was 61.9 compared to 58.9 for the EU27 and 59.3 for EU15.

contribute to both labour market efficiency and indeed some elements of social policy. Thus the UK has a relatively efficient education system, such that those completing their first degrees enter the labour market at an early age, with many completing their degrees by age 21³. This is considerably earlier than much of Europe where degrees have taken longer, in part because of opportunities for interruptions; in addition some countries have requirements for national service for male students. The differences can be quite startling with many graduates not effectively entering work until they are in their late twenties or even over 30. Entry is also earlier than in the US for the highly educated, partly because of stricter requirements to complete first degrees within a specified time frame but also because of the tradition of higher standards of first degrees which reduces the extent and length of graduate work. An indirect consequence of this 'efficiency' is that it has equal opportunities spin-offs as women can become more established in careers before they have children. A second characteristic is, at least by European standards, a relatively low tendency towards early retirement, as evidenced in a relatively high employment rate for older workers (57.4 for those aged 55-64 compared to 43.5 for EU27 and 45.3 for EU15- with an EU target of a 50% employment rate for 55-64 year olds by 2010). This tendency for workers to stay in employment in part reflects the absence of a state-funded early retirement scheme unlike the case in many European countries up until a few years ago. Compared to the US retirement is still earlier and there is a considerably higher level of age discrimination, with legislation outlawing age discrimination only recently introduced into the UK and the rest of the EU (Adnett and Hardy 2007).

This relatively strong employment performance in the UK over the past decade, which is also matched by a low unemployment rate, has coincided with the introduction of a national minimum wage. When the national minimum wage was first introduced it was considered to be fixed as a low level, but this was by European not US standards. Moreover, since its introduction the minimum wage has been steadily uprated relative to median earnings (see figure 2) as a deliberate policy particularly over the period 2003-6 so that by 2006 it accounted for 45% of full-time median earnings compared to a level of only 30.7% for the US minimum wage (see table 1). This places the UK firmly in the middle of the range of minimum wages in OECD countries. Thus, far from the strong employment performance being associated with a reduction in wages for the apparently least employable, the past decade has seen significant improvement in relative pay for those at the bottom decile of the labour market (Fitzner 2006, Low Pay Commission 2007).

2) Security with flexibility?

The second issue is whether the UK has succeeded in combining the flexible labour market with some degree of income and employment security, at least higher than that provided within the US model.

³ Couppié and Mansuy (2001), drawing on OECD data show that the UK and Ireland of all EU15 countries have the earliest typical age of leaving the education and training systems at 24, with the highest ages being 28 in Finland and Germany and 31 in Denmark.

A key dimension of security for workers applies to security of income and purchasing power. Real gross hourly earnings increasing by over 30% in the UK between 1995 and 2005 (Fitzner 2006). In contrast the US has experienced a much smaller gain over a 25 year period:

In the quarter century between 1980 and 2005, business sector productivity increased by 71 percent. Over the same quarter century, median weekly earnings of full-time workers rose from \$613 to \$705, a gain of only 14 percent (figures in 2000 dollars). Median weekly compensation - earnings plus estimated fringe benefits - rose from \$736 to \$876, a gain of 19 percent. (Levy and Temin 2007)

This slow growth and/or stagnation has been particularly evident for male employees in the US (Madrick and Papanikolaou 2007). Real wage growth has in fact been a feature of the UK labour market, even under the deregulation strategies of the successive Conservative governments in the 1980s and nineties as well as into the 2000s. Machin and Van Reenen (2007) have shown that real wage growth was stronger in the UK in all three decades and at each point in the distribution. For example, the increase in the 10th decile in the UK varied from 1.6 percentage points per annum in the 1980s to 1.1 1990s and 2.6 in the 2000s, compared to in the US -0.6% in the 1980s, 1.5% 1990s and 1.4% 2000s. The comparable figures for the 50th percentile were 2.3, 1.5 and 2.4 for the UK compared to much more stagnant figures in the US at 0.3, 0.8 and 1.1. But these positive stories for real wage growth for lower income groups are outclassed by the higher rates of increase at the 90th decile in the UK, not only compared to the 50th and 10th decile but also compared to the US. Thus figures for the three decades in the UK were 3.5, 2.1 and 3.0 compared to 1.3, 1.3 and 1.9 for the US.

The second element in security is the protection provided by legal minimum labour standards. Traditionally the UK adopted a voluntarist approach and provided for labour standards through trade union organisation and collective bargaining. The decline in bargaining coverage, in union membership and recognition in the 1980s, continuing till today (see table 2 and Blanchflower et al. 2007), coupled with the growth of areas of employment that have traditionally not been unionised has left much of the UK labour force exposed to employers' discretionary policies. However, these gaps in employment protection have been at least in part filled by the development of legal minimum labour standards at EU level that have had to be implemented in national law. Before 1997 UK governments were strictly opposed to the development at EU level of minimum social standards; if these are passed as European directives they have to be implemented in national law but Britain negotiated an effective opt out from some directives between 1992 and 1997. The UK government still takes the lead in opposing any new EU legislation but one of Labour's manifesto commitments in 1997 was to agree to the removal of the UK opt out from the social charter so that all outstanding directives had to be implemented into UK law from 1997 onwards. Box 1 provides a summary of the main areas of social rights where the EU has legislated. The UK from the 1970s onwards had begun to establish a basic framework of legal rights, although some areas of national legislation such as that of equal pay and equal treatment for women and men was introduced in anticipation of joining the EU. Nevertheless in many areas the legal rights framework remained weak; the main areas of labour standards that have been introduced

explicitly because of EU intervention are those relating to working time, to equal treatment for non standard workers (part-time and fixed term -- with legislation on agency workers still pending and opposed by the UK) and protection of workers subject to transfer of undertakings through merger or outsourcing⁴. The UK's decision to introduce a national minimum wage was not directly related to EU minimum standards but nevertheless was consistent with the prevailing European social models. Another area where the UK has taken more of the lead is in health and safety; figures show that the UK has one of the best health and safety records in Europe and also a much lower rate of fatal accidents of work than the US, with a rate of 3.9 per 100,000 workers in 2006 (Bureau of Labor Statistics 2007) compared to 0.8 for the UK (Health and Safety Executive 2007).

