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Wage Supplements in Mature Welfare States: Accounting for In-Work Benefit Reforms in France and the United Kingdom, 1995-2020

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Abstract and Lay Summary

In-work benefits (IWBs) are policies through which the state directly supplements market wages through cash or tax transfers. Such policies are often targeted at low wage earners and are associated with the goals of increasing financial work incentives and reducing in-work poverty. Over the past three decades IWBs have become an increasingly common component of the tax-benefit systems of mature welfare states.

This thesis compares the development of IWBs in France and the United Kingdom from the mid-1990s to 2020. Until the mid-1990s governments in these countries pursued different strategies towards low earners, with France relying on a minimum wage and extension of collective bargaining agreements, and the UK relying on IWBs in the absence of a minimum wage. However, as this thesis shows, since the mid-1990s qualified convergence has taken place in how each country supports and regulates low-wage work, with both making use of IWBs as well as minimum wages. Focusing on IWBs in particular, while certain differences in the design and logics of British and French IWBs remain, reform trajectories have shared an overall path of convergence.

These national trajectories appear puzzling in light of most current theories of post-industrial welfare state change. To address this puzzle, the thesis employs a multi-streams analytical framework to identify causal factors motivating each IWB reform in France and the UK since the mid-1990s. The study demonstrates that while qualified IWB convergence was the result of complex causal processes, the ideational frameworks of policymaking elites played a leading role. Further, political incentives for the state to intervene to support low-waged workers, and increased reliance on means-tested social assistance, were important common factors explaining the respective reform paths. Overall, the study offers new insights into how ideas shape policy in contexts of causal complexity and historical contingency. More broadly, the thesis throws further light on the processes shaping welfare state transformations in the post-industrial and digital eras.

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List of Abbreviations and Note on Citations

Organisations

EU European Union

OECD Organisation for Economic Co-operation and Development

DSS Department of Social Security (UK)

DWP Department for Work and Pensions (UK)

HMRC HM Revenue and Customs (UK)

IR Inland Revenue (UK)

ONS Office for National Statistics (UK)

Dares Office of the Animation of Research, Studies and Statistics [Employment Ministry] (FR)

Drees Office of Research, Studies, Evaluation and Statistics [Health & Solidarity Ministry] (FR)

Cnaf National Office for Family Allowances (FR)

Insee National Institute of Statistics and Economic Studies (FR)

Policy Terms

EITC Earned Income Tax Credit

IWB In-Work Benefit

METR Marginal Effective Tax Rate

SA Social Assistance

SSC Social Security Contribution

UI Unemployment Insurance

UA Unemployment Assistance

UK Policies

CTC Child Tax Credit

FIS Family Income Supplement

FC Family Credit

IS Income Support

JSA Jobseeker's Allowance

NMW National Minimum Wage

NLW National Living Wage

UC Universal Credit

WFTC Working Families Tax Credit

WTC Working Tax Credit

French Policies

ASS *Allocation de Solidarité Spécifique* (Specific Solidarity Allowance)

API *Allocation de Parent Isolé* (Single Parent Allowance)

CSG *Contribution Sociale Généralisée* (Generalised Social Contribution)

PA *Prime d'Activité* (Activity Bonus)

PPE *Prime Pour l'Emploi* (Employment Bonus)

RMI *Revenu Minimum d'Insertion* (Minimum Insertion Income)

RSA *Revenu de Solidarité Active* (Active Solidarity Income)

SMIC *Salair Minimum Interprofessionnel de Croissance* (French minimum wage)

Note on Citations

First-name initials are provided as part of some in-text citations to distinguish between different authors with the same surname. This is an automatically-generated feature of the APA citation style.

Chapter 1 – Introduction and Literature Review

In-work benefits (IWBs) are policies through which the state directly supplements market wages through cash or tax transfers. Such policies are often targeted at low-income workers and are usually associated with the goals of increasing financial work incentives and reducing in-work poverty. In recent decades IWBs have become an increasingly common component in how mature welfare states support workers and regulate post-industrial labour markets.

This thesis seeks to account for the comparative development of IWB policies in two European welfare states since the mid-1990s: France and the United Kingdom. Qualified convergence in the use of wage supplements in these countries appears puzzling for several reasons (c.f. Ch. 2, sec. 2.4). This thesis offers new empirical evidence to address this puzzle and generates theoretical insights into the potential driving forces of IWB policies more widely.

The present chapter begins this study by introducing IWBs as a policy type. The first section discusses the characteristics and logics of this policy sub-field compared with other forms of social protection and labour market regulation. The second sketches cross-national patterns of IWB diffusion and the structural and ideological contexts of this trend. The third section reviews the existing explanatory literature on the development of these policies in mature welfare states. The fourth section sets out the remaining thesis structure, including the main arguments which will be developed throughout.

1.1 In-Work Benefits as a Policy Sub-Field

1.1.1 Policy Characteristics and Functions

In-work benefits can be defined as *social or fiscal public transfers whose receipt is conditional upon employment* (c.f. Abbas and Robertson, forthcoming). Also known as ‘employment conditional earnings subsidies’ or ‘wage supplements’, what distinguishes IWBs from other forms of income support is that they are only available to individuals undertaking paid work (Grover 2016; Immervoll and Pearson 2009; Kenworthy 2019). These policies come in a number of institutional forms, principally: tax credits, separate cash benefits, or earned income disregards embedded in unemployment benefits or social assistance (Abbas 2020, 12). IWBs

can be time-limited or permanent supplements, although the latter type is the main focus of this thesis (c.f. Ch. 2, sec. 2. 3.1).

Another common feature of IWBs is their association with the dual functions of improving financial work incentives and reducing in-work poverty (Cousins 2014, 102; Immervoll and Pearson 2009; Kenworthy 2011, 44). On the former, IWBs act to increase the gap between the incomes of those receiving out-of-work benefits compared to those who undertake paid work. In economic language, they reduce ‘participation tax rates’ (PTRs) and ‘marginal effective tax rates’ (METRs): i.e. the proportions of earned income lost to taxes and withdrawn benefits as individuals move into work or increase their hours and earnings. Meanwhile, as a form of income support that is usually (but not always) targeted on lower-income groups, IWBs can reduce poverty rates. Depending on policy design, IWBs may have other functions, such as boosting domestic consumption or ‘activating’ specific target groups such as single parents.

A large body of evaluative literature exists on IWBs (see discussions in: Abbas and Robertson, forthcoming; Banks et al. 2005; Immervoll and Pearson 2009; Kenworthy 2019; OECD 2011; Pearson and Scarpetta 2000). As a broad summary, there remains a lack of consensus about the effects and efficacy of IWBs with regards to their impact on labour market behaviour, employment rates, and wages. However many studies based on micro-simulation techniques suggest that, if designed appropriately, IWBs can have a (modest) positive effect on the employment rates of target groups and also reduce poverty. Conversely the presence of IWBs has been associated with a higher incidence of low-wage employment overall (Pedersen and Picot 2022). This raises the possibility that such policies, by facilitating low wages, may also help generate the types of labour market problems they are meant to address (Ibid, 20-21).

Analysts have also suggested that IWBs are likely to be most effective in, and suited to, certain institutional frameworks. These include where there exists a high incidence of low waged work, high wage dispersion, a low minimum wage, a low tax burden on wages, and low employment rates of target groups (Immervoll and Pearson 2009, 5; Matsaganis and Figari 2016, 17; Pearson and Scarpetta 2000). Where the opposite conditions are present IWBs are likely to be more expensive while having a negligible impact on work incentives and income distribution. Notably, these ideal ‘framework conditions’ are most commonly associated with English-speaking Liberal welfare states, which is why IWBs are often viewed as a typical ‘Anglo-Saxon’ form of social protection (Marx et al. 2013, 35; OECD 1994, 38).

1.1.2 How IWBs Link to Wider Policy Frameworks

The characteristics of IWBs, especially their employment-conditional nature, give these policies distinct functionalities compared with traditional forms of income protection and labour market regulation (see overview in: Bertola 2000). A point intimated throughout this thesis is that the logics and drivers of IWBs therefore cannot be assumed to be similar to those of other policy fields. For example, unlike out-of-work benefits (unemployment insurance or social assistance) which protect against the risk of unemployment and raise the ‘reservation wage’ at which individuals may be willing to work, IWBs protect against the risk of *in-work* poverty and increase the gap between in-work and out-of-work incomes. Conversely, some IWBs – especially earned income disregards in social assistance – may blur the distinction between the status of being fully ‘employed’ or ‘unemployed’. Meanwhile, minimum wages (whether statutory or set by collective agreements) perform similar functions to IWBs because they also increase workers’ incomes and improve work incentives.¹ However minimum wages are an instrument of direct market regulation which put the onus on employers to provide a socially-determined wage-rate, whereas wage supplements are a form of public provision ultimately borne by taxation. Furthermore, while minimum wages provide the same rate to all recipient workers regardless of household circumstances, eligibility for IWBs is usually based partially on household income amongst other qualifying conditions. Consequently, IWBs have been argued to be more efficient redistributive tools than minimum wages (Immervoll and Pearson 2009, 35) and in different contexts the two instruments have been viewed as either complementary or mutually-exclusive (c.f. Kenworthy 2011, 45; Tomlinson 2021, 101). Meanwhile, reductions on income tax and employee social security contributions (SSCs) can also be used to boost in-work incomes and work incentives. However these only reduce liabilities on taxes or contributions owed, whereas via IWB policies the state actively pays out money to top-up wages. Finally, while employment regulations protect people’s jobs and working conditions, IWBs help protect workers’ incomes, especially where wages are being eroded by structural change and/or do not guarantee a poverty-free living standard (c.f. Abbas and Robertson, forthcoming; Marchal and Marx 2015).

¹ However, statutory and collectively-bargained wage arrangements have different implications for the role of trade unions and for levels of wage inequality. These issues are explored by Pedersen and Picot (2022).

In-work benefits appear in a number of analytical frameworks which help to understand their role in the welfare state *vis a vis* other instruments. Most commonly, IWBs are placed within a wider category of ‘make work pay’ (MWP) policies, i.e. measures which seek to increase financial incentives and boost the incomes of low-wage or low-income workers. In addition to IWBs these measures include minimum wages and reductions (or targeted allowances) to employee SSCs and personal income taxes (Allègre and Jaehrling 2011; Immervoll and Pearson 2009; Matsaganis and Figari 2016). In another perspective, IWBs are one of three main tools, together with minimum wages and state support for collective bargaining, which are used to regulate low wages and support low-wage workers (Pedersen and Picot 2022). Additionally, reflecting increased academic focus on in-work poverty, IWBs feature in a number of schema which categorise policies to support low-income workers and their households (e.g. Abbas 2017; McKnight et al. 2016; Sawhill and Haskins 2002; Stoker and Wilson 2006). In the European context, a useful approach is that of Marx *et al* (2013, 54), whose ‘policy toolbox to address in-work poverty’ includes a set of direct support measures which closely overlaps with policies usually considered part of the ‘make work pay’ category.

Table 1.1. The Policy Toolbox to Address In-Work Poverty

The Policy Toolbox to Address In-Work Poverty		
	Incremental options	New options
Direct support	<ul style="list-style-type: none"> - raising the minimum wage/ wage floors through regulation - (targeted) tax relief - (targeted) reductions of employee social security contributions - (targeted) child benefits 	<ul style="list-style-type: none"> - negative income taxes - (means-tested) in work benefits
Indirect support	<ul style="list-style-type: none"> - upskilling/training - demand policies (subsidised employment, wage cost subsidies) - active labour market policies - facilitating labour participation (e.g. child-care) 	<ul style="list-style-type: none"> - innovative demand-oriented policies (e.g. service cheques) - innovative supply focused policies (empowerment)

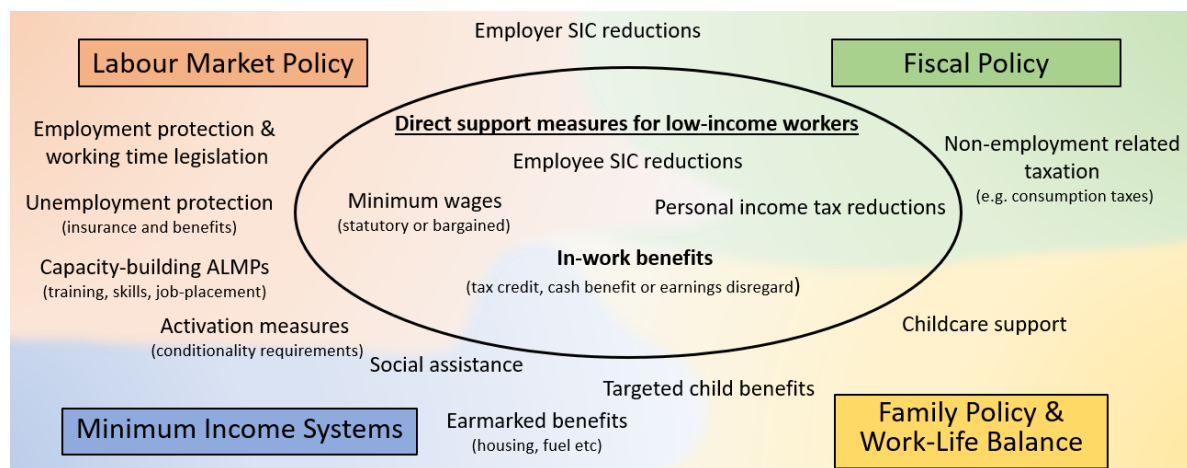
Source: reproduced from (Marx et al. 2013, 54)

Drawing on these different schema, IWBs are conceptualised here as a policy sub-field which sits between labour market policy (including wage-setting), social protection, taxation, and family support. Figure 1.1 below depicts the location of IWBs in relation to these areas in an

abstract sense, although the precise role and function of IWBs will vary by institutional context. IWBs are most closely associated with a category of instruments referred to as ‘in-work support’: policies which boost the incomes and regulate the work incentives of low-income workers. Like MWP policies, the main in-work support measures are in-work benefits, minimum wages (statutory or collective-bargained), and targeted tax and SSC reductions.

As shown in the empirical chapters of this thesis, to explain governments’ decisions towards IWBs it is often necessary to identify how wage supplements link to other measures of support and regulation of low-income workers and the unemployed. This is because in policy debates proposals for IWBs may be framed either as potential complements or alternatives to such policies. These analytical points are explored further in Chapters 2 and 3.

Figure 1.1. In-Work Benefits and Associated Welfare State Policy Spheres and Instruments



Source: author. SIC = social insurance contributions, equivalent to SSCs.

1.1.3 Patterns of Diffusion and Historical Context

Patterns of Diffusion in Cross-National Perspective

In-work benefits were not part of the policy architectures of post-war welfare states. Rather, they first began to appear in English-speaking, Liberal welfare states during the 1970s and 1980s. The United Kingdom and the United States were leaders in this field, implementing the Family Income Supplement (FIS) in 1971 and Earned Income Tax Credit (EITC) in 1975 respectively. From the 1990s other welfare state types began to experiment with wage supplements, and by the late 2000s such policies had become commonplace, though not

universal. A review of OECD data suggests that in 2002 only seven countries had permanent IWBs in their tax or benefit systems, a group which included all of the mature English-speaking welfare states with the exception of Australia, as well as three continental welfare states.² However the available data suggests that by the late 2000s this number had risen to fourteen, and in 2020 some twenty OECD and EU countries were classed as possessing permanent IWB policies (Table 1.2). While the policy criteria used between these different reviews may not be fully comparable (although most are based on the same OECD data), it is clear that the overall trend from the 1990s to 2020 has been an increase in the number of mature welfare states making use of IWBs.

Table 1.2. Cross-National Presence of IWBs Over Time

Cross-National Presence of IWBs Over Time (i)			
Source	Geographical scope & year	Countries	Countries with IWBs/ OECD countries
OECD (2002) (ii)	OECD countries c. 2002	Belgium, France, Ireland, Netherlands, New Zealand, United Kingdom, United States	7/ 30
Immervoll and Pearson (2009) (ii)	OECD countries c.2007	Belgium, Canada, Finland, France, Germany, Hungary, Ireland, Korea, Netherlands, New Zealand, Slovak Republic, Sweden, United Kingdom, United States	14/ 30
Kenworthy (2015)	OECD countries c.2015	Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Japan, Korea, Netherlands, New Zealand, Portugal, Sweden, United Kingdom, United States	17/ 34
OECD (2021) (ii)	OECD countries and EU Member States c. 2020	Belgium, Canada, Finland, France, Germany, Ireland, Israel, Italy, Korea (iii), Netherlands, New Zealand (iii), Norway, Slovak Republic, Slovenia, Sweden, Switzerland, United Kingdom, United States, Malta, Romania	20/ 38
(i) Only countries with “permanent” (i.e. non time-limited) in-work benefits are listed in this table. (ii) Data source: OECD comparative policy tables. Accessed: (OECD 2022c). (iii) Information on Korea and New Zealand refers to 2019 tax-benefit rules as data were missing for 2020.			

Source: table reproduced from Abbas and Robertson (forthcoming). Data for 2002 is not included in the original source table.

Regarding cross-national patterns of IWB adoption, Abbas (2020) has detected some evidence of regime clustering among European welfare states, although differences also exist within

² Based on a review of the OECD’s ‘employment conditional benefits’ policy table for 2002 [available on request].

institutional groupings. For example in 2016 Nordic countries tended to have expensive EITC policies; most Continental countries possessed some form of tax credit but were low-spenders; Liberal countries had separate cash IWBs and were also low spenders, while the picture among both Southern European and Central and Eastern European (CEE) groupings was more mixed. France was unique among Continental countries in possessing a separate cash IWB rather than a tax credit (see discussion of the RSA reform in Chapter 5, Part II). Meanwhile most welfare states also allowed for the combination of unemployment benefits with at least some paid work (Ibid, 122-136). However, following the table above, around half of OECD countries did not make use of any permanent wage supplements in 2020. As such cross-national policy diffusion appears to have followed variegated patterns which only partially conform to pre-existing welfare regime categories.

Structural and Labour Market Context

The diffusion of IWBs has taken place in the context of wider structural trends that have affected mature welfare states since the 1970s. Associated with the transition to post-industrial economies and societies, these forces include de-industrialisation, tertiarisation, internationalisation, automation, digitalisation, demographic ageing, mass female labour market entry, and growing fiscal constraints on social spending (Degryse 2016; Esping-Andersen et al. 2002; Iversen and Wren 1998; Pierson 1998, 2001). In labour markets these processes challenged the post-war norm of permanent, full-time (male) employment. Overarching change trends, mediated by policy choices and institutional contexts, included (pressures for) greater employment flexibility, job and wage polarisation, reduced trade union density, and the expansion of low-wage, low-skill and atypical jobs (Goos 2013; Kenworthy 2011, 39–42; Marchal and Marx 2015). Downward wage pressure and the erosion of employment norms also risked a ‘collision’ between labour markets and social protection systems, creating a potential mismatch between job supply and demand and exacerbating structural unemployment (Clasen and Clegg 2011, 5). Furthermore, these forces have been associated with ‘new social risks’ such as in-work poverty, job insecurity, long-term labour market exclusion, and difficulties in reconciling work-life balance (Bonoli 2007). While governmental responses to these issues have varied, from the 1990s all European welfare states have sought to boost employment rates and ‘activate’ the unemployed within more flexible labour markets. Measures undertaken have included to reform unemployment protection,

invest in active labour market policies (ALMPs), directly support workers' incomes, and help reconcile work and family life (Bonoli 2007; Clasen and Clegg 2011, 5–11; Hemerijck 2013, 125–51; Marchal and Marx 2015). Given their dual functionality of incentivising work and reducing in-work poverty, IWBs have often been identified as a policy option as part of these wider reform processes (Immervoll and Pearson 2009).

In this sense, despite a chillier environment for the welfare state compared with the post-war era, processes of welfare state adaptation have not only involved cost-containment but also selective expansion to address new social risks (c.f. Bonoli and Natali 2012; Taylor-Gooby 2004). This is especially the case regarding policies which are considered to boost employment (Bonoli 2012). Moreover, instead of post-1970s structural pressures leading to welfare state convergence or a 'race to the bottom', scholars have observed variegated transitions characterised by combinations of expansion, recalibration and retrenchment towards different population groups and 'new' and 'old' social risks (Häusermann 2012, 117; Kersbergen and Vis 2013).

Ideational Context: Neo-Classical Economics and the 'Make Work Pay' Turn

Social policymaking from the 1970s onwards has also been marked by changing ideational trends. Foremost among these has been the influence of neo-classical economic theories, most closely associated with 'neoliberalism' as a political and ideological movement. The core claim of neo-classical economics has been of the superiority of market mechanisms (i.e. price signals) to achieving the most efficient distribution of goods and services (Sloman 2021, 78). In its social dimension this paradigm involved a shift from viewing the role of the welfare state as to protect citizens against market risks and promote *equality* to one where the welfare state should operate in harmony with market mechanisms and promote *efficiency* (c.f. Berman 2022). From the 1990s in Europe these ideas combined and competed with other market-friendly ideational approaches such as the 'Third Way', 'social investment', and 'flexicurity'.

Regarding labour market policy, the neo-classical approach shifted the focus on the principal causes of unemployment to labour supply rather than labour demand, and argued that the welfare state (as constituted) created barriers to efficient labour supply (c.f. Colomb 2012; Concialdi 2020, 154–55; Hemerijck 2013, 3–4; Larsen and Andersen 2009). This view was epitomised by the OECD's *Jobs Study* (1994), which in effect argued that the highly-regulated labour markets and generous social protection systems of European welfare states created

‘frictions’ and ‘rigidities’ which contributed to structural unemployment. One of the reasons for this was that the design of social benefits and unemployment insurance purportedly created financial disincentives to seek work (OECD 1994, 38). More widely, such arguments put the onus on supply-side reform – increasing the availability, flexibility and ‘employability’ of workers – as the route to addressing unemployment.

Reflecting the growing influence of this view, in the 1990s both the OECD and the European Commission began to recommend that governments find ways to reform their tax and benefit systems to ‘make work pay’ and boost labour supply (Allègre and Jaehrling 2011, 278; European Commission 2003; OECD 1997, 2005). IWBs featured prominently among the ‘make work pay’ policy options discussed and promoted (Ibid, and OECD 1994, 38). Concurrently, the attitudes of governments towards IWBs shifted from “polite but slightly suspicious curiosity” in the 1990s to one of “urgent consideration” in the 2000s (Immervoll and Pearson 2009, 43). Other observers talked of an emerging consensus around the desirability of in-work benefits and the goal of ‘making work pay’ (Duncan, Pearson, and Scholz 2003).

1.2 Literature Review: Explanatory Accounts of IWBs

In the context of the preceding discussions, how has academic and policy literature accounted for the spread of IWBs, and what insights does this offer regarding the study of IWB reforms in France and the United Kingdom? A review undertaken to examine this literature identified four main approaches: functionalism, political economy, political pluralism, and ideas-based. Collectively these point towards the likelihood of multiple factors operating in the IWB policy space and the utility of in-depth, comparative case study research as a means to understand how these factors interact and lead to decisions regarding wage supplements.

However it should be noted that many of the studies reviewed here do not involve comparison or do not provide empirical evidence for the arguments made. This is particularly the case where causal explanation of IWBs is not the specific focus of the research. As a result, only a limited number of empirically-informed and comparative studies are available, and very few large-N studies. Nonetheless, the body of explanatory literature towards IWBs has been steadily growing over the past decade. The review here maps this emerging field and sketches the contours of existing explanations towards the French and UK cases in particular.

1.2.1 Functionalism

Functionalist arguments regarding IWB policymaking are common in technocratic and policy evaluation literature. These often implicitly draw upon the assumptions of ‘comprehensive rationality’ and ‘evidence-based policy-making’ (Botterill and Hindmoor 2012, 367; Cairney 2016, 19). Their main premise is that IWBs have been implemented in response to particular social and labour market ‘problem pressures’ which have emerged or been accentuated in the transition to post-industrial economies. Chief among these problems are disincentives to work at low wage rates (so-called ‘incentive traps’) or in-work poverty caused by insufficient earnings or working hours (Immervoll and Pearson 2009). Such accounts tend to view IWB diffusion as facilitated by ‘rational’ policy transfer, whereby evidence of the positive effects of these policies lead to their widespread adoption (Banks et al. 2005, C78; Duncan, Pearson, and Scholz 2003, 2). For example, the implementation of the UK Working Families Tax Credit (WFTC) in 1998 was observed to have been strongly influenced by the EITC in the United States, coming “as close to the purely rational end of the [policy transfer] continuum as a policy is ever likely to” (Dolowitz and Marsh 2000, 16).

In the functionalist view, institutional variation in the use of IWBs is at least partly influenced by their suitability to different settings. As noted, such policies first emerged in English-speaking Liberal welfare states whose institutional frameworks are considered most propitious for this type of policy. Due to problems of in-work poverty and a high incidence of low pay, policies in these countries tend to be more redistributive and calculated on household rather than individual incomes (Kenworthy 2019, 156). Meanwhile from the 1990s, Continental European countries implemented IWBs which were smaller, more individualised and ostensibly geared more on employment incentivisation than poverty relief (Banks et al. 2005, C71–73; OECD 2011, 58–59). Following these accounts, IWB reforms in both the UK and France would be expected to respond to evidence-based policy learning with policy design principally reflecting the presence and nature of distinct labour market problem pressures.

Lastly, functionalist accounts have tended not to extensively explore political dynamics. Policy decisions are depicted as somewhat conflict-free, reflecting a broad consensus about ‘what works’ and the importance of work incentives as well as poverty-reduction (Immervoll and Pearson 2009, 14–15). Overall, the picture is one where national policy-makers have to some extent been able to overcome traditional left-right divisions and lobbying from interest groups

in order to act upon the best international evidence regarding the definition of labour market problems and the design of policy responses (Duncan, Pearson, and Scholz 2003, 22).

A challenge for strongly functionalist explanations of IWB reforms is that there appears to be an ambiguous relationship between problem pressures and presence or generosity of IWBs. Firstly, it is not always clear in the policy literature which of the problems associated with these instruments (labour market exclusion, incentive traps, in-work poverty) should trigger their introduction or expansion. Secondly, there does not seem to be a direct association between problem pressures and IWB use per se. Cross-national data presented by Immervoll and Pearson (2009, 7–13) highlights that among OECD countries there is significant variation in non-employment rates, participation tax rates and in-work poverty. However the values of these indicators did not appear to closely align with which countries did or did not make use of IWBs at the time. Another complicating issue is that the two phenomena which could be hypothesised as most likely to lead to IWBs – large ‘incentive traps’ and high in-work poverty – have been found to be inversely related, producing the counter-intuitive finding that “it is in the countries where work pays the least where in-work poverty is also the lowest” (Allègre and Jaehrling 2011, 302). Likewise, there also appears to be no clear relationship between the institutional ‘framework conditions’ of European countries and the presence or absence of IWB policies (Matsaganis and Figari 2016, 17–19). As such, while there is some evidence of institutional effects in determining the presence or design of IWBs (c.f. section 1.1.3), problem-pressure alone does not seem sufficient to account for variegated patterns of IWB adoption and use in mature welfare states.

1.2.2 Political Economy

Approaches and Assumptions

A second body of literature tends to discuss the role of IWBs as part of analyses of the regulation of advanced capitalism and are mainly rooted in Marxist or comparative political economic traditions. Marxist approaches often analyse the relationship between capitalism and the welfare state in terms of how policymakers seek to resolve contradictions between ensuring profit maximisation, labour reproduction and system legitimacy (Block 1987; Culpepper 2015, 398; Grover 2016, 506; Offe 1984). Here, while governments face uncertainty about ideal strategies, decision-making ultimately responds to the imperative of accommodating

regulations to the structural power and needs of the capitalist class (Culpepper 2015, 391–92; Umney 2018, 97; Umney et al. 2018, 336–37). For example, Jessop (1999) argues that the processes of de-industrialisation and globalisation increased the structural power of capital holders and pressured governments to seek new forms of regulation which broke with post-war welfare systems. This dynamic led to transitions toward a model which “subordinates social policy to the demands of labour market flexibility and structural or systemic competitiveness” (Ibid, p355). Meanwhile, in recent years comparative political economic approaches have examined different national strategies to maintaining economic growth and consumption. In particular, analysts have observed institutional complementarities which contribute to combinations of export-led or consumption-driven strategies (Baccaro and Pontusson 2016; Hassel, Palier, and Avlijaš 2020).