Employees may also feel more secure if they have opportunities for voice at work. The decline in trade union organisation and representation has clearly diminished these opportunities but nevertheless recent comparative research reveals a stronger prevailing tradition of employee voice in the UK compared to the US, attributed by the researchers to the still prevailing legacy in social norms and behaviour of worker representation and voice (Freeman et al. 2007).

Box 1. Main areas in which EU sets minimum labour standards

Health and safety standards

- Occupational health and safety; Working time (maximum hours, plus minimum paid holidays); Maternity leave

Information and consultation requirements

Transfer of undertakings (mergers and outsourced staff) – protection of employment contract/ terms and conditions

Non standard employment- to be treated the same as full-time/permanent staff

- Part-time, Fixed-term, Agency (currently blocked)

Equal treatment for women and men

- Equal pay- same work and work of equal value, Equal Treatment, Parental leave

Non Discrimination requirements

- Race/ethnicity/nationality, Age, Religion, Sexual orientation

3) Does the UK provide a significantly stronger degree of social protection?

Despite the common classification of the UK as a residual welfare state model along with the US, the level and extent of social protection offered in the UK has under almost all measures always been stronger than in the US.

⁴ The Transfer of Undertakings Directive was first implemented into UK law only covering workers in the private sector subject to merger or transfer; but appeals to the European Court of Justice determined that the UK government was in error in not extending protection to public sector workers. This has restricted the immediate benefits of outsourcing from the public sector as any transferred workers still retain their terms and conditions of employment, except with respect to pensions.

The differences between the approach of the US and UK is highlighted by Barbier (2006), a French labour market policy expert who, unusually, has identified key differences between the US UK models.

The UK approach to activation has to be considered in the wider context of a genuinely existing wide-ranging UK welfare state, the main elements of which include (a) a universal healthcare system -- the National Health Service -- combined with (b) a universal safety net. Income support is the key benefit for the assisted people. It somehow constitutes the standard reference, the universal welfare basis for the out-of-work poor. (Barbier 2006: 132)

The National Health Service is perhaps the best-known example of difference with the US and the massive increase in funding for the health service over the past decade only serves to reinforce this divide⁵. The association of healthcare with employment status underpins a huge amount of the differences in labour market behaviour between the UK and the US; for example the later retirement age may be in part driven by concerns over healthcare coverage of retirement, even though those costs are covered through Medicare (Martin and Woodbury 2006); and again the tendency for more women in the US to work full-time despite lack of childcare may be attributed to the legal exclusion of part-time work from healthcare benefits, in contrast to the UK where health is not related to employment status and where discrimination against part-timers is regarded as indirect sex discrimination under EU law. It should also be noted that there is the comprehensive system of statutory sick pay in the UK, covering everybody after three days of sickness, and in practice a tradition of most employers providing enhanced sick pay over and above the statutory provisions (although 21% of private sector workers and 13% of public sector workers would not receive pay for the first three days of sickness, implying that they were only covered by the statutory scheme (Health and Safety Executive 2005). In the US in contrast in 2001 47% of employees were not covered by sick pay (Lovell 2004)

The second difference identified by Barbier (2006), that is the UK's open ended commitment to income support for those in need is less well-known but no less important. This commitment has not yet been seriously challenged, despite politicians' rhetoric about no entitlement to benefits. There are now requirements on benefit recipients to actively seek work and there are many potentially harmful penalties on benefit claimants if they do not follow the rules but the numbers on benefits remains significant. For example there are still 1.77m adults of working age who have been reliant on income support for two years or more compared to the peak of 2.3 million in 1996 (DWP 2007). The difference with the US persists despite the adoption of tax credits to encourage activation in the UK, drawing explicitly on the US model. The higher number of benefit recipients in the UK has led to the different design of tax credits system as it needs to provide immediate incentives for people to leave benefits and enter work (Blundell 2006). Moreover, despite the focus on activation through tax credits, the share of those who remain not activated is still very high in the UK and thus ' the British

⁵ Public expenditure on health in real terms only rose by around £10 billion during the seven years prior to the 1999-2000 turning point, compared to an increase of £36 billion during the subsequent seven-year period (Rubery et al. 2008 HM Treasury data).

activation problem is.. of a thoroughly different nature from that of the US, with its full employment achievement. ...All in all, despite common moral and political inspirations, activation strategies in the UK and the US retain significantly different features and circumstances.’ (Barbier 2006: 133/4)

With respect to social protection, therefore, the UK started off with a more human face, even before the change of government in 1997. Since then there has been a process both of convergence with and distancing from the US. The convergence relates to the increased emphasis on a work first policy, backed up by extensive and relatively generous working tax credits. This approach has borrowed the US earned income tax credit system plus the US focus on workfare and work first policies. The divergence comes from the policy of higher social guarantees and a major push to reduce child poverty (HM Treasury 2001) that has characterised the social policy approach of Gordon Brown in particular as Chancellor. These higher social guarantees are provided to the working age population through the working tax credits system but there has also been some improvement in minimum income guarantees for those unable to work. Much of the assistance has been targeted families with children, with higher child benefits and the introduction of child tax credits that assist with the costs of childcare. There has also been a major improvement in minimum income guarantees for the retired through pension tax credits. These higher social guarantees are reflected in some reduction in poverty rates for children and particularly for the retired⁶, though the government is not on course to achieve its target of halving child poverty by 2010 and abolishing it by 2020. The setting of these targets, however, serve to differentiate the UK from US model.

4. Does the UK provide for equality of opportunities?

In the area of equal opportunities there is more debate over how the US compares UK. Clearly the US has greater problems of inequality -- and particular problems and scale of racial discrimination -- but it also identifies itself as the land of equal opportunities. In contrast the UK is rightly known as a society with strong and embedded class divisions that impact upon intergenerational mobility. Much of the opportunity in the US is linked to education and it is notable for outsiders to the political system that the rights of children to free education are much more embedded than their rights to free healthcare. The US has traditionally been ahead of other OECD countries in the share of the population attending college and university. However, other EU countries included the UK are catching up and fast (the US is now only 18th in the graduation rates OECD 2007)); the UK has effectively moved from having an elitist to a mass higher education system and now has a higher graduation rate to that of the US. There has been some convergence with the US in another direction, and that is the introduction of fees for students but these remain at a level much below that prevailing in the US even for state universities. Perhaps even more importantly, all students in the UK have access to subsidised loans and there is a new grant system being introduced to improve assistance

⁶ Poverty rates overall have declined from 25.3 to 21.6% 1996/7 to 2005/6 but the steepest declines have been for pensioners – from 29.1% to 17% compared to a decline for children from 34.1% to 29.8% (Brewer 2007)

to those from poorer families. Nevertheless, the class system is still in evidence and intergenerational mobility has declined in the UK as success in the education system has is strongly linked to parental income levels (Hills 2004).