Applications to IWBs

Whichever their academic tradition, the political economy studies reviewed here tend to consider IWBs as playing three, often inter-related functions designed to favour capital accumulation, economic growth and social stability. These are: (i) adapting workers to flexible labour markets, (ii) ensuring social peace and system legitimacy, and (iii) bolstering domestic consumption. In this sense, IWBs may be both an agent of greater labour market flexibility, and a compensatory mechanism where this becomes socially or politically problematic.

In terms of labour supply management, several scholars have viewed IWBs as intended to help ensure a flexible workforce is available to meet the needs of low-wage, service-based economic sectors. By acting as a ‘carrot’ to the ‘stick’ of tighter benefit conditionality and activation requirements, IWBs contribute to a disciplinary framework meant to impact the behaviour of *both* the unemployed *and* those already in low-end work (Greer 2016, 166; M. Rhodes 2000, 177; Umney et al. 2018, 343). By ‘encouraging’ work while increasing administrative pressure on the unemployed these policies thus help to expand the labour pool and create a “flexible low-cost labour supply” (Umney et al. 2018, 345 c.f. Jessop, 1999).

IWBs have also been conceived as instruments which seek to legitimise the existing social order and guarantee social harmony. Thus for some observers the expansion of IWBs in the UK has been a compensatory strategy aimed at “holding back the waves” of wage stagnation and rising inequality (quote by: Standing 2013; c.f. Tomlinson 2021). Likewise, Farnsworth suggests that IWBs may reduce pressure on employers to increase wages and dampen political

demands for higher minimum wages (Farnsworth 2015, 24). Similar observations have been made in France, where IWBs have been expanded amid minimum wage restraint and policy concerns regarding the cost of labour (c.f. Concialdi 2020). For example, in 2018 the huge expansion to France's main IWB was partially a response to the 'Yellow Vest' protest movement (Chapter 5 and Duvoux 2020).

In addition, IWBs have been viewed as a tool of macro-economic management aimed at supporting consumption and growth. This has been most associated with Liberal political economies like the UK, which have used cheap credit and in-work subsidies to maintain consumption among lower-income groups (Hassel, Palier, and Avlijaš 2020, 68; Standing 2013). IWBs tend not to be discussed in such a way in Continental countries, where these have been mainly considered as activation instruments (Clasen 2020, 6; Palier 2010d, 369). However, as explored in this thesis, large-scale IWB expansion in France (and in other contexts such as the Nordic countries) suggests that boosting consumption may be a relevant IWB policy goal beyond Liberal welfare states.

Nonetheless, many of the studies cited above do not have IWBs as their main focus and as a result do not seek to empirically verify whether these various functions are a *cause* of IWB policymaking or a *product* of other decisions and trends. One exception is Grover's in-depth historical analysis of IWB reforms in Britain. He finds that overall, means-tested wage supplements have been a "policy fix" to "contradictory pressures" generated in the transition to post-industrial labour markets, and finds support for both the flexibility-promotion and social compensation functions of IWB policymaking (Grover 2016, 203–5).

Finally, it should be underlined that the political economic accounts reviewed tend not to view IWB reforms as fully functional or institutionally pre-determined policy responses. Rather, they draw attention to the need to also study how particular contexts, political struggles, and policymakers' ideas have shaped and channelled decision-making in this field (Grover 2016, 206–7; Hassel, Palier, and Avlijaš 2020, 53; Jessop 1999, 357; Umney et al. 2018, 346). The next two sections examine current knowledge of such factors in relation to IWBs.

1.2.3 Pluralist Politics

Background and Assumptions

Pluralist political approaches are typically concerned with identifying the interests and strategies of political actors, and how electoral dynamics, political institutions, and patterns of conflict lead to policy reforms. In the pluralist perspective, rather than policy outcomes principally responding to the structural power of the capitalist class, “the political system [is] reasonably open to multiple interests if these interests feel strongly enough about an issue to mobilize pressure” (Dahl 1967; Manley 1983, 369). However, while actor-based political theories have been central to explaining welfare state development and post-industrial change, IWBs have generally not been well accounted for as part of these theories (Myles and Pierson 1997).

Three politics-focused concepts often used to explain policy innovation and expansion in post-industrial welfare states are worthy of mention in relation to IWBs. The first is ‘affordable credit claiming’; the notion that even while facing budgetary pressures, governments still enjoy opportunities to garner electoral support by investing in policies considered to boost employment (Bonoli 2012, 103–4). The second two concepts focus on the role of organised actors. One is ‘ambiguous agreements’, which occur when institutionally novel policies “are accepted by a wide range of different groups... who agree on the new measure, but for different reasons and with different interests” (Palier 2005, 131). Closely linked to this, the notion of ‘multi-dimensional actor coalitions’ (Häusermann 2012, 112–13) posits that political actors align differently along ‘old’ and ‘new’ social policy types, producing “variable and highly contingent actor coalitions” which may enable or constrain innovative reforms.

Applications to IWBs

Together these concepts propose dynamics through which governments may have been incentivised or enabled to introduce or expand IWBs for low-income workers (c.f. Ch. 3, sec. 3.3.3). The literature reviewed below includes case studies of Canada, France, Germany, the UK and the USA.

Firstly, arguments have been advanced to show how IWBs have offered credit-claiming opportunities in climates otherwise hostile to welfare expansion. Such an environment may result from budgetary pressures, anti-welfare public or media attitudes, elite actor preferences, or a combination. While these factors reduce political incentives for policy expansion towards groups considered to be less ‘deserving’ (i.e. the unemployed or socially-excluded) they may raise incentives for ‘pro-work’ policies like IWBs (c.f. Clegg 2015; Gitterman 2010; Myles

and Pierson 1997; Vlandas 2013). Such incentives may explain the finding by Pedersen and Abbas (2022) that right-wing governments are associated with more generous IWB provision than left-wing governments.

Depending on the context, governing parties may seek to claim credit from either policy beneficiaries themselves or wider groups of voters. For example it has been argued that the expansion of the US EITC in the 1980s and 1990s was partly driven by competition for the votes of the ‘working poor’, which both Republicans and Democrats identified as a key swing demographic (Howard 1997, 142). Touzet has similarly suggested that direct credit-claiming was at work when the French Socialist Party introduced the PPE tax credit in 2001 (Touzet 2019, 253). In other instances governments appear to have targeted credit claiming strategies at wider public opinion. Thus New Labour in the UK made strategic use of tax credits to burnish their ‘pro-work’ credentials (D. Clegg 2015, 494), while the Sarkozy administration in France adopted the Active Solidarity Income (RSA) reform in a presidential campaign focused on rewarding the ‘work ethic’ (Vlandas 2013, 124).

Using this same framework, some IWBs have been cast as a blame avoidance tool for (mainly left-wing) governments seeking to avoid the accusation that they are increasing social spending. This is made possible by the potentially ‘low profile’ or even ‘hidden’ nature of such policies – especially when delivered as tax credits, or ‘fiscal welfare’ (Howard 1997; Sinfield 2020). For example, in the 1990s and 2000s left-leaning administrations in the US, UK and France chose tax credits as an instrument to funnel resources to low income groups while seeking to avoid being portrayed as too profligate or ‘pro-welfare’ (D. Clegg 2015; McCabe 2018; Myles and Pierson 1997; Touzet 2019). As the German experience shows, cash IWBs can also be politically low-profile, especially when embedded within unemployment or social assistance schemes (Clasen 2020).

The second main political dynamic associated with IWBs is their potential to secure cross-cutting support based on ‘ambiguous agreements’ – which is facilitated by their multi-functionality, ambiguity or complexity (Clasen 2020, 2; Howard 1997, 141). As such, IWBs “provide potential common ground for a powerful political coalition” (Myles and Pierson 1997). While left-leaning politicians and anti-poverty organisations should welcome enhanced support for low-income groups, employers and pro-market liberals are expected to be enthusiastic about the potential for labour activation, and conservatives attracted to the notion of encouraging ‘self-sufficiency’ over ‘welfare dependency’ (Ibid). For example in the case of

the EITC in the USA, the ambiguity of fiscal transfers “enabled the program to build an ever-widening base of support among political elites who could defend the program on multiple and often distinct grounds” (Howard 1997, 141). Broad support coalitions for IWBs were also found to have emerged in France, Germany and the UK during the 2000s (Clasen 2020; D. Clegg 2015, 499; Vlandas 2013).

An additional dynamic argued to underpin such coalitions is the relative weakness of the trade union movement and the political left in the post-industrial era (Kenworthy 2011, 42–44; Myles and Pierson 1997; Touzet 2018; Vlandas 2013). This implies that trade unions and social democratic parties may support or propose IWBs defensively because the pursuit of first-preference redistributive or regulatory objectives seems politically unfeasible. For example, in the UK and France, Touzet has argued that the turn to tax credits by centre-left governments in the early 2000s was ultimately linked to their perceived weakness on the ideological and electoral battlefield (Touzet 2018, 2019). Likewise trade union movements in several countries have exhibited divided or ambiguous attitudes to IWBs, as they find themselves caught between fears that such policies may subsidise low pay or erode employment norms and reluctance to oppose policies which extend support to low income workers (D. Clegg 2014; Myles and Pierson 1997; Vlandas 2013).

Thirdly, IWBs have been linked to interaction effects in multi-dimensional policy spaces, which is to say that debates and changes in other policy spheres also influence political dynamics surrounding IWBs (Clasen 2020, 3). Viewing IWBs in the context of a wider policy space is therefore important, as discussed in section 1.1.2. In particular IWBs are closely linked to debates over minimum wages. For example at different moments the EITC has been advocated as both a replacement for, or complement to, statutory wage floors (Gitterman 2010, 79). In France, IWBs may have been introduced partly out of a concern to limit minimum wage rises, while conversely, the introduction of Germany’s minimum wage was driven by concerns about the role of IWBs in subsidising low pay (Clasen 2020; Concialdi 2020, 156–58; Mabbett 2016). In the UK the attitudes of both main parties towards IWBs and minimum wages has shifted significantly over time (Ebbinghaus and Naumann 2017; Tomlinson 2021). In addition, IWB reforms are closely associated with wider policy debates about, and reforms to, unemployment protection and social assistance (D. Clegg 2014). For example, IWBs may be proposed as an alternative to increasing support for non-employed groups, or as part of a more encompassing redistributive strategy which expands both forms of support simultaneously.

Challenges and Shortcomings of Actor-Focused Arguments

Studies focused on the politics of IWB reforms thus appear to show that dynamics of credit claiming/blame avoidance, actor coalitions and multi-dimensionality have provided governments with incentives to pursue these policies. However there are also reasons to doubt that these factors have operated as the sole or primary driving forces in this field.

Firstly, regarding the role of credit-claiming, research on the introduction and expansion of IWBs suggests that reforms often took place in the absence of prior demands from interest groups and paid scant attention to public opinion. According to Howard, the introduction of the EITC was led by “moderate to conservative members of the [Congressional] revenue committees” and approved despite a lack of interest or engagement shown by employers, unions, anti-poverty groups, wider social movements or even the sitting president (Howard 1997, 73–74). Further, in both the US and Canada, the move to negative income tax-style programs in the 1970s and 1980s occurred with “limited public discussion and conflict” (Myles and Pierson 1997). Subsequent expansion of the EITC was undertaken in the 1980s by a Republican party which faced no overt public demand for the measure (Howard 1997, 139). Meanwhile the introduction of the UK’s Family Income Supplement occurred in the absence of political pressure for the policy, and was instead partly determined by the then-Conservative government’s predilection for means-testing instead of extending universal benefits (Grover 2016, 101–2; Sloman 2016, 227). More recently, neither New Labour’s tax credits nor the Conservative-led Coalition’s Universal Credit were first floated with voters ahead of these governments’ election to office (D. Clegg 2015; Timmins 2016, 11). Likewise, Field and Forsey question how Universal Credit, as a policy “so full of risk and potentially at such great cost”, was adopted “with so little public and maybe cabinet debate” (Field and Forsey 2016, 73).

In France and Germany there is also little evidence that IWBs were introduced in response to overt demand from beneficiaries or voters. While France’s Socialist Party government had hoped that the Employment Bonus (PPE) could be used to garner support from low-income workers, politicians soon realised that beneficiaries were largely unaware of the measure (Touzet 2019, 254). Likewise when a centre-right administration implemented the RSA *activité* in 2008, only one third of potential recipients claimed the new IWB (see Ch. 5). In the German

case, it was observed that “the considerable expansion of [the] IWB occurred somewhat surreptitiously” and had a “low public profile” (Clasen 2020, 6).

Secondly, the existence of ‘ambiguous agreements’ may also not have been determining factors in governmental decisions to introduce, expand or retrench IWBs. Regarding the EITC, the policy coalition backing the program only emerged years after it was first introduced and expanded (Howard 1997, 140–41). Since then, perhaps the biggest threat to the pro-EITC consensus has been intra-party differences, as exemplified by vocal criticisms from right-wing Republicans in the early 1990s and the more lukewarm stance among left-wing Democrats more recently (Adler-Bell 2019; Gitterman 2010, 158; Holtzblatt 2019; Ventry 2000, 1007). In the UK the introduction and early expansion of IWBs by Conservative governments occurred without the backing of a broader actor coalition and in the face of political opposition (Grover 2016, 123; Sloman 2016, 127). More recently, the existence of a policy coalition in favour of New Labour’s tax credits did not present an obstacle to the Coalition government scrapping these in favour of Universal Credit in 2012 (Clegg 2015, 498). A similarly slight role for coalitional politics could be argued to exist in France, where the 2001 PPE tax credit was developed in elite policy fora with limited input from outside groups (Colomb 2012). Meanwhile in Germany, the coalition of actors favouring wage supplements came together and then fragmented in a relatively short period of time, from the late 1990s to the early 2010s. Clasen thus observes that in this field “policy preferences are all but stable and party political agreements all but solid” (Clasen 2020, 10).

Nonetheless, it would be a mischaracterisation to claim that electoral incentives and actors’ interests have been entirely unimportant. For example, based on their perceptions of public attitudes, policymakers may predict that IWBs will attract political support while alternatives will be received more negatively. Similarly, the anticipation of actors’ likely responses to different policies may mean IWBs are viewed as a more conflict-free option than certain alternatives. Finally, as shown in this thesis, actors often successfully lobby for changes to IWBs after these have been proposed by governments. However, if overt voter demand and organised interests have not provided a strong *prior* source of political pressure for IWB reforms, we must consider other factors that may have influenced governments’ initial preferences in this area. It is here where ideational approaches offer a potential contribution.