There is also ambiguity over whether or not the US or the UK provides the greatest support for women in the labour market. On the one hand the position of women in the US tends to be more favourable, when measured relative to men, as they have a higher share of high level jobs and their average pay position is higher up the ranking than is the case for women in the UK (Blau and Kahn 1992). However the wider pay dispersion means that this higher ranking does not provide women in the US as much advantage as would be the case in countries with less dispersed pay. Moreover, this higher ranking comes at the cost of long working hours and limited support for childcare. This ambiguity for women in fact highlights a wider problem of comparing equal opportunities between the US and the UK; it may be that it is still easier and thus more common for people in the US to travel up the equality ladder from a low starting position but the length of the ladder that needs to be climbed in the US is considerably longer than that in the UK.

The UK has recently moved further ahead of the US in providing support for equal opportunities for women by considerably improving maternity leave provisions and assistance with childcare, both through the provision of tax credits and through the national childcare strategy to increase the supply of childcare places (Clarke 2007, Smeaton and Marsh 2006). These improvements in leave and childcare have been complemented also by improvements in paid holiday entitlements, linked to the working time directive; when initially implemented in 1998 it provided for a minimum of 20 days paid holiday for everybody, but the minimum is in the process of being increased to 28 days to include public holidays. For most workers this merely reinforces rights already provided for in their contracts, but for part-time workers, many of whom were excluded from holiday entitlements⁷, these developments have boosted opportunities to spend paid time with their families and for leisure pursuits. Another right recently introduced is that of requesting to work flexible or reduced hours when one has a child under six or is responsible for a sick or elderly adult. Employers have a duty to take the request seriously and provide reasons for refusing any such request. There are, however, no reciprocal rights to request a return to full-time working at a later stage (Fagan et al. 2006). These rights, however limited compared to provisions in some social democratic EU states, are nevertheless significant advances over the provisions available in the US.

UK as an 'efficient' model?

So there are clear grounds on which one can make the case that the UK has developed a model with a more human face than that which prevails in US. This characteristic applies over the long term but has also been reinforced over the past decade. The second part to

⁷ In Autumn 1995, 62 per cent of men and 32 per cent of women part-time employees had no paid holiday entitlement (Fleetwood 2003)

the claim that the UK model provides ‘a third way’ is that this human face- or social element - has not been introduced at the expense of the efficiencies that have been claimed for the liberal market economy model. Thus the UK is argued to have avoided the so-called European rigidities that are said to characterise coordinated and social democratic economies and which are viewed by neoliberals as incompatible with long term competitiveness in the global economy (for a critical review of this argument see Baker et al. 2005).

Four main arguments can be advanced to support the case that the UK’s social policy approach is still compatible with the mantras of neo liberal economic policy

The first strand to argument is that the social guarantees are being provided at a relatively low cost. Employment rates remain high and there is considerable and increasing pressure on those dependent on benefits to seek work; benefits are targeted at those in need through extensive means testing and are paid only at a flat rate level, not related to earnings; responsibility for children is still largely privatised, despite subsidies for childcare and higher education; education and health services are efficient, both in terms of cost to GDP and, in the case of education, in relation to time spent out of the labour market; and extensive use is made of both private finance and private providers, often paying lower wages than public providers, to reduce the costs and improve the efficiency of public services.

The second element in the argument is in fact that the expansion of health and education under new Labour has been orientated at also expanding simultaneously the access of private capital to these important markets. Thus, although the public funding of welfare and social investment has increased, this in practice has expanded the markets for private capital.

Thirdly, employers are given a high priority within the UK model; this could be considered as an *employer first* policy to complement the *work first* policy. There are several elements to this approach. In particular the UK government has bent over backwards to allow entrepreneurs, city employees and non domiciled foreigners to earn as much money -and pay as little tax- as possible. The top rate of income tax has been maintained at 40% and the additional tax burden has been passed on through indirect taxes; inheritance tax has been reduced; capital gains tax has been lowered to 18%, although it also involves the closing of some loopholes where tax was only paid 10%; and the non domiciled have largely retained their tax exemptions (Mathieson 2008). Employers are also given considerable freedom to set their own conditions of work; there are few sector level collective agreements and no extension mechanisms imposed on employers. These freedoms have been reinforced by the continual decline in trade union recognition so that by 2004 only 20% of private sector service and 39% of manufacturing workplaces with more than 25 employees recognised unions (see table 2)⁸. Although limited rights for trade unions to seek recognition have been introduced, these have had limited impact in practice on employers. Efforts are being made to

⁸ The share drops to 16% in 2004 for all private sector workplaces when those with 10 to 25 employees are included (Kersley et al. 2006).

continue to block EU regulations that might for example provide enhanced protection and temporary agency workers or remove the opt out from the maximum 48 hour week laid down by the working time directive, an opt out that is effectively used by the UK alone. Employers are also spared requirements to train, except as part of public procurement policies, and also free to a large extent to set the training agenda.

The final strand to the argument that the UK provides an efficient social model is that in promoting a flexible labour market it does not focus support on labour market insiders but also provides opportunities for labour market outsiders. Thus, for example, it combines a low level of employment protection with a relatively good record, measured by unemployment rates, of integrating young people and women into employment. In many European countries young people, including even graduates, may face a long queue to obtain their first job. Furthermore, female employment is regarded as suppressed in some European countries, for example in some Southern European countries, by a low availability of non standard employment opportunities to facilitate reconciliation of work and family.

In this context the plentiful opportunities for part-time work in the UK are seen as a panacea for a number of problems. This employment form is apparently capable of providing flexibility for employers, work life balance options for women, and keeping down the social costs associated with childcare, as much can still be provided within the family as parents alternate employment and childcare, with fathers covering evening work while their partners seek work in the 24/7 economy (Barnes et al. 2006). Moreover, as much of part-time work is undertaken as part of the provision of public services, the low wage attached to much part-time work within the UK provides a means of lowering the costs of public services. For example, the UK provides a relatively high level of domiciliary care of the elderly (Anttonen and Sipilä 1996) and much of this is funded by the public, but in order to keep costs down this work has been outsourced from the public to the private sector and is paid at little more than the National Minimum Wage and staffed by largely female part-timers.

The UK as a successful hybrid model?

To go beyond the so far superficial assessment of the characteristics and development of the UK model, as a potential example of successful hybridisation of the social with the flexible or neoliberal, we need now to consider the sustainability and the costs of the UK model as developed over the past decade. But before we do that, there is a need for two kinds of methodological clarification.

The contention here is not that hybrid models cannot be expected to develop or that for sustainability there must be a return to a pure varieties of capitalism or of welfare states' model. Four main grounds can be proposed for rejecting the purist approach. First, the coherence factor between the set of institutional arrangements identified in the classic typologies of production models and welfare states has been overstressed; the coherence and synergy between the institutional arrangements tends to apply to a particular time period, with a similar construction of institutional arrangements proving less coherent in

other time periods (Streeck 1997). Moreover, as the varieties of capitalism typology has focused primarily on production systems and the welfare states' literature on family, labour market and social policy, the coherence between the production and the welfare system has not been systematically addressed (Bosch et al. 2007). Second and relatedly, much of the coherence between institutional arrangements across different aspects of the economic and social system can be argued to be a matter of coincidence and happen chance rather than the result of deliberate design. Thirdly, much of the work on institutional change and model change over the last decade has called into question the existence of a clear division between evolution along path dependent lines on the one hand and fundamental ruptures and changes in national models on the other hand (Streeck and Thelen 2006). Incremental change, where it is cumulative, may eventually lead to a reorientation and change in the fundamentals of a model. Furthermore, institutions may be retained but they may lose their significance and effectiveness.

Fourthly, and of particular relevance here, the notion of one national model contained within a nation state has been called into question on a number of dimensions. Not only are there differences by sector, region or between social groups in the operation and organisation of models, but it may also be appropriate to consider there to be potentially competing models constantly in existence, even if one model is currently dominant and the second model subordinate or dormant. This argument has been made forcibly to explain the rather rapid changes in the UK model under Thatcher; the contention is that the neoliberal model was already alive and well within the UK model, but concentrated in the City of London whose norms, values and modes of operation were in conflict with the more Keynesian and collective system dominant in the post war period, both at the level of the state and the productive economy (Keune and Crouch 2006). Thatcher was able to call upon existing cultural support for her reforms and thereby bring about a rapid change in the dominant model. A similar argument can be made to explain in part developments in the UK in the past decade. The commitment to the social model and collective action that was eclipsed under Thatcher had certainly not been eradicated from the UK model and was still present particularly in local government and in social attitudes and opinions. The landslide victory for Labour in 1997 represented a resurgence of that model and the end of the citizens' tolerance of the rundown of the social element the UK model. One of the major questions yet to be resolved at the next election is whether or not there may be a tipping back towards a more neoliberal model; furthermore it is unclear if such a result should be interpreted as a preference for a free market/ low tax model on behalf of the switching voters or simply the consequence, in a two party state system, of disillusion with the effectiveness of policies pursued to promote a stronger social model in the UK over the last decade. The perception of ineffectiveness of some of the policies pursued brings us back to the issue of whether or not there has been a successful melding of social orientations and guarantees onto the liberal economic model in the UK.

Before discussing this issue in more detail, a second methodological issue needs to be clarified; there is no a priori presumption made that social guarantees cannot be combined with the least some forms of economic liberalism. The experiences particularly of Sweden and Denmark over the past two decades where product market deregulation has coexisted with a strong social model provides strong evidence to the contrary.

However, equally, it is not necessarily the case that because the same policies exist within the nation state that one can presume some coherence and positive interactions between different policy areas and thereby rule out the possibilities of contradictions and tensions that may undermine sustainability. While it is possible that potentially conflicting objectives may be being explicitly identified and compromises sought in order to establish a harmonious and integrated way forward, there is no guarantee that such a process has been put in motion. The analogy here may be to an harmonious ménage à trois with the mistress and the wife living together openly under one roof and the tensions between the participants dealt with through explicit discussion and compromise. However, just as in life it is more likely that the man (the state) attempts to live a dual life in which the interests of the mistress and the wife are attended to separately and the tensions and contradictions not directly confronted, so we need to consider whether or not any form of effective integration has in fact been achieved.

Risks and contradictions in the UK model

By far and away the biggest risks for the UK model lie in its reliance on the global financial market and on growth fuelled by credit and housing assets. This risk is already evident in the UK but has taken on a more extreme form in the US. The current credit crunch is opening up opportunities that have been closed since the end of the dot.com bubble to question the direction of travel of the Anglo-Saxon neoliberal economies and their associated neglect of developing the real productive economy. However, the issue we wish to concentrate on here is whether or not, even if the credit expansion were to continue, there may be problems encountered in the UK context in sustaining the policy of combining social objectives with a free market economy model.

To focus the argument we return to the apparently efficient dimensions of the UK model and analyse their long term costs and the sustainability of these aspects of the model.. The first is the strategy of providing *welfare on the cheap*, through targeted and means-tested flat rate benefits on the one hand and a resort to cheap labour for some public services on the other hand. The second is the development of the *market state*, that is the opening up of education, health and other markets to the private sector in the context of expanding developing social provision. The third is the *employer first* and *flexible employment* policies that effectively leave the state in a position of mopping up the problems generated within the labour market, without either the state or employees, through trade unions, having the legitimacy or the opportunity to intervene in the labour market processes themselves.

The sustainability and costs of 'welfare on the cheap'

If we turn first to the *welfare on the cheap* issue, we can already identify a number of contradictions and complexities in the policies that are being pursued. First with respect to the spread of means-tested benefits, at least three kinds of problems have been encountered. These include the widely known problem of lack of take up so that the targeted groups do not all benefit⁹; the additional problem of highly complex tax and

⁹ Working Tax Credit take up is only around 60% (HM Revenue and Customs 2007)

benefit arrangements, that have contributed to computer breakdowns and failures on a massive scale and more mundanely to problems of not only under but also overpayment¹⁰, both of which situations are difficult to cope with for those on tight budgets; and finally means-tested benefits have resulted in changes in incentive structures that contradict some of the key objectives of the policy approach.