1.2.4 Ideas and Paradigms

There is a large body of literature which argues that ‘ideas matter’ in public policy, and that together with material factors, “ideas about what is efficient, expedient, and just... motivate the movement from one line of policy to another” (Berman 2010; Hall 1989, 361; Piketty 2019). In the field of in-work benefits, both functionalist, political economic, and pluralist political accounts have cited distinct ideational factors as potentially important in their wider arguments (Banks et al. 2005; Touzet 2018; Umney et al. 2018, 345). Other scholars have suggested that ideas may be the *primary* driving force behind IWBs. For example, in their respective reviews of IWB reforms in mainly English-speaking countries, Cousins (2014, 116) suggests that “[policy] decisions [towards IWBs] are often as much ideological as evidence-based” while Grover (2016, 207) argues “it is economic, moral and social ideas which have driven policies related to the supplementation of wages, rather than their actual effects”.

A central claim of the ideational approach is that it is policymakers’ cognitive frameworks and area-specific policy paradigms (Hall 1993) which have led them to viewing IWBs as a desirable instrument.³ For example the growing influence of a ‘making work pay’ or incentive-based way of thinking (c.f. sec. 1.1.3.) may have channelled how policymakers understand social and labour market problems and what types of solutions they consider feasible. The various possible roles of ideational factors in relation to IWBs is unpacked further in Chapter 3.

Ideational Accounts of IWB Reforms

Numerous studies of IWB reforms in the USA, UK and France have found that ideational factors – and especially elites’ cognitive frameworks – may have been an important influence on policymakers’ preferences and decisions.

In the US, the EITC was introduced after President Nixon’s proposal for a federal social assistance program was blocked by Senate Committee Finance Chair, Richard Long, who reportedly privately told Nixon that his committee was opposed to “paying people not to work” and “lay about all day making love and producing illegitimate babies” (Moynihan 1973, 523;

³ The term ‘cognitive framework’ is understood here as individuals’ frameworks of thought and is used interchangeably with ‘interpretive framework’ in this thesis. Broadly, the concept refers to how personal beliefs, perceptions and motivations filter the interpretation of external events and information and shape behaviour (c.f. Bier et al. 2011, 4 Fig. 1). See Ch. 3 for further discussion.

cited in Ventry 2000, 992). Instead, according to Ventry, the EITC was promoted by Long and his allies as preferable because it “embodied Long's vision of a program that moved individuals off welfare and into paid employment, while keeping others off the welfare rolls” (Ventry 2000, 995). Likewise, before the EITC's expansion in 1986, President Reagan stated his intention to find ways to “encourage opportunity and jobs rather than dependency and welfare” (Gitterman 2010, 71). In the same vein, in 1994 President Clinton said his expansion of the EITC “reward[s] work over welfare” while other proponents argued it was “the furthest thing from a handout...not welfare, by any means” (cited in: Alstott 1995, 537). Over the period as a whole, Ventry finds that “for much of the EITC's history, political rhetoric, not economic research, dominated the debate over tax-transfers” (Ventry 2000, 1016). Probing into the EITC debate more deeply, Alstott has also pointed to various “unacknowledged normative tensions” which lay behind the focus on work disincentives as a concern in US political debate (Alstott 1995, 534).

Observers of IWB reforms in the UK have also highlighted policymakers' (changing) cognitive frameworks as an important factor. As previously indicated, the FIS was first introduced in part due to a Conservative government's preference for means-tested benefits and as a potential precursor to a negative income tax system (Sloman 2016). When FIS was expanded the following decade by the Conservative government of Margaret Thatcher, several ministers were reportedly “obsessed” with work incentives, and lack of individual motivation, as causes of unemployment (Timmins 1996b, 377, 401). Subsequently, New Labour's ‘make work pay’ policies (including tax credits) have been partially attributed to receptivity to ideas emanating from American policy debates concerning ‘activation’ and ‘dependency’ (Deacon 2000, 15–16; Peck and Theodore 2001, 438). Likewise, Millar and Bennet (2017a, 170) have argued that the Universal Credit reform was motivated by “a radical view of what the benefit system can do to change values and behaviour” rather than policy evidence. Taking a longer-term view, Sloman (2019, 2021) has posited that the growth of means-tested working-age welfare in the UK since the 1970s is partly attributable to an elite ideological shift in favour of compensatory social transfers as preferable to direct intervention in market allocations of income. Combined with a growing focus on ‘activation’ and ‘making work pay’, this preference for ‘redistributive market liberalism’ (J. Kay 1996) may thus help account for policymakers' attitudes towards wage supplements over recent decades.

In France, Colomb (2012) has attributed the introduction of the PPE tax credit in 2001 to the embedding of incentive-based thinking among policy elites. This “cognitive rupture” has

involved the shift from viewing the unemployed as ‘victims’ of structural circumstances to ‘responsible’ for their situation, while employment has become an ‘activity to be encouraged’ rather than a ‘status to be defended’ (Ibid, 47, 48, 51). These cognitive shifts were preceded in the 1980s by the forging of a supply-side consensus among economic policy elites which viewed unemployment as being caused by an overly high cost of labour (Concialdi 2020, 154). French IWB reforms have also been associated with receptivity to ‘make work pay’ ideas and policies from the US, UK, OECD, and European Union (D. Clegg 2014, 158; Touzet 2019).

Challenges for Ideational Accounts

Ideational arguments appear promising because they offer a plausible response to the puzzle of why policymakers would introduce or expand IWBs in the absence of overt political demand or defined levels of problem pressure, and where such policies break with prior institutional arrangements. However there is a challenge in demonstrating that cognitive frameworks themselves have made a difference, rather than just being the handmaiden of politicians’ power and material interests (c.f. Béland and Cox 2016, 428). Given the variety of countries that make use of IWBs and variegated patterns of reform over time, how can it be shown if, when and how ideas have had an independent effect compared with other factors? Further, how can it be established whether policymakers are actually motivated by particular ideational frameworks, rather than simply deploying certain ideas on a more instrumental, strategic basis?

As a potential solution, some analysts have sought to separate out and contextualise the role of ideas in reform environments marked by multiple causal factors and processes. Whether explicitly or implicitly, these follow a multiple streams analysis (MSA) logic (Kingdon 1984, 2013, 165–66). This posits that policy change occurs when different ‘streams’ of activity come together at serendipitous moments to create windows of opportunity for reform (Ibid; c.f. Ch. 3, sec. 3.1.1). Ventry draws explicitly on MSA to understand the expansion and survival of the EITC in the late 20th century, when proponents of the tax credit were able to consistently portray the policy as a solution to commonly-agreed problems, while benefitting from favourable political circumstances and simply being “lucky” (Ventry 2000, 1017). Likewise, Howard argues that the EITC’s alignment to popular ‘pro-work’ values is insufficient to explain its development without reference to its perceived political utility as well as contingent events, lending “a certain measure of unpredictability” to the policy’s history (Howard 1997, 142).

Similar approaches have implicitly been taken to the study of IWBs in the UK and France. For example the introduction of Universal Credit brought together ideational, political and ‘chance’ factors, which Haddon has described as “the concept of the “policy window” in action” (Haddon 2012a, 11). In the case of the RSA in France, Clegg points to the confluence of elite ideational frameworks, credit-claiming incentives and institutional factors, suggesting that elite ideas alone may be insufficient where stronger political and institutional barriers to change exist (D. Clegg 2014, 160). In this light, favourable elite cognitive frameworks may be a ‘necessary’ but not ‘sufficient’ condition for IWB reforms.

1.2.5 Lessons for the Study of In-Work Benefits

As a first observation, while each of the four approaches identified to explaining IWBs provides valuable insights, the latter three can be understood as offering a critique of functionalism. Instead, they suggest that political-economic imperatives, political factors, and ideological frameworks may have shaped how external pressures were channelled into specific reforms. In addition, an issue touched-upon but not fully addressed above is the possible role of political, labour-market and welfare institutions in shaping differential regulatory strategies towards low-waged work. This is addressed further in Chapters 2 and 3.

Secondly, each of these approaches faces challenges and potential critique. For functional arguments, it is the apparent lack of a clear alignment between problem pressures and observed policy reforms. For political economy arguments, it is empirically demonstrating the causal influence of structural class power on specific policy choices. For pluralist politics, it is explaining IWB introduction or reform in the absence of clear political demand or electoral incentives; and for ideational approaches, it is showing where and how ideas might have had an independent influence rather than only coinciding with other factors.

Thirdly, in one way or another most of the works reviewed cite ideational factors as potentially important to understanding political choices towards IWBs. The notion that the preferences of policymakers have been shaped by their ideas and assumptions thus provides a potential answer to the gaps in other approaches and an important factor of analysis. However a favourable ideational environment may not in itself be sufficient to explain reform, as other political, institutional and ‘chance’ factors have also been found to play an important role.

Fourthly, many of the studies which appear to have produced the most robust insights into IWB reforms have been largely qualitative, historically-informed case studies. Some have also made effective use of comparison to isolate which common factors have been most important across contexts or over time.

Overall, lessons taken from this review include that searching for multi-causality within specific contexts may be an effective strategy to producing robust explanatory accounts of IWB reforms. Amid multiple possible causal processes, particular attention can be paid to the roles of policymakers' ideas and cognitive frameworks, and how these interact with political, institutional and 'chance' factors. Furthermore, comparative analysis may tell us more about the causal factors operating in selected cases, as well as potentially pointing to wider trends relevant to other countries. These observations guide the theoretical and analytical framework developed in the next two chapters for the study of reforms in France and the UK.

1.3 Thesis Overview and Arguments

1.3.1 Thesis Structure

The remainder of this thesis undertakes an analysis of IWB reforms in France and the United Kingdom from the mid-1990s to around 2020. Chapter 2 sets out the rationale for selecting these cases and outlines each country's IWB reform trajectory. In doing so, it finds that qualified convergence has taken place with regards to their use of IWBs and certain other policies which support and regulate low wage work. The chapter concludes by explaining the research puzzles posed by these reform trajectories, both with regards to each case individually and in comparative perspective.

Chapter 3 then unpacks the analytical and theoretical framework used to analyse and explain IWB reforms in each country. The chosen research strategy combines a multi-steams analysis with process tracing to unpick the 'policy', 'politics' and 'opportunity' dynamics of each key phase of policy development. Doing so helps to separate out potential causal factors and then identify how they combined at propitious moments to shape the reforms of focus. The data and methods employed are also outlined here.

Chapters 4 (UK) and 5 (France) then present the empirical findings of the analyses undertaken for each country and phase of reform. Chapter 6 draws on the findings of both country chapters

to identify the common factors leading to qualified IWB convergence, and the context-specific processes which account for ongoing differences in policy design and logics. Chapter 7 concludes by discussing overall contributions and avenues for future research.

1.3.2 Main Arguments

Throughout this thesis several arguments are developed. Firstly, in comparative terms, qualified IWB convergence is explained by three factors: (i) the effect of a common policy legacy (the existence of a national social assistance scheme); (ii) the influence of shared elite cognitive frameworks which were receptive to incentive-based narratives of policy problems and concomitant ‘make work pay’ solutions, and; (iii) similar political dynamics, namely diffuse political demand in favour of action to support low-income workers and ambiguous acceptance of IWBs among relevant organised interests. Conversely, fuller IWB convergence was prevented from taking place by differences in wider institutional frameworks, policy norms towards employment and welfare, and specific patterns of political mobilisation and conflict. In addition, contingent factors also shaped particular IWB reforms in each case.

Secondly, empirical findings suggest that elite ideational frameworks were perhaps the single most important factor driving IWB reforms in each case. Ideas about labour market efficiency, incentive effects on behaviour, and ‘rewarding’ or ‘compensating’ low-income workers provided elites with an *independent motivation* to introduce policies that were not otherwise demanded by organised interests or voters, nor ‘forced’ upon policy-makers by overwhelming problem pressure or rigid path dependency. Instead, amid uncertainty about how best to regulate post-industrial labour markets, incentive-based ideational paradigms shaped problem-framing processes, and guided policymakers towards IWBs as desirable or feasible solutions. This is not to argue that other factors were unimportant. Political interests, institutional frameworks and problem-pressure each played a role in making IWBs a feasible policy option and in shaping chosen policy design. However the origin or initial impulse driving policymaking in this direction, it is argued, is to be found in the realm of elite ideas and policy debates.

Thirdly, IWB reforms in France and the UK appear to have been driven by dynamics relatively specific to this policy field. A contrast can be drawn with the politics of programmes more heavily subject to institutional or actor vetoes and in which larger groups of voters have a stake

or interest. Instead, the IWB reforms studied are marked by relatively weak input from external interests and were enabled by central government control over IWB design and financing. These characteristics gave policy elites greater scope for action and consequently allowed ideas to play a stronger role in policy development. These points are developed further in the concluding chapter.

Chapter 2 – French and British IWBs in Comparative Perspective

2.1 Introduction

As noted in Chapter 1, the central focus of this thesis is to identify the factors driving governmental preferences and decisions towards IWBs in France and the UK from the mid-1990s to 2020. In order to do so, this chapter outlines the main policy reforms to be explained and situates them in institutional context. Chapter 3 then introduces the analytical and theoretical framework used to undertake empirical analysis of these reforms.

The first section of this chapter situates French and British IWB policies in context by sketching the institutional frameworks and trajectories of these countries prior to the mid-1990s. It finds that until this time France and the UK differed significantly in terms of the policy strategies and instruments used to support low-income workers and the unemployed. The second section compares the development of IWB policies in each country from this point through to 2020. Based on an examination of policy design, profile and ‘logics’ it is shown that IWB reform trajectories represent a case of *qualified convergence*. Overall, governments made use of common instruments with similar goals, however policies differed cross-nationally in terms of their design and logics. A final part of this section demonstrates that these IWB policy trajectories have occurred alongside a process of partial institutional convergence in related areas (minimum wages and social assistance) without engendering the wholesale convergence of each country’s social protection and labour market architectures.

The third section discusses the research puzzles generated by these IWB reform trajectories. For each case, policy decisions towards wage supplementation do not easily fit with most accounts of (post-industrial) welfare state change. Comparatively, these reform paths present a case of unexpected convergence within two institutionally-distinct welfare states.

2.2 France and the UK in Comparative Institutional Perspective

France and the United Kingdom are two interesting cases to compare with regards to IWB reforms because they came to make extensive use of these policies from quite different institutional starting points. In the course of the 20th century each country developed distinct political economic, labour market and welfare models, including in the areas most associated with IWBs such as wage-setting and unemployment protection. A snapshot of these differences around 1990 is displayed in Table 2.1 and are further discussed in the sections below.