Part of the complexity and the problems of under and overpayment arise because the tax credit systems have to be integrated with passive benefits and arrangements to provide the appropriate incentives for benefit claimants to move off benefits and into work. In the US, although some advances on EITC refunds are available, these remain at a low level and the amount of tax credit can be adjusted simply on an annual basis. The computer failures and complexities have undermined the legitimacy of the tax credit policy in the UK and forced the government to allow many overpayments not be repaid. The tax credit system had to be established a more generous level to provide incentives to move off benefits¹¹, but in order to keep costs down this has involved a steeper withdrawal of tax credits than is the case in the US. The consequence is that although the reform tax credits have reduced the maximum clawback rate from 70% to 60% since 1997, the extension of tax credits has brought a larger share of households within a 60% clawback rate¹² (Brewer 2007). This high marginal tax rate contradicts the incentives to work objective, by providing barriers to the main earner in the household seeking to increase hours of work or indeed a higher paid job, and also creates a major disincentive to participation by the second income earner in a household.

The pension credit system has proved so problematic in the perverse incentives it creates, that there has been a major policy rethink; without any change to the system the Pensions Commission calculated that there would be an increase from around 45% to around 70% by 2050 (DWP, 2006, p. 41) of pensioners eligible to receive pension credits. This would severely decrease incentives to pensioners to save for retirement and also massively increase the cost of the social guarantees. Consequently a position has been taken to reduce the scale of pension credits and in fact to raise the value of the universal state pension and complement this development by a new national savings retirement scheme¹³. This change to the pension system undermines one key plank of the targeted

¹⁰ In 2005 in reaction to the problems faced by repaying around £2bn of excess tax credits the government increased the income change that it would disregard from one year to the next from £2,500 to £25,00

¹¹ This interaction is particularly strong with housing benefits. As Bludell (2006) points out 'In contrast to the EITC in the US, the WFTC interacts fully with other benefits, most especially housing benefit. A majority of those eligible to WFTC are also in receipt of housing benefit. Since income from the earned income tax credit is counted as income in the computation of Housing Benefit, the overall impact on net income of reforms to the system can be substantially reduced. It significantly reduces the incentive to work in the WFTC for families with large housing costs in the private or public rented sector, the large majority of single parents' (2006: 12).

¹² The number of households subject to a 60% marginal tax rate increased from 0.8 to 1.7 million as a result of the introduction of Working Tax Credits (Brewer 2007:

¹³ Employees without occupational pensions would be automatically enrolled into the NPSS (with employees having the option to opt-out) and would pay contributions of 4%. Employers will then be obliged to pay a compulsory contribution of 3%, and the state would contribute a further 1% in tax relief (DWP, 2006, p. 31).

benefits approach but it is also the case that the announced changes to policies may not be sufficient to meet the pension crisis as we discuss further below.

Two further problems can be pointed to in relation to the 'welfare on the cheap' policy. First, the provision of primarily flat rate benefits, for example in relation to maternity leave, fails to offer the structural support that would enable a more fundamental and arguably more efficient adjustment to the dual earner household (Bennett 2005). The effective result is that for a period of time when the family encounters major costs, the mother effectively becomes dependent on the male partner¹⁴, thereby reinforcing the notion that it is men's careers and earnings that need to be protected for household economic security. The consequence is often the entrapment of women in low wage low skill part-time jobs that do not make use of their full potential, causing a loss to the productive economy (Hurrell et al. 2007, Darton and Hurrell 2005, Grant et al. 2005).

The second problem is that public policy for welfare provision in fact assumes the the availability of a low wage contingent labour to provide major public services such as social care. In practice the supply of labour for these jobs is diminishing as women improve their educational levels and also use enhanced maternity rights to retain their current jobs after childbirth and the quality of care is thus suffering. One solution has been to use migrant labour to fill the gaps. Paradoxically the strategy is being thwarted by new immigration rules that link pay to skill. Care workers are not able to claim sufficient points to be able to enter or stay in the UK because they are paid too little to be recognised as skilled, even when they are often fully qualified nurses.

The welfare on the cheap policy is trying to square a circle between efficiency and social justice but ultimately the policy is too timid and fails to grasp the potentially productive nature of a stronger social policy approach. The focus on minimum guarantees introduces considerable complexity into the model and forces a continuation of an approach based on households just at a time when the world has moved on to less tightly and securely defined household units and an associated desire and need for economic independence for all adults. There is thus a serious need to consider a stronger role for the state in providing security across all income ranges- to adjust to a system of all adults needing to be linked to the labour market but requiring support when unable to participate that is not dependent upon the particular family circumstances in which they find themselves. Thus maternity and parental leave needs to be paid at levels closer to foregone earnings if women are to become economically independent adults, as in Sweden (OECD 2005), and unemployment benefit needs to be paid at a higher and non means tested level if, as under the Danish flexicurity system¹⁵, workers are to be willing to accept high levels of mobility in the labour market. Strong social wage systems can be developed and designed to promote efficiency and flexibility in the labour market, by reducing the link between

¹⁴ Maternity leave pay is only related to earnings for the first six weeks- for the remaining period of paid leave – 33 weeks- the payment is flat rate at c. £109 per week

¹⁵ EU employment policy is currently focusing on promoting flexibility with security, a combination that is said to be found in the Danish model where those who are laid off or made redundant receive a high level of benefits in return for agreeing to participate actively in programmes to promote re-entry into employment (Madsen 2004)

specific employers and the availability of benefits and rewards, and by empowering individuals, rather than leaving them reliant on their families; the UK system so far fails this test as by providing for minimum standards only and by linking social benefits to household means testing.