Table 2.1. France and the United Kingdom: Selected Institutional Characteristics c. 1990

France and the United Kingdom Selected Institutional Characteristics c. 1990		
Institutional Sphere	France	United Kingdom
Political Economy (i)	State-enhanced capitalism	Market-driven capitalism
Labour Market (ii)	High employment protection Low union density (10% in 1990)	Low employment protection Medium union density (39% in 1990)
Wage-Setting and Supplementation (iii)	Inclusive wage-setting Legal extension of agreements High CB cov. (97% in 1990) Legal minimum wage No IWBs	Non-inclusive wage-setting No extension of agreements Medium CB cov. (58% in 1990) No minimum wage IWBs for working parents
Social Protection	Continental-Conservative (Bismarckian)	Liberal (Beveridgean)
Dominant characteristics (working-age benefits)	Social insurance, income replacement, work-acquired rights	Social assistance, poverty alleviation, needs-based
Unemployment protection (iv)	UI dominant (earnings-related) UA + SA marginal	UI secondary (flat-rate) UA + SA dominant
Political System & Welfare Politics	Presidential-Parliamentary Central state a key actor Multi-actor and -level decision-making and responsibilities in social security Social partner roles in UI, social insurance and LM regulation.	Majoritarian Parliamentary Central state a dominant actor Centralised decision-making and management of social security No institutional social partner role; interest-group lobbying only.
Policy legend CB cov. = collective bargaining coverage.		

UI = unemployment insurance
UA = unemployment assistance
SA = social assistance

Notes and source material

- (i) Political economy categories drawn or adapted from Schmidt (2003).
- (ii) Employment protection indicator sourced from: (Giuseppe, Scarpetta, and Boylaud 2000, 46–47). Union density sourced from: (Bosch and Gautié 2011, 309–10, Table 3).
- (iii) ‘Inclusive/non-inclusive’ categories drawn from Bosch and Gautié (2011). Collective bargaining coverage sourced from the OECD/AIAS ICTWSS database (OECD 2022e)
- (iv) For data on unemployment protection instruments, see sections below.

Supplementary information sourced from: (Arts and Gelissen 2010; Bosch and Gautié 2011; Cacheux and Ross 2015; Castles 2010; Clasen 2011; Deakin and Reed 2000; Gallie 2007; Hassel, Palier, and Avlijaš 2020; Kaufmann 2013; Palier 2010c; Schmidt 2003).

2.2.1 Political Economy Model

Following Table 2.1, France and the UK operated different models of capitalism in the late 20th century. France followed a model of state-led capitalism which sits between the dichotomy of liberal and coordinated market economies (Hall and Soskice 2001; Schmidt 2003, 528). In the post-war period the French state played an interventionist role in planning, investment and labour market regulation, which continued in a modified form in the context of economic liberalisation from the 1980s (Schmidt 2003). The state remains a central motor of France’s post-industrial economy, which is associated with a domestic consumption model underpinned by public spending, generous benefits and a high minimum wage (Hassel, Palier, and Avlijaš 2020, 69).

Conversely, Britain is considered an example of lightly-regulated market capitalism where the state plays more of a ‘bystander’ role in ensuring the conditions for competition and growth (Hall and Soskice 2001, 51; Schmidt 2003). Like France, the UK’s growth model is associated with a domestic consumption model, however with a greater role for welfare marketisation, financialisation and private credit (Hassel, Palier, and Avlijaš 2020, 67–68). Given the higher inequalities associated with this political economy, IWBs are considered a typical instrument to ‘compensate’ low-income workers and boost consumption (Ibid, 68).

2.2.2 Labour Market Policy and Industrial Relations

Linked to its state-led economic model, France has developed a highly regulated labour market with an ‘inclusive’ wage-setting system (Bosch and Gautié 2011). In cross-national terms this model is characterised by strong employment protection, a generous minimum wage, high collective bargaining coverage, and relatively generous earnings-related unemployment insurance (Esping-Andersen 1990, 88; Giuseppe, Scarpetta, and Boylaud 2000, 46–47; OECD.Stat 2022a, 2022c; OECD 2022a). The state plays a key organising role in industrial relations by regulating employment, legally extending collective agreements, and setting the minimum wage (Bosch and Gautié 2011, 307; Cacheux and Ross 2015; Gallie 2007, 20; Schmidt 2003). France’s minimum wage, now known as the SMIC (*Salaire Minimum Interprofessionnel de Croissance*, or ‘Interprofessional Minimum Wage for Growth’) was first created in 1950. Unemployment insurance (UI) was established in 1958 and co-managed by unions and employers, while unemployment assistance (UA) was created in 1984 and is financed by the central state (Kaufmann 2013, 162; Palier 2002, 219–20). Despite low union density, trade unions occupy a strategic place in labour market management due to the extension of collective bargaining agreements and administration in aspects of employment law (Cacheux and Ross 2015, 107).

Meanwhile the UK is a liberal labour market regime with an ‘exclusive’ pay-setting system (Bosch and Gautié 2011; Gallie 2007, 20). The British state has traditionally taken a light-touch approach to regulating industrial relations, employment rights and wage-setting arrangements, leading to greater flexibility and lower job security (Deakin and Reed 2000; Giuseppe, Scarpetta, and Boylaud 2000, 46–47; Kaufmann 2013). Wage-setting in the post-war decades generally followed ‘voluntaristic’ firm-level bargaining (Kaufmann 2013, 97–99). Provisions to extend collective bargaining agreements were weaker than in France, while no statutory minimum wage was put in place. Instead sectoral minimum wages were set by tripartite Wage Councils (Deakin and Reed 2000, 121; Kaufmann 2013, 96–97). Unemployment protection also contrasted with France, as with the exception of the period 1966–1982 unemployment benefits have been flat-rate only (Deakin and Reed 2000, 121; Micklewright 1989).

2.2.3 Social Protection System

France is typically considered a continental-conservative welfare regime (Berrebi-Hoffmann et al. 2009, 181; Esping-Andersen 1990, 45, 49; Palier 2010a). In this model social insurance

is the dominant form of social protection, benefits are earnings-related and based on prior work status, social security is largely financed by employee and employer social insurance contributions, and unions and employers have key roles in the management of social insurance funds (Esping-Andersen 1990, 92–93; Palier and Mandin 2004, 111). This neatly describes the post-war French model, where up to 1980 almost all benefit expansion followed the insurance principle and the vast majority of social security financing (83% in 1982) came from social contributions (Kaufmann 2013, 160; Palier 2002, 133–35). Meanwhile means-tested benefits existed only at the margins and a national social assistance scheme was only created in 1989 (Minimum Insertion Income: *Revenu minimum d'insertion*, RMI).

In contrast the UK tends to be classed as a Liberal welfare state (Castles 2010; Esping-Andersen 1990). Core features of the social security system include political governance and administration by the central state; general taxation as the main source of financing working-age benefits; and benefits which have become flat-rate, targeted and often means-tested (Clasen 2011; Kaufmann 2013; Taylor-Gooby and Larsen 2004). While state-run social insurance schemes were intended to be at the core of Britain's post-war welfare state, low benefit generosity led social assistance to rapidly grow in importance (Deakin and Reed 2000, 121; Kaufmann 2013, 105). From the 1970s means-tested wage top-ups became part of Britain's welfare landscape, with the Family Income Supplement (FIS) created in 1971 and converted into Family Credit (FC) in 1988. Both policies were introduced by Conservative governments (Grover 2016, 122; Sloman 2016). These schemes also echoed the historical experience of the Speenhamland wage subsidy system in early 19th century England (Tomlinson 2021).

2.2.4 Ideational Frameworks

These institutional differences are reflected in different policy norms which predominated among policymaking elites in France and the UK during the 20th century.

In France, post-war social insurance was viewed as an instrument of social stability, domestic consumption, and economic growth, as well as being a form of 'debt' owed to those who needed support during economic downturns (Palier 2002, 98–100). Likewise, as shown by Whiteside (2014), unemployment protection and wage-setting were considered a core element of industrial relations, with the state playing a strategic management and arbitration role in order to ensure political stability. Dominant policy norms included prioritising full-time

employment, resisting the notion that labour market regulation should be left to market forces, and not questioning the desire of the unemployed to work (Colomb 2012, 32; Concialdi 2020; Whiteside 2014). The notion that incentive mechanisms should be required to ‘encourage’ (would be) workers did not fit with this cognitive framework.

Britain’s post-war social model reflected a balance between social democratic notions of universal protection and the long-standing liberal preoccupation with individual responsibility and less eligibility (Lowe 1993, 128f).⁴ Meanwhile the management of unemployment was treated as a matter of filtering the ‘proper’ unemployed from the ‘poor’ via differential programmes, a process which was largely divorced from industrial relations and employment regulation (Whiteside 2014). From the 1980s policymaking elites increasingly viewed unemployment as caused by a lack of adequate financial incentives rather than only structural forces (Blundell and Walker 2003, 80; Timmins 2001, 375 cited in Clasen 2011). As a ‘market-friendly’ alternative to statutory wage regulations and collective bargaining, IWBs fit well with this emerging neo-classical cognitive framework (c.f. DSS 1996; Grover 2016, 122).

2.2.5 Political System and Welfare Politics

Lastly, each country also has distinct political institutions, which together with labour market and social security structures, are associated with different welfare politics.

The French political system is “half-parliamentary, half-presidential” (Duverger, 1986, p. 31; cited in: Kaufmann 2013, 145), whereby the elected president is able to direct domestic policy if his or her party holds a parliamentary majority. An important policymaking role is played by specialist civil servants trained at elite public administration institutes (Cacheux and Ross 2015, 108; Kaufmann 2013, 146). Regarding partisan dynamics, since the formation of the 5th Republic in 1958 French politics has centred on the cleavage between the left-wing Socialist Party (PS) and variants of the Gaullist centre-right (currently The Republicans, LR). The party system fractured in the early 21st century, with green, left, far-right and centrist parties all growing at the expense of the traditional parties.

Despite the central role of the French state a number of institutional features mean that social reforms tend to require the consent of various stakeholders and the wider public. The two-

⁴ Less eligibility refers to the idea that benefits should not afford a higher standard of living than wage-work.

round presidential electoral system requires winning candidates to secure support from broader voter coalitions rather than only core constituencies (Cacheux and Ross 2015, 108). Likewise, parliamentary majorities are usually made up of coalitions rather than a single party. The social partners hold institutional positions in social insurance and aspects of employment law while regional authorities help to deliver social assistance and active support (*insertion*) policies. With the rise of ‘new poverty’ on the political agenda from the 1970s, anti-poverty charities (or ‘associations’, *les associations*) have also occupied an important position in the production of social policy (Palier and Mandin 2004, 113). Public opinion has generally been favourable to France’s social insurance model, with large protests occurring in response to attempted retrenchment, such as in 1995 (Palier 2002, 4). Taken together, these features are argued to have created strong obstacles to “harshly neoliberal” economic or social reforms in France (Cacheux and Ross 2015, 109).

Meanwhile the UK is the archetypical model of centralised and unitary government (Cairney 2012, 160–61). As long as a British government holds a parliamentary majority and can maintain the support of its core electoral and political base, UK ministers face few ‘hard’ veto points to passing new legislation (Lijphart 2012, 12). Due to the first-past-the-post electoral system UK parties are also able to win overall majorities based on a narrow proportion of votes (sometimes as little as 35%). Social security is designed and managed by central government and the civil service. Meanwhile the social partners do not have an institutional role in policymaking (Bosch and Gauthier 2011, 307), and local government only enjoys limited powers over taxation and the provision of social welfare.

Since the 1920s political power has alternated between two main parties – the centre-left Labour Party and centre-right Conservative Party – with liberals and other parties usually occupying opposition roles. Interest representation has been characterised as “free for-all pluralism” instead of more structured or corporatist decision-making (Lijphart 2012, 16). Within this framework, social partners, anti-poverty charities, advocacy groups and think tanks are active in policy debate and group representation. However in part due to the electoral system, ‘outsiders’ such as the unemployed and the poor are considered to have very weak input into the political process (Taylor-Gooby and Larsen 2004, 55). Furthermore, the British public sphere is characterised by a comparatively negative media portrayal of means-tested welfare and its recipients (Larsen and Dejgaard 2013).

2.2.6 Summary: Distinct Strategies Towards Unemployment and Low Wages

The preceding institutional review shows that entering the 1990s France and the UK followed distinct strategies towards the provision of economic security for low wage earners and the unemployed—differences that were linked to each country’s social, employment and economic models. Furthermore, as discussed below, reform processes in the 1980s and early 1990s appeared to indicate that such institutional divergence would continue.

In 1990s France the core support instruments for low-waged workers and the unemployed were the minimum wage, extension of collective wage agreements, and unemployment insurance. While UI was made more selective in 1992 it continued to be the dominant form of unemployment protection (Palier 2002, 222).⁵ Likewise the minimum wage retained its value and the coverage of collective bargaining increased (Concialdi 2020, 153; OECD 2022e). Although reforms embodying new policy logics were introduced from the late 1980s (e.g. the RMI and the CSG⁶), these aimed at ‘filling holes’ at the margins while policymakers sought to ‘save’ the existing social insurance system (Palier 2002, 169–70, c.f. 2004, 118). Likewise, high unemployment and concerns about economic competitiveness were addressed through pre-existing instruments such as subsidised jobs (*contrats aidés*), early retirement, and reductions to employers’ social contributions (Concialdi 2020, 154; Palier 2002, 221). Overall France fit well with the Continental stereotype of the ‘immovable object’ which possessed strong barriers to liberalising reforms that might lead to the expansion of a flexible low-wage labour market sector (Esping-Andersen 1996; Pierson 2002, 395).

In the UK the picture was rather different. From 1979-1997 Conservative governments spearheaded a neoliberal turn which re-shaped British economic and social policy away from its more ‘institutionalised’ post-war welfare model (Titmuss 1974). The Thatcher and Major governments eliminated statutory wage-setting instruments (such as Wage Councils), eroded trade union power and collective bargaining, rolled-back contributory unemployment benefits, and expanded means-tested support (Clasen 2011; Deakin and Reed 2000; Tomlinson 2021). These changes contributed to higher wage inequality and an expansion of low-waged and atypical work (Deakin and Reed 2000, 138–42; OECD.Stat 2022e). As such, by the mid-1990s,

⁵ In 1991 there were 488,000 recipients of social assistance (RMI), 350,000 recipients of unemployment assistance (ASS), and 2.18 million recipients of unemployment insurance (Data.gouv.fr 2022; Les Echos 1992).

⁶ The CSG is the *Contribution Sociale Généralisée*, or Generalised Social Contribution, a flat-rate tax on wages and other forms of income. Its introduction signified the state adopting a larger role in social security financing.

the UK's policy package to support low-income workers contained no statutory wage-setting instruments, sharply falling collective bargaining coverage, and a growing role for means-tested unemployment support (OECD 2022e).⁷ Meanwhile IWBs remained a marginal, albeit expanding, component of the welfare system (section 2.3).

2.3 IWB Policies and Trajectories in France and the United Kingdom

In contrast to the distinct national trajectories reviewed above, from the mid-1990s France and the UK began to develop more similar policy instruments to support low wage workers. At the centre of this process was the use and expansion of IWBs. The below sections explore each country's IWB policies from 1995 to 2020 in terms of policy design, profile and logics to provide a clear specification of the outcomes to be accounted for. It is also shown that while wider institutional differences remain, IWB trajectories appear to form part of a process of partial convergence in how each welfare state supports low-wage workers and the unemployed.

2.3.1 Main IWB Policies and Timeline

Table 2.2 below lists the main IWB policies in France and the United Kingdom since the late 1980s. Figure 2.1. provides a more detailed timeline of these reforms and the administrations in power when they were introduced.

The full description and narrative story behind the introduction of each of these IWBs is provided in the empirical country chapters (UK in Ch. 4, France in Ch. 5). Certain criteria have informed the identification of these policy reforms as the focus of explanation. Firstly, the main analytical interest here is on *non-time limited* IWBs, i.e. where the state assumes a permanent role in supplementing market wages. The function and logic of doing so is considered to be somewhat distinct to temporary 'back to work' incentives embedded in some unemployment and social assistance benefits. These temporary schemes are discussed only when relevant to decision-making towards permanent IWBs. Secondly, the policies cited in the table below have been the main (non-time limited) IWBs in each country by expenditure and caseload. Some

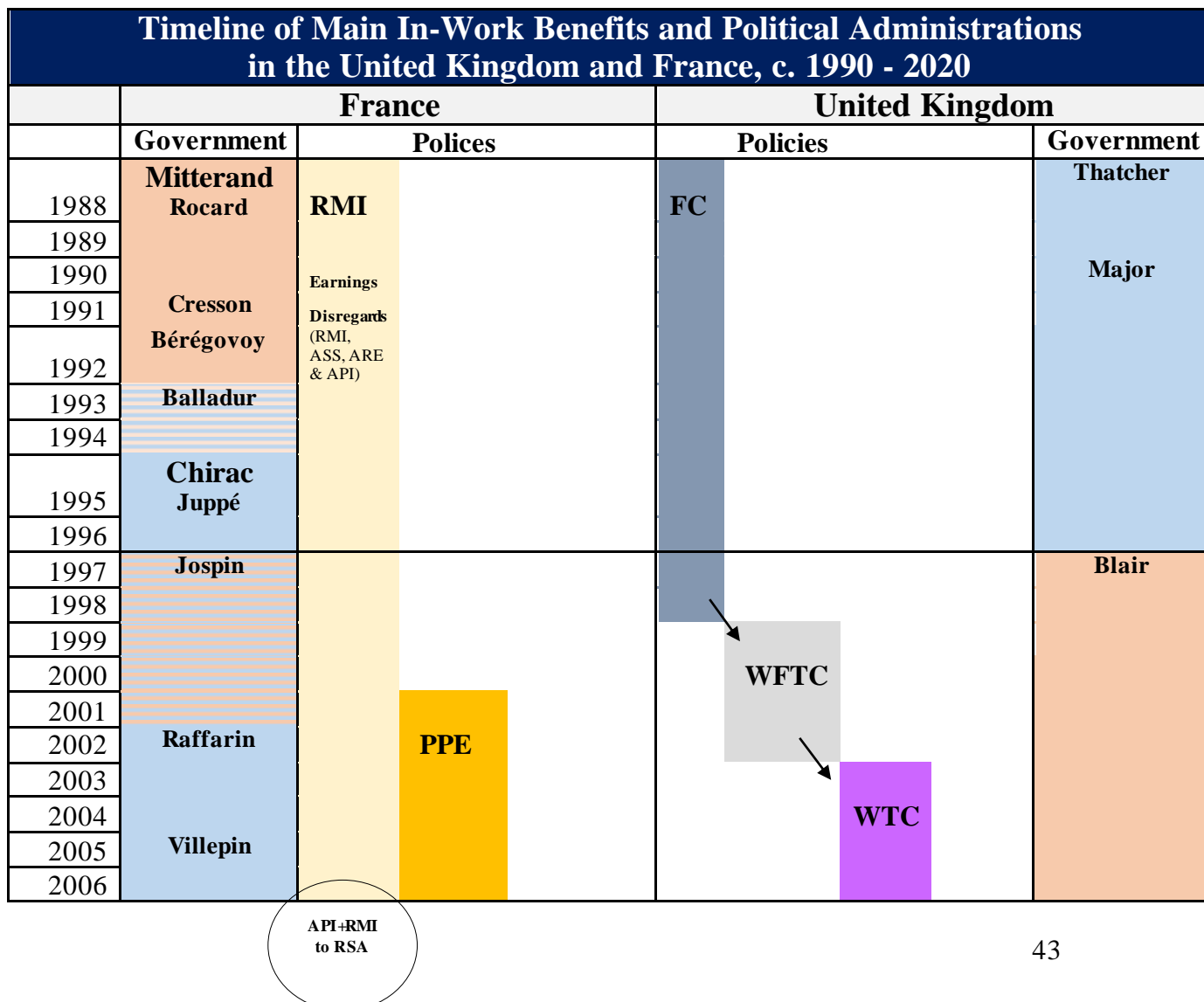
⁷ In the mid-to-late 1980s means-tested programmes overtook contributory insurance as the dominant form of unemployment protection (Clasen 2011, 18).

additional small schemes have also existed at different points, the data and terms for which are provided in thesis annex 9.2.

Table 2.2 Principal In-Work Benefit Reforms, France and United Kingdom c. 1990 - 2020

Principal In-Work Benefit Reforms, France and United Kingdom c. 1990 - 2020		
Period	France	United Kingdom
Background: 1988 –1997	Temporary earnings disregards only e.g. Minimum Insertion Income (RMI) (1989)	Family Credit (FC) (1988)
c. 1997 – 2004	Employment Bonus (PPE) (2001)	Working Families Tax Credit (WFTC) (1999) Working Tax Credit (WTC) (2002)
c. 2005 – 2012	Active Solidarity Income (RSA) (2008)	Universal Credit (UC) (2012)
c. 2013 – 2020	Activity Bonus (PA) (2015) Activity Bonus expansion (2018-19)	UC/tax credit cuts (2010-16) UC in-work expansion (2017-)

Figure 2.1 Timeline of Main In-Work Benefits and Political Administrations



2007	Sarkozy Fillon	ASS & ARE only	RSA		UC	Brown
2008						
2009						
2010						
2011						
2012	Hollande Ayrault				UC	
2013						
2014	Valls Cazeneuve Macron Philippe		PA			May
2015						
2016						
2017						
2018	Castex					Johnson
2019						
2020						
Political Administration Codes and Notes:						
<ul style="list-style-type: none"> = centre-right party (Conservative Party in UK, RPR / UMP / LR in France). = centre-left party (Labour Party in UK, Parti Socialiste in France) = liberal / centre party (Liberal Democrats in UK, Le Republique en Marche in France) <p>Stripes = 'cohabitation' periods in France and Con-Lib coalition in UK. Dominant colour = head of government. French administrations: larger text = president, smaller text = prime minister.</p>						

2.3.2 Policy Design

Having established the main IWB policies in each case, the next sections look at how similar or different they have been in terms of design, profile and logics.

Table 2.3 below displays the main design features of IWBs in each country. While generosity and targeting have varied over time, in both countries wage supplements have been means-tested on household income and thus prioritise targeted redistribution as much as work incentivisation (the PPE is a partial exception here). Eligibility criteria have also been similar, although in the UK workers without children could not claim wage supplements until 2003. In terms of incentive structures, IWBs in both countries have evolved to subsidise any amount of working time and are maximal at similar points. However, as will be seen, French IWBs continue to put greater emphasis on full-time work than British IWBs. Institutionally, a common trend has been followed whereby IWB administration moved to the tax system in the late 1990s/early 2000s before switching back to the social benefit system in the late 2000s / early 2010s. Nonetheless a major current difference is the institutional separation of IWBs from social assistance in France in contrast to their close integration in the UK.

Table 2.3 Design Characteristics of Main In-Work Benefits in France, c.1990-2020

Design Characteristics of the Main IWBs in France								
Description		Eligibility		Generosity & Targeting			Institutionalisation	
Name	Type	Eligible Groups	Income Calculation Unit	Average Award % Av. Wage (i)	Maximum Point as % of NMW (ii)	Taper	Admin	Articulation with SA
RMI	Social Assistance Earnings Disregard	Recipients in work aged ≥ 25 or < 25 w/ children.	Household	N/A	N/A	0% for 3 months, then 50% for 9-12 (1998)	Benefits System	Integrated
PPE	Tax Credit	All workers	Semi-individual (iii)	1%	0.9	19.3% (iv)	Tax System	Separate
RSA	Cash IWB	Workers aged ≥ 25 or < 25 with children or 2yrs work history.	Household	6%	0.4	38%	Benefits System	Integrated
PA	Cash IWB	All workers & some students / apprentices aged > 18 .	Household (+ individual element)	5% (2015) 9% - 2019 (v)	0.4	38%	Benefits System	Separate

Sources: (Allègre and Ducoudré 2018; Assemblée Nationale 2015f; OECD 2022c [tax-benefit policy tables, various years])

Notes: (i) Figures for 2015. The figure for the PA is an estimation based on full take-up ahead of implementation. Calculations by author based on figures from (Assemblée Nationale 2015f).
(ii) Figures from (Allègre and Ducoudré 2018).
(iii) Based on *foyer fiscal* or ‘household tax unit’ – in practice individualised at lower incomes (Allègre and Ducoudré 2018).
(iv) After social security contributions (OECD tax-benefit policy tables): (OECD 2022c)
(v) Av. PA payment 196 EUR p/m in 2019 = 8.8% of average wage [author calculation].

Table 2.4 Design Characteristics of Main In-Work Benefits in the United Kingdom, c. 1990-2020

Design Characteristics of the Main IWBs in the UK								
Description		Eligibility		Generosity & Targeting			Institutionalisation	
Name	Type	Eligible Groups	Income Calculation Unit	Average Annual Award (% Av. Wage) (i)	Maximum Point as % of NMW (ii)	Taper	Admin	Articulation with SA
FC	Cash IWB	Parents working ≥ 16 hrs p/w	Household	18%	0.6	70%	Benefits System	Separate
WFTC	Tax Credit	Parents working ≥ 16 hrs p/w	Household	21%	0.7	55%	Tax System	Separate
WTC	Tax Credit	Single adults aged ≥ 25	Household	12%	0.6	41% (iii)	Tax System	Separate

		or parents ≥ 16 working enough hours.						
UC	Social Assistance Earnings Disregard	All workers aged ≥ 18.	Household	N/A	0.4	63% (iv)	Benefits System	Integrated
Sources and data series: (DWP 2021a, 2022c; HMRC 2022; OECD 2022c; Strickland 1998)								
Notes: (i) FC (1999), WFTC (2003), WTC c. 2018. Calculations by author, with the exception of WTC (OECD Policy Tables 2018). (ii) FC (1999), WFTC (1999), WTC (2009), UC (2019). Calculations by author. (iii) 37% when introduced in 2003, increased to 39% in 2008 and 41% in 2011. (iv) 63% when first legislated, increased to 65% in 2013, reduced to 63% in 2017, 55% in 2021.								

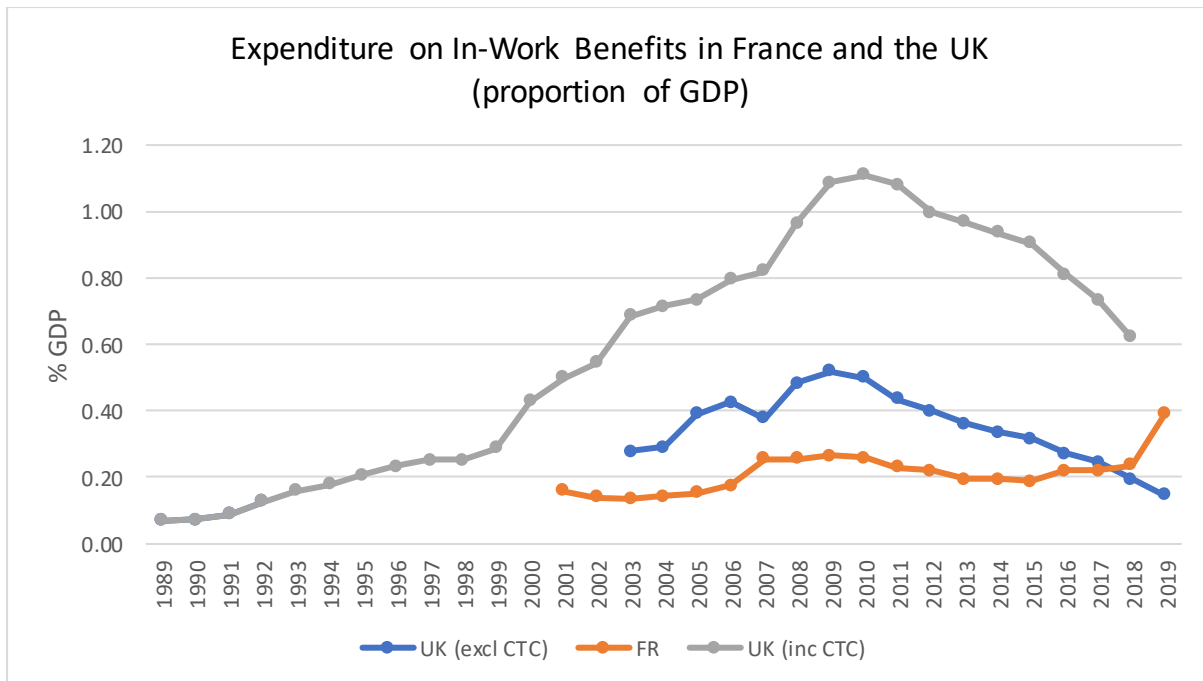
2.3.3 Policy Profile

A second approach to comparing IWBs in each country is to view their quantitative profile. This refers to the ‘size’ and ‘shape’ of policies, comprising their expenditure, coverage, and distribution. These give an idea of the nature and role of IWBs as a form of income support.