The sustainability and costs of the market state

Much of the expansion of health and education and other social expenditure over the past decade has been predicated on the involvement of private sector organisations in both capital projects and regular service provision. The justifications provided for this approach range from the need to provide a means of capital refurbishment, without this running foul of EU expectations with respect to public sector financing and debt¹⁶, to the need to harness private sector expertise to bring about efficiency and modernisation of public services. There has been much debate about the potential long-term costs of funding the capital refurbishment programme through private finance, when the state is always in a position to secure funds at a lower rate of interest than the private sector and when the contracts involve a high level of rental payments back to the private sector over the next 30 years or longer (Shaoul 2005, National Audit Office 2008). There have also been questions raised as to the efficiency of the contracts to the private sector for the provision of services; the private sector strategy has been to tender for the main work at low prices but later to use their privileged position within the public sector to gain additional business at a higher premium (National Audit Office 2008). Furthermore, far from this providing a mechanism for modernisation and improved efficiency, the outsourcing of responsibility to private sector providers has weakened the coordinating role of the state, leaving it with few levers to bring about effective organisational change (Taylor-Gooby 2004), but still receiving the blame for any private-sector failures to deliver (Grimshaw et al. 2005). For many the strategy is in fact privatisation by stealth, such that when the true costs of the financing of the private sector capital and service provision are evident in the public accounts, there will be a rolling back of public provision of services and further charges to the consumer of services at the point of delivery.

The sustainability and costs of the employer first and flexible labour market policies

Employers have effectively surrounded themselves with a no-go area. The state has adopted a subservient and ‘employer knows best’ approach, even in the face of quite clear failures on the part of employers to put their own house in order. The government has steadfastly declined to address the problems of excessive executive pay, thereby undermining its own case that it stands for fairness and greater social equality. Employers’ reluctance to train is being rewarded by increased opportunities for employers to determine the content of training and education accredited by universities. The government espouses a policy of promoting worklife balance but still leaves it up to individual employers and employees to agree a voluntary opt out from the maximum working week of 48 hours. The work first policy adopted by the government does not

¹⁶ Although the UK is not in the Eurozone the EU still monitors public sector debt in the UK and there could be reputation effects of the UK were to be too far outside the range of acceptable debt levels.

come with any strings attached for the employers; low wage jobs are effectively being subsidised through the tax credit system but these jobs are not necessarily facilitating a movement out of poverty by those entering the labour market, for much of the employment on offer in the labour market is temporary and insecure, such that the survival rate within employment of those leaving benefits is relatively low¹⁷.

The problems that may arise from this ring fencing of employers from any attempt to make them publicly accountable for their contribution to the UK economy and UK citizens' well-being have not necessarily been fully in evidence over the past decade. One of the more difficult aspects of the UK development model over recent years to explain is why, despite the absence of effective policies to improve and maintain working conditions, there is nevertheless evidence of some reversal of the trend towards extreme flexibilisation of the labour market evident in the 1990s. Thus although the UK still has a very high share of people working long hours, there has been a marked steady decline in that share from in the late 1990s onwards (McGovern et al 2007, Hayward et al. 2007). Furthermore there has been a sustained increase in real wages (Fitzner 2006) and some evidence of renewed interest on the part of employers in rebuilding internal labour markets and career structures (McGovern et al. 2007).

While many of these developments have only partially reversed trends in the 1990s and earlier that led to deteriorating working conditions and reduced employment protection, there is still a need to explain these trends, given the absence of any strong evidence of the rebirth of institutional arrangements, particularly of trade unions or collective bargaining, to support these changes. Levy and Temin (2007) have stressed the importance of the decline not only of general social policies such as progressive taxation but also of labour market institutions such as trade unions for the decline in real wages in the US of recent decades. The decline in trade union representation and collective bargaining has been continuous as table 2 demonstrates. There has, as we have indicated already, been a further development of the legal framework providing minimum employment conditions and the important impact of not only the introduction of the national minimum wage but also its steady upgrading. Nevertheless, these developments seem insufficient on their own to explain the more favourable trends in recent years. Furthermore, the decision to raise the level of the minimum wage was a political decision that can easily be reversed under different circumstances and conjunctures.

Three factors may have come into play. First, and perhaps most importantly, there has been a relatively tight labour market in the UK that has caused employers to pay perhaps more attention to the needs of employees and also empowered employees, even when not collectively represented, to resist too much encroachment on their personal time, compared to the situation in the dark days of the 1980s and early 1990s. Second, there is clear evidence in the UK that the legacy of relatively strong trade union organisation and collective bargaining is still present in that in large organisations there is still the expectation and practice of reviewing pay on an annual basis and uprating it by at least the retail price index. However, non-union firms that now predominate in the private

¹⁷ The House of Commons' Select Committee on Employment (2001) pointed to concerns that 'the proportion of moves into unsustained employment remained as high as 40%' (paragraph 40)

sector are less committed to this practice than the unionised firms. Between 1998 and 2004 the share of non union firms who said that changes in the cost of living were important in their annual pay review declined from 71% to 55%, while in unionised firms cost of living remains important in 76% of establishments in 2004, only a slight decline from 80% in 1998 (Blanchflower et al. 2007). In the context of slack labour markets and a change in the political climate there could well be a further acceleration in the decline of this institutionalisation of pay reviews.

This widespread survey evidence showing some improvements over the last decade has in fact been influential in promoting the notion that the UK has found a satisfactory third way combining flexibility with social justice. This third way has not yet been put to any strong test given the high level of demand in the UK economy; the main question is whether this upturn in employees' average position would sustain any such test given the fragility of the institutional arrangements that protect employee interests in the absence of trade union representation, collective bargaining coverage or even a commitment to a formula for uprating the minimum wage¹⁸.

One clear example of vulnerability of employees to the goodwill of employers is found in the area of pensions. Changes in the balance of power in the labour market, has allowed private capital, prompted by new accounting rules, to effectively withdraw from the provision of defined benefit pension schemes, following the example of its US counterpart. This progressive employers' strike with respect to pensions was unanticipated by both the Conservative and the Labour governments and the withdrawal of these private contributions to welfare has left a major hole in the welfare system in the UK. The new scheme to introduce a national savings plan can at most only fill a small part of that gap for middle or higher income earners. The major test of whether or not the UK political system is committed to a welfare state model will come when the populace wakes up to the implications of the gaps in pension provision. Up to now most of the middle classes due to retire in the near future are still covered by the previous defined benefit systems and thus the pressure to find an effective solution has not been strong.