Expenditure

Overall, the UK spent more than France on IWBs as a proportion of GDP over the period studied. This remains true for most of this period even when Child Tax Credit payments to Working Tax Credit recipients are excluded from the UK data (see blue line in figure below). However expenditure rates converged during the mid-to-late 2010s due to IWB retrenchment in the UK and expansion in France. An important caveat is that the UK data does not include expenditure on in-work recipients of Universal Credit, as this could not be sourced. As a result the real decline in UK spending from 2015 is certainly less pronounced than shown and may even be reversed by increased policy generosity from 2017 onwards (see Ch. 4.3).

Figure 2.2 Expenditure on In-Work Benefits in France and the UK



Notes: Calculations by author based on expenditure statistics compiled from national datasets. In order to ensure comparability cross-nationally and between different data sources, expenditure data is nominal while GDP is expressed in current prices. See appendix 9.2. for list of policies and data sources.

For UK expenditure data to be comparative between UK IWBs over time, the grey line includes expenditure on Child Tax Credit for recipients of Working Tax Credit. In France, the visible increase in IWB spending in 2007 comes mainly from an increase in PPE generosity, as well as the inclusion of data on minimum income earnings disregards which was unavailable for earlier years.

In the UK three distinct phases can be discerned when tracking spending. In the 1990s spending steadily increased, continuing the trend since the early 1970s. In the 2000s spending sharply accelerated due to the creation and expansion of tax credits, reaching 1.1% of GDP in 2010 compared with 0.29% in 1999 and 0.07% in 1990. In the 2010s the trend was reversed as a result of austerity cutbacks, apparently falling back to the level of the early 2000s by 2018 (however see caveat above regarding missing UC data).

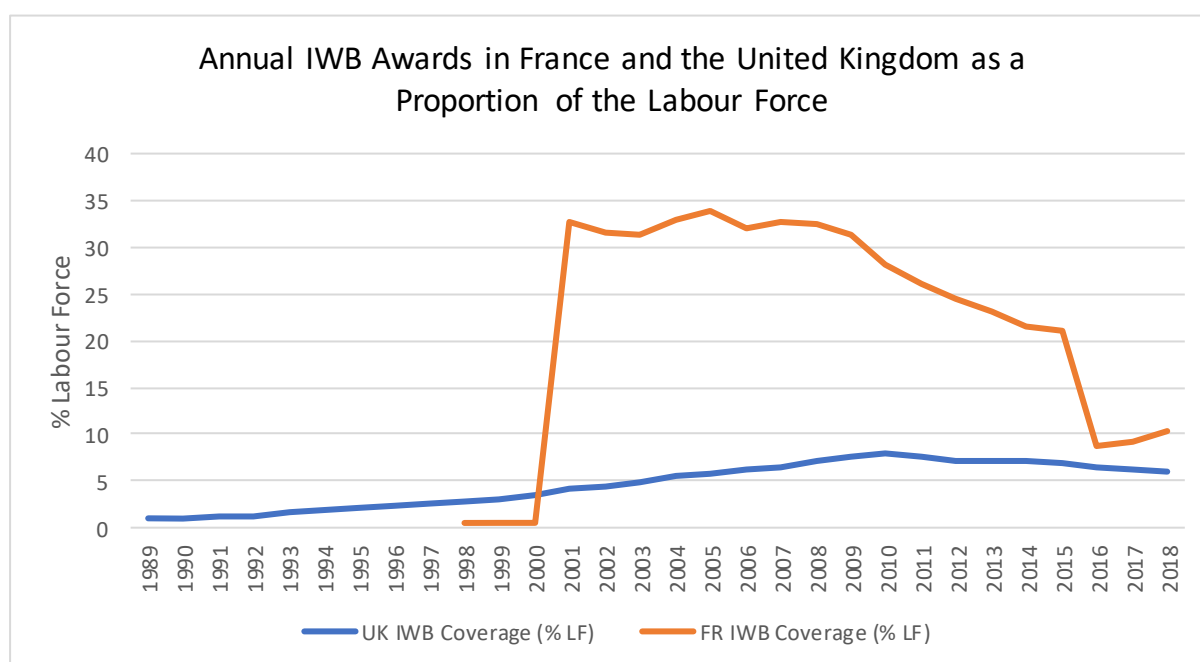
While expenditure data on temporary earnings disregards in France could not be sourced for the 1990s, based on information for these policies available for the 2000s this is estimated to have been very marginal, at around 0.02% of GDP or less. In the 2000s IWB spending hugely increased due to the introduction of the PPE in 2001, reaching a peak 2007–2010. Expenditure then gradually reduced (despite the RSA’s introduction in 2009) due to a freeze in PPE thresholds, before the PA’s creation drove expansion from 2016 and especially after 2018.

Coverage and Distribution

Coverage

To illustrate IWB coverage comparatively, Figure 2.3 expresses the number of IWB awards received in each country as a proportion of the labour force. Unlike expenditure, this includes data on in-work recipients of UC in the UK. From 2001-2016 coverage of IWBs was far higher in France than the UK. This is due to differences in targeting which saw the PPE spread thinly among a very large number of households, while UK IWBs were more targeted on, and generous towards, lower income households (c.f. Table 2.3 and 2.4 above). However coverage rates became more similar after the PPE was scrapped and the PA created in 2016.

Figure 2.3 Annual IWB Awards in France and the United Kingdom as a Proportion of the Labour Force



Notes: Calculations based on OECD labour force data and aggregated statistics on IWB policy caseloads in each country constructed by the author. See appendix 9.2. for list of policies and data sources.

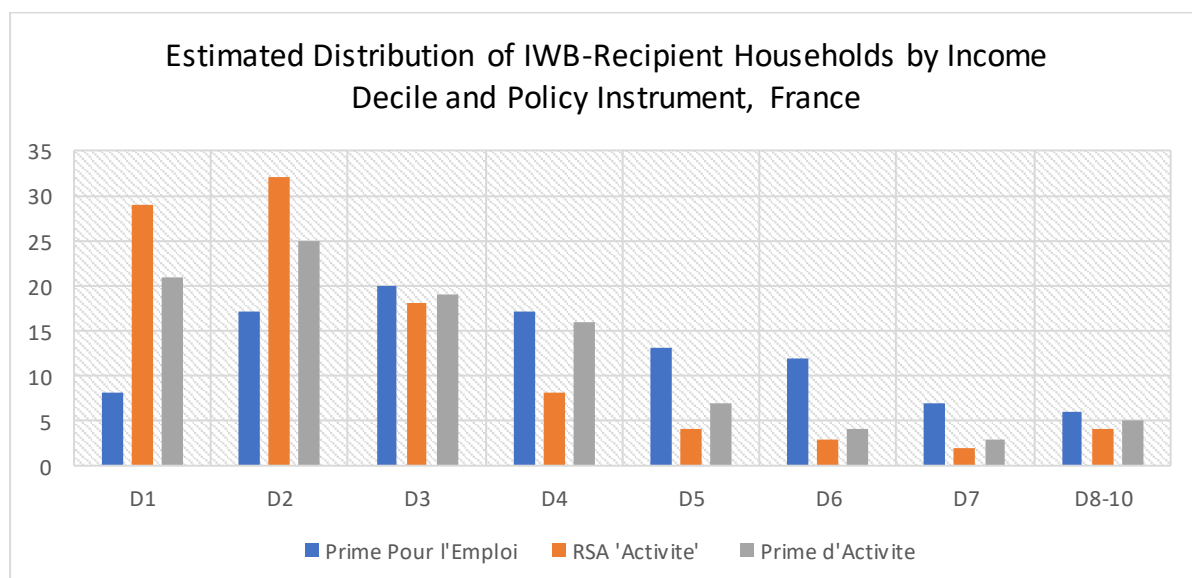
According to the above figure, coverage of UK IWBs increased from 1% of the workforce in 1990 to 2.7% in 1997, the year New Labour entered government. Driven by tax credit expansion, coverage then rose significantly to 8% of the labour force in 2010. Since then coverage has slowly decreased, returning to the 2005 level in 2018 (5.9%). This has been concurrent with tax credit retrenchment and the rollout of Universal Credit.

IWB coverage was very marginal in France during the 1990s, limited to temporary earnings disregards which reached around 0.5% of the workforce. Coverage expanded massively after the implementation of the PPE in 2001, reaching a third of the labour force in the mid-2000s. In the 2010s coverage reduced with the decrease and then withdrawal of the PPE, however began climbing again after 2016 as a result of increased generosity and take-up under the PA.

Distribution

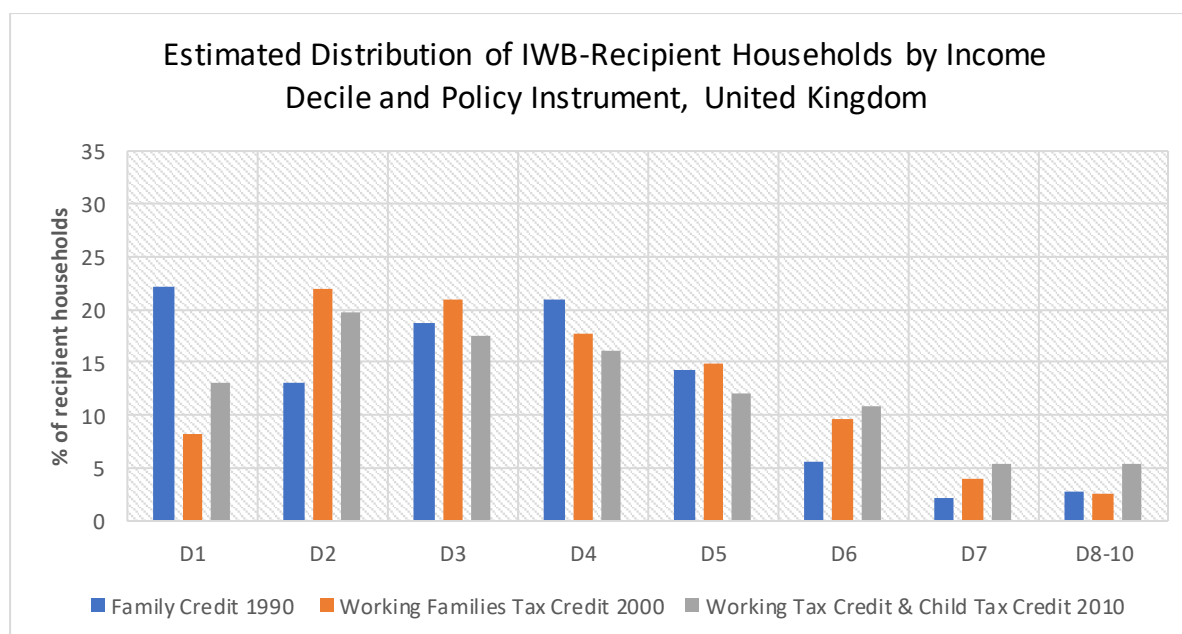
The figures below show that most IWB policies in each country have been highly targeted on lower income deciles, with the PPE as an outlier due to its laxer means-testing rules and near-universal (automatic) take-up. An estimated 45% of PPE awards went to the lowest three income deciles, versus 79% for the RSA *activité* and 65% for PA. Meanwhile the distributive profile of the UK's IWBs has remained quite stable, with 54% of Family Credit awards going to the lowest three deciles in 1990, compared with 51% for WFTC in 2000 and 50% for WTC+CTC in 2010. While this may suggest that France's IWBs became more targeted than the UK's, this data is not synchronous. Further, while distributive data for in-work recipients of UC is unavailable, in-work payments are likely to be more targeted on lower-income households than tax credits (see section 2.3.4 and Ch. 4.3). Overall, policies in both countries play a clear redistributive as well as an incentive-based function.

Figure 2.4 Estimated Distribution of IWB-Recipient Households by Income Decile and Policy Instrument, France



Source. Assemblée Nationale (2015), p102. See appendix 9.2. for full citation.

Figure 2.5 Estimated Distribution of IWB-Recipient Households by Income Decile and Policy Instrument, United Kingdom



Source. ONS (2019). Calculations by author. See appendix 9.2. for full citation.

Summary

Combining these elements together, the profile of IWBs in each country can be interpreted over four distinct phases, described in Table 2.5 below. In light of the most recent changes and proposals (return to expansion in the UK and possibility of a new IWB in France), it remains to be seen whether further convergence in spending, coverage or targeting will occur in future.

Table 2.5 IWB Profile: Overall Trends in France and the United Kingdom

IWB Policy Profile: Overall Trends in France and the United Kingdom		
Reform Wave	Change Trend	Description
(1) Late 1980s – mid 1990s	Divergence	Increasing IWB spending and coverage in the UK while a very marginal role for temporary earnings disregards in France.
(2) Late 1990s - mid 2000s	Common trend, not convergence	Spending on and coverage of IWBs sharply increased in both countries, however at different rates. Spending greater and more targeted in the UK while coverage far higher in France.

(3) Late 2000s to mid-2010s	Common trend and convergence	Decreasing coverage and spending in France and the UK at different rates but moving towards a common point. By 2016 spending and coverage is similar in both countries.
(4) Late 2010s	Renewed divergence	Expansion in spending and coverage in France compared with decreasing spending and coverage in the UK. However the return to expansion in UK from 2017 reversing this trend.

2.3.4 Policy Logics

To facilitate comparison of IWBs between countries and over time each policy’s profile and design elements can be distilled into distinct dimensions or ‘logics’. This follows a similar approach to Cronert (2022), who shows how ALMPs act as ‘multi-purpose tools’, with different types of active support instruments associated with distinct distributional and labour market orientations. Multi-dimensional frameworks have also been applied to IWBs, such as Abbas’ (2020, 72) exploration of how different IWB design features can promote variegated types of dependency on the state, market and family.