Further concern with respect to the employer first policy is that the state has effectively abdicated responsibility for promoting the development of a high skill productive economy, except in the sense of creating appropriate market conditions to meet employer requirements. The consequence of this approach is that there are relatively few levers available to promote improvements in the productive economy and to reduce long-standing inefficiencies that arise out of the interactions of the various elements of the UK model. Two related issues are particularly worth stressing. First the UK continues to have a problem of low skill in the middle and lower end of labour market, indicated by the very low share of the workforce regarded as skilled by the employers themselves (Cully et al. 1999, HM Treasury 2006). Thus the low skill equilibrium is still alive and well in the UK. Second the focus on increasing the employment rate without attention to job quality has allowed the perpetuation of the underutilisation of large parts of the workforce, particularly women who were trapped in low paid and low skilled part-time

¹⁸ Uprating of the NMW remains a political decision even though so far the recommendations of the independent Low Pay Commission have been accepted for the most part by the government.

work (Hurrell et al. 2007, Darton and Hurrell 2005). In fact there is a paradox that the promotion of a high employment rate is intended in part to increase the fiscal base to support the welfare system that many women in the UK earn too little to be included within the fiscal structure, and the employers of these low paid women are also given fiscal subsidies, thereby promoting low wage work.

Conclusions

So to return to the whether the UK, by combining the neoliberal approach with a social conscience, can be said to provide a useful example as to how European employment and social models can reform and restructure without compromising their commitment to social protection and also possibly an optimistic model for the US where the opportunity for developing social guarantees appear so limited .

There is no doubt that the UK has a relatively successful record over the last decade in promoting both economic growth and some improvements to social cohesion. However, there would be more reason to look to the UK model as an exemplar if the economic growth had been the result of its flexible labour market policies and not a specific set of conjunctural factors, largely macroeconomic in origin and combined with a favourable period for Britain's long established competitive sectors- finance and large scale retail (Rubery et al. 2008). The decade of growth was built to a significant extent on a credit and housing boom, with all the risks that this entails now becoming evident. The more solid foundations for the success lie in first the favourable position of the UK in the development of financial services and in retailer-led global production chains and second in the use of public expenditure to boost demand and bring about a much-needed catch up with comparable EU countries in both capital and current expenditure on social services. The UK also, by staying outside the Eurozone, has been freer to follow a more expansionary stance in its own macroeconomic policy. This recipe for growth may not even prove to be sustainable in the UK but it has little transferability to the rest of Europe; not all parts of the EU can be the centre for financial services and not all parts of the EU experienced the deterioration in public infrastructure that occurred under the 17 years of Conservative government that developed the appetite for catch up.

An equally important point is that the characterisation of all other European social models as incompatible with successful competition in the global economy is unfounded (Baker et al. 2005, Bosch et al. 2007). This point is easier to drive home in the middle of the credit crunch, with the decline in the dollar and now the pound and the rise of the Euro. The strong balance of payments surpluses in Germany, the success of the telecommunications industry in the Nordic economies, and the rapid changes that have been introduced into European social models certainly call into question the notion of a sclerotic, rigid and unchanging Europe. This is not to suggest that other European models are not facing major challenges in adjusting to global markets, to changing systems of international governance and changing social and demographic structures. There is currently a wide diversity of experience within Europe with respect to model change; most are moving further down the deregulated and neoliberal approach to the economy while maintaining, even if reforming, the systems of social protection (Bosch et al. 2007). Hybridisation is taking many forms and as we have suggested already, the example of the

UK provides as many lessons in what not to do in combining these approaches as it does solutions.

The primary problems of the UK approach is the shakiness of the institutional foundations on which the third way path has been built. This shakiness of the foundations is found first in the lack of institutions to protect employees and to ensure that they retain a stake in future productivity gains. Under new Labour there has been a remarkable failure to build up again the arrangements within the labour market that could have re-institutionalised the balance of power in favour of employees and citizens. Without the redevelopment of systems of worker representation and collective bargaining, the celebration of improved conditions within employment may be short lived, and in any case is already not shared across all social groups. Much of the improvement in protection for those at the bottom of the labour market has been dependent upon on specific political decisions to raise the minimum wage and to provide for a higher social wage but these gains could be easily reversed through a change of government, supported by justifiable criticism of some of the complexities and contradictions inherent in the targeted benefit support system. The need to institutionalise protection is not yet widely recognised because of relatively favourable trends for the majority of the workforce, measured by both employment security and real wage growth.

However, if we look at the experience within the US over recent decades (Levy and Temin 2007, Machin and Van Reenen 2007, Madrick and Papanikolaou2007), we can identify the dangers of relying upon the goodwill of employers and the legacy of social norms with respect to fair treatment and fair pay from a system of collective representation that is no longer operative within the private sector. Trade unions are still active within the public sector but in the end have been ineffective in restricting the encroachment of the private sector into the public sphere and in preventing the state from outsourcing to the private sector as often a direct response to improvements won for public sector workers¹⁹. The embedding of the UK within the framework of European law has provided some protection not available in the US context; for example trade unions have been able to protect gains won within the public sector as a consequence of European protection for workers subject to transfer that restricts the right of the new employer to change contractual conditions.

Other factors, beyond the legacy of norms of fair treatment, that have sustained decent work in the UK, include the tight labour market and of course the continuing importance of the cooperation and effectiveness of the workforce for achieving business goals. It is in this mutuality of benefits that many commentators in the UK justify their reliance on employers to do the right thing and promote employment arrangements compatible both with competitiveness and social protection (McGovern et al. 2007). This approach is supported by evidence of a continual upgrading skill requirements and utilisation within the UK labour market (Felstead et al. 2007); however the pace of change is relatively slow and the share of jobs requiring no qualifications is no longer declining but has in

¹⁹ For example Local Authorities have been outsourcing social care work just as social care workers employed by Local Authorities have had some success in moving up the pay scale and achieving guaranteed hours of employment.

fact stabilised. Over qualification relative to jobs held has increased as the supply of graduates is outstripping the growth of jobs in which their skills could be utilised. The recent review of skills in the UK labour market has called for a major endeavour to improve training skill levels for those below higher education but the practical application of this approach is to focus again on an employer first strategy. In announcing the implementation of the Leitch report (HM Treasury 2006) the minister responsible is proud to announce that 'Employers are now in the driving seat ensuring qualifications meet their needs' (Bill Brammell quoted in ESRC press release 24.5.07). This faith in employers belies the experience of the UK over the past century where employers have displayed a remarkable unwillingness to design skill into jobs or to train their workforces; but without a commitment to job quality, the ability to provide social protection is also in danger. Social guarantees can only be pitched at a reasonably high level in the longer term if the working age population remains largely independent of the guarantees; this requires access to quality jobs that allow them not only to be independent of the welfare system but also to be able to contribute to the fiscal base.

This diagnosis of future problems for the UK does not detract from the clear advantages of the UK model over that in the US from a social protection perspective. Whatever the debates about and constant complaints over the NHS few other than the very rich would swap the UK health model for the US variety. Likewise the commitment to social support is deeply entrenched in the UK welfare states, even if the combination of the work first and the means-testing approaches have further undermined the dignity and self respect of those dependent upon benefits (Deakin and Wilkinson 2005). True not all migrants now have rights to benefits but there is considerable debate over whether, for example, 'failed asylum seekers' should have access to benefits and there has been a recent court ruling giving them rights to healthcare. Furthermore the EU's set of minimum labour standards provides further protection in that even a resurgence of 'Thatcherism' will not remove all labour standards and protection (unless of course this leads to the UK leaving the EU). In many respects the UK continues to share the European model of a social wage that is at least partially independent of employment position and status, and these guarantees do provide for flexibility and adjustment within the employment sphere without jeopardy to social protection. However the focus on minimum social guarantees, and the restrictions on eligibility to poor households rather than individuals, has diminished the effectiveness of this social wage approach and also added to the complexities of the tax and benefit system.

Although the UK model is distinctive from and certainly more 'social' than the US model, it does still share many of the US problems, in particular the high share of low quality jobs (Kalleberg et al. 2000, Wright and Dwyer 2003, McGovern et al. 2004), the high inequality at the top end of the labour market, the subordination of the public sector to private sector objectives and goals and an absence of institutionalised protection for workers that provides for a balance of power within employment in the bad times as well as in the good. These characteristics contribute to stress between work and family life with long and variable hours of work that undermine not only the quality of life but any policy to achieve gender equality in both work and family spheres. Both countries need to look both to examples from other countries and marshal their own internal capacities for

innovative policy making, not hamstrung by an employer first policy, for ideas as to how to rebuild their institutional arrangements to promote the job quality agenda, that is the key to reconciling the objectives of economic prosperity with social protection.

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Table 1. **Adult Minimum Wages Relative to Full-time Median Earnings, Mid – 2006**

Country	Percentage
France	61.4
New Zealand	56.9
Australia	53.8
Greece	52.7
Belgium	51.6
Ireland	48.0
UK	45.0
Netherlands	44.6
Canada	40.5
Portugal	38.7
Spain	33.6
Japan	33.3
US	30.7

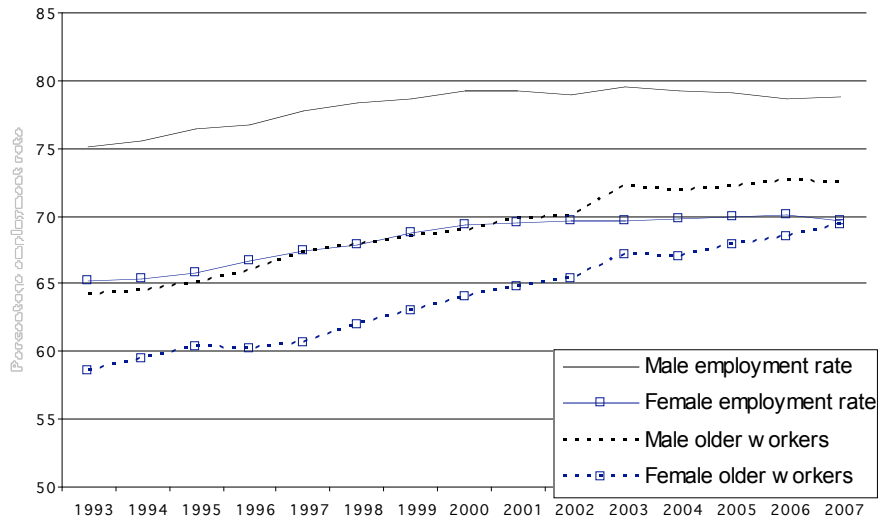
Source: Low Pay Commission 2007

Table 2 Percentage of workplaces with 25+ employees recognising unions 1980 - 2004

	1980	1984	1990	1998	2004
Manufacturing	65	56	44	28	37
Private services	41	44	36	23	20
Public sector	94	99	87	87	88
All	64	66	53	42	39

Source Blanchflower et al. 2004

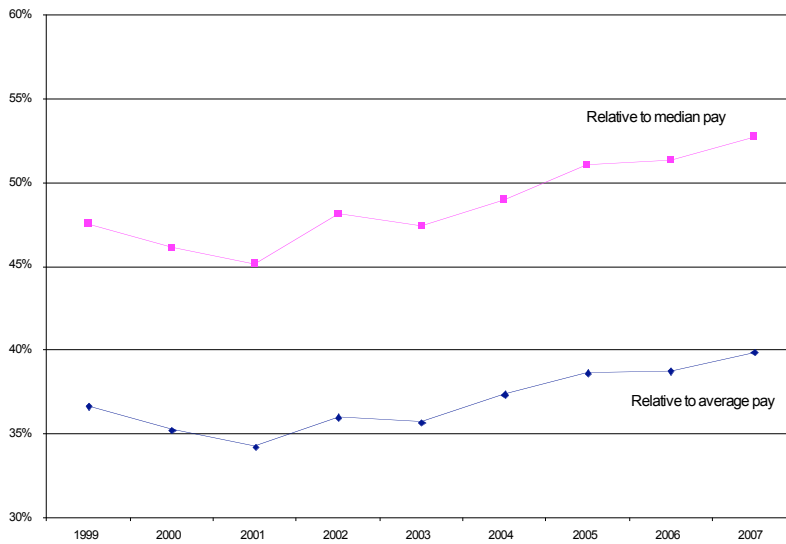
Figure 1. Trends in employment rates in the UK



Note: Employment to population ratio for the second quarter of each year, ages 16-59 (64) years for all workers and ages 50-59 (64) for older workers.

Source: Labour Market Trends.

Figure 2. Trends in the relative level of the minimum wage, 1999-2007



Note: average gross hourly earnings excluding overtime payments. Data for median and average pay cover all full-time and part-time employees Source: ASHE; own calculations.