The typology of policy logics used here is informed by the main functions of IWBs as redistributive instruments, incentivisation tools, and components of tax-benefit systems which create administrative categories and programmatic identities. As such, essential similarities and differences between policies can be appreciated by interpreting their ‘distributive’, ‘employment’ and ‘institutional’ logics. These identify *who is supported* by in-work transfers; *what conception of ‘work’* is promoted; and *how in-work benefits and their recipients are conceived vis a vis social assistance*. Interpreting these logics involves analysis of the profile and design of each IWB, as well as how these relate to other policy spheres, especially social assistance.

The **distributive logic** considers the income protection function of each IWB, namely whether the policy seeks to provide targeted relief to the very poorest workers or boosts the living standards of a broad tranche of the workforce. Assigning this category primarily responds to the targeting, generosity and coverage of in-work transfers. A more residual ‘poverty relief’ logic is associated with narrowly-targeted but highly-redistributive transfers which may as a consequence also be more generous, while under a ‘broad support’ logic payments are spread over a wider range of the income distribution. Widened eligibility (such as opening IWBs to workers without children or younger age groups) may also be associated with a broader support

logic. A policy may be clearly associated with one logic or combine both targeted and broad support functions.

The second dimension is IWBs' **employment logic**. This mainly concerns the working-time norms promoted by incentive structures. An IWB whose incentives promote full-time work is considered to pursue a 'standard' logic, while a policy whose incentives support any working time as desirable is categorised as fostering 'atypical' employment norms. Policies which sit in between these two positions are classed as 'semi-standard', in that they may seek to encourage more substantial part-time and full-time hours over 'mini jobs', but possibly still provide income support at any amount of working time. Contemporaneous legislation regulating working time may also be taken into consideration here.

The third dimension is the **institutional logic**, which refers to the cognitive and institutional link between social assistance and in-work support. IWBs which are fully embedded in minimum income support (usually as some form of earnings disregard) are classed as 'integrated' and there is little institutional distinction made between in- and out-of-work benefit recipients. Meanwhile IWB policies which are institutionally or administratively separate from social assistance are often cognitively disassociated from 'welfare' and recast as some type of 'bonus' or 'tax credit' exclusively for workers.⁸

Finally, the presence or absence of IWB conditionality requirements is relevant across dimensions. In distributive terms, conditionality removes the automatic right to support for qualifying workers while financial sanctions for non-compliance undermine the poverty-reduction function. For the employment logic, conditionality rules may emphasise certain working hours as desirable over others. Finally, conditionality reinforces a sense of institutional integration, or the idea that wage supplements are an extension of social assistance rather than existing as a separate system with distinct rules and logics.

Reducing IWB policies to these three logics in the interests of parsimony nonetheless presents limitations. For example these dimensions do not systematically incorporate the gendered implications of IWBs, whose design elements can shape norms regarding the division of labour among couples and the expected labour market role of single parents (Abbas 2020, 69; Grover

⁸ Thinking around this distinction has been influenced by J. Clasen's observation on the different relationships between IWBs and work, and whether this relationship is conceived of as 'wages topping up benefits' or 'benefits topping up wages'.

2016, 13–14). In recognition of this, the implications of IWBs for gender roles are noted in the country chapters, especially where these became prominent issues in policy debate.

In applying these considerations and criteria, Table 2.6. displays the logics assigned to each country’s permanent IWB policies since 1990. These are discussed further below.

Table 2.6 Policy Logics of IWBs in France and the United Kingdom

Policy Logics of IWBs in France and the United Kingdom			
	Distributive Logic (i)	Employment Logic	Institutional Logic
UK			
Family Credit (1988)	Poverty relief <i>Medium Targeting, Low Coverage, High Generosity</i>	Semi-Standard	Separate [Social]
Tax Credits (1999, 2003)	Poverty relief and broad support <i>Medium Targeting, Moderate Coverage, High Generosity</i>	Semi-Standard	Separate [Fiscal]
Universal Credit (ii) (2012-)	Poverty relief and broad support <i>Medium Targeting, Moderate Coverage, High Generosity</i>	Atypical	Integrated [Social]
France			
Employment Bonus (2001)	Broad support <i>Low Targeting, Very High Coverage, Low Generosity</i>	Standard	Separate [Fiscal]
Active Solidarity Income (2009)	Poverty relief <i>Very High Targeting, Low Coverage, Medium Generosity</i>	Atypical	Integrated [Social]
Activity Bonus (2016)	Poverty relief and broad support <i>High Targeting, High Coverage, Medium-High Generosity</i>	Semi-Standard	Separate [Social]
(i) Methodological note on assigning distributive logics:			
Targeting is based on the proportion of benefit paid to the poorest household quintile. Low = < 30%; Medium = 31-40%; High = 41-50%; Very High = <50%. (c.f. Figs. 2.4 and 2.5).			
Generosity is based on the value of a average IWB award as a percentage of the average wage. Low =>5%; Medium = 5-9%; High= <10%. (c.f. Tables 2.2. and 2.3.).			
Coverage is based on % of labour force in receipt of that IWB. Low = <5%, Moderate =5-10%; High = 10-15%; Very High = < 15% (c.f. Fig 2.3).			
(ii) Note on Universal Credit. Comparative data to calculate targeting and generosity for in-work claimants specifically is una available. Instead, the classification of UC’s in-work distributive profile and generosity is based on the OECD’s 2020 tax-benefit tables and think-tank studies comparing UC’s generosity c. 2018/19 with the legacy tax credit system: (Brewer et al. 2019, 14; Finch and Gardiner 2018; OECD 2022c).			

Distributive Logics

In distributive terms, from 1995 to 2020 both countries reached a logic of targeting the bulk of support on the poorest household deciles while also providing non-negligible support to lower-medium and medium incomes. At the same time, means-testing rules ensure only a very small proportion of wage supplements reach the top income deciles. Furthermore, current IWB policies in both countries provide additional amounts to households with children and are paid at regular intervals by the social benefit system. Each country reached this relatively similar distributive logic – combining targeted and broad support – from different initial positions.

In the UK all IWBs have followed a targeted poverty-relief logic, with a broader income support function emerging from the late 1990s. Family Credit was highly targeted on the bottom half of the income distribution and paid only to qualifying working parents. After 1997 New Labour's tax credits then increased generosity, expanded coverage, and brought childless workers into the system of in-work transfers. Under Conservative-led governments from 2010, attempts were made to focus support on poorer workers and retrench in-work support for middle- and higher-income households (via cutbacks to tax credits and prospective UC). While recalibration was partly achieved due to the stricter means-testing rules of UC compared to tax credits, retrenchment was partially reversed by Conservative governments after 2016. As a result, UK IWBs continue a moderately broad and relatively generous distributive logic.

In France, as noted, the PPE was a very broad income support tool with relatively lax means-testing. Payments were made annually via the tax system, which together with low targeting, limited the redistributive and poverty-fighting functions of the policy. Subsequently, the RSA *activité* was brought in as a more focused anti-poverty measure, creating a dual logic of both targeted and broad support due to its coexistence with the PPE. The PA embedded this dual logic in a single instrument, and extended coverage to some students and apprentices, although middle-to-high income deciles comparatively lost out due to the PPE's elimination.

Employment Logics

A contrast is more evident in the employment logics of each country's IWBs. In the UK, under the tax credit system and its predecessors working adults had to work a minimum number of hours per week to qualify for support. These rules reinforced a preference for substantial part-time or full-time hours while discouraging very marginal working time. This changed under

UC, as a new smooth taper rate ensured support could be received at any amount of working time. The policy's original architects focused on ensuring people were encouraged to take even small amounts of work and advocated the economic benefits of labour supply flexibility.

In contrast, in France, the PPE prioritised full-time work at the minimum wage, although payments were phased in from 0.5 SMIC. Subsequently, the RSA offered support from the first hour worked using a smooth taper rate, apparently signalling greater political acceptance of non-standard working hours compared with the PPE. Despite this, concerns around subsidising 'mini jobs' continued to exist in France. In response, while the PA did not eliminate wage supplements at marginal working hours, it purposefully increased incentives at substantial part-time and full-time employment. Contemporaneous employment reforms (c. 2014) also discouraged working less than three days per week. As such, while both UC and the PA ostensibly incentivise jobs at any working time, the French system of in-work support currently implies a stronger preference for standard employment norms than in the UK.

Institutional Logics

After more convergent trends in the 2000s and early 2010s, a significant difference has emerged in the institutional logics of British and French IWBs. In the UK, from the 1980s to the mid-2000s policymakers sought to fortify the separation of in-work and out-of-work support. This separation was both discursive and institutional, and was strongest under tax credits. However this logic was reversed with the creation of UC in 2012, which not only seamlessly integrated in-work and out-of-work support but sought to extend certain conditionality requirements to those on low working hours. In-work support in the UK has thus become an extension of social assistance rather than its antithesis.

In France, the PPE followed a similar path to UK tax credits in creating a separate system of fiscal administration for wage supplements. The RSA then preceded the UK in adopting an integration logic to IWBs, although the experiment proved short-lived. Subsequently, in 2016 the PA restored the institutional separation of social assistance and IWBs, although both are administered by the family benefits system. The PA's framing as a 'bonus' which complements the minimum wage has reinforced its cognitive distance from social assistance, and no conditionality requirements are applied to its recipients. However the Macron administration's proposal to introduce a new Universal Activity Income (RUA) may return French wage supplements to an integration logic in future.

Overall then, comparatively speaking it can be argued that IWBs in each country have followed a *similar* distributive logic, a *somewhat different* employment logic, and a *different* institutional logic. These represent the key similarities and differences to be explained in an overall process of *qualified convergence* between both countries in the use of IWBs.

2.3.5 IWB Trajectories in Institutional Context

Before examining the research puzzles presented by qualified IWB convergence, it is important to understand the moving institutional contexts in which each country's system of wage supplements evolved. As discussed in Chapter 1, IWBs sit within national frameworks of regulation and support for low-wage workers and the unemployed. Within these, IWBs may act as functional equivalents or complements to other wage-based, tax or social security instruments. Likewise, given the close interaction of IWBs with the labour market and out-of-work benefits, it is also relevant to consider their co-existence with instruments of unemployment protection, working time and employment protection regulation. Examining these areas allows us to better understand the role and logics of IWBs *in situ* and assess whether IWB trajectories have formed part of a wider process of welfare regime convergence. In the country chapters attention is also paid to when and how wider policy systems are relevant to decision-making towards IWBs, and so it is helpful to explore contemporaneous change trends in these systems here.

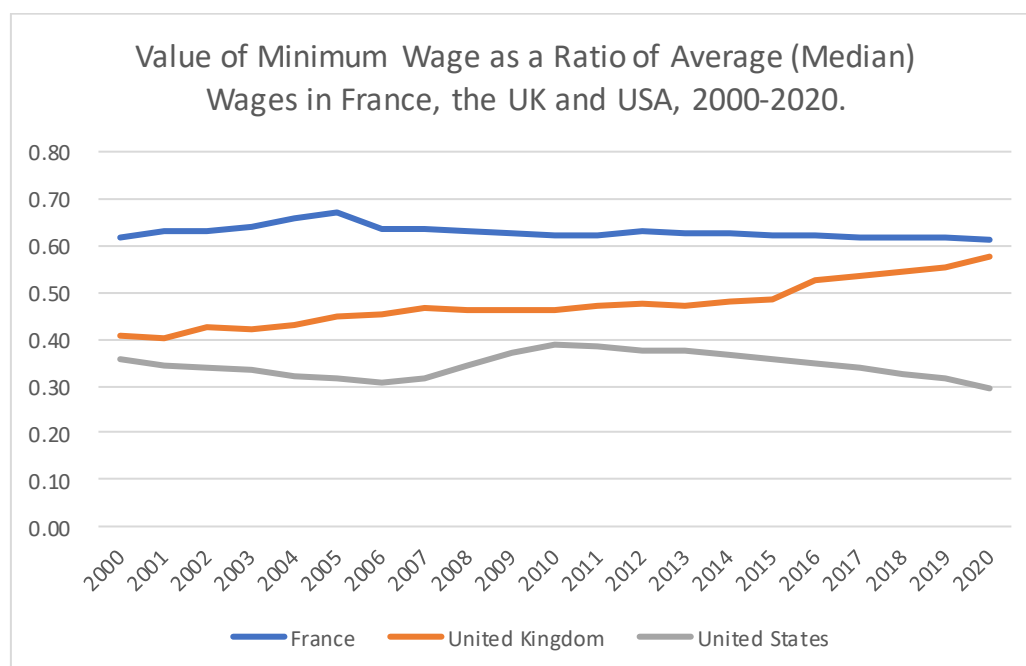
A review of developments in these policy areas since the mid-1990s suggests that the common use of IWBs has not coincided with wholesale institutional convergence between France and the UK. In particular, respective systems of unemployment protection, collective bargaining, employment regulation and taxation of low wages remain very different. Nonetheless a partial convergence has taken place regarding means-tested support, IWBs, and minimum wages. France has implemented and expanded social assistance, which has effectively become a new tier of unemployment protection, while the UK has introduced and increased its minimum wage as an anti-poverty and regulatory instrument. As such, despite ongoing institutional differences, both countries now offer a combination of the minimum wage, in-work benefits, and social assistance as an in- and out-of-work support package for many low-income people. Each of these areas is discussed further below.

Wage-Setting and Low Wage Support Measures

Support instruments for low wage earners exhibited both convergent and divergent trends from the late 1990s to 2020.

In addition to IWBs, convergence has occurred regarding use of minimum wages. In 1999 the UK's New Labour government introduced a statutory minimum wage in Britain for the first time (National Minimum Wage, NMW). This was primarily a response to the erosion of collective bargaining and concomitant expansion of low wages in the 1980s and 1990s (Coats 2007, 21; c.f. sec. 2.1). Furthermore, from different starting points, minimum wages have come to reach a similar level in both countries (see Fig. 2.6.). This is because while the real value of France's SMIC has been held relatively constant, the UK's NMW has seen secular growth, especially since 2016 (Concialdi 2020, 153, Figure 1; Ch. 4, Part III). Further, in both countries younger workers receive a reduced rate (although this only applies to under 18s in France) and minimum wage levels are set by central government with input from social partners and appointed experts (Low Pay Commission, *Groupe d'Experts sur le SMIC*). However rate-setting rules are more institutionalised in France, as the SMIC is subject to legally-mandated increases which are partially indexed to average wages and inflation (Concialdi 2020, 151).

Figure 2.6. Value of the Minimum Wage as a Ratio of Average (Median) Wages in France, the UK and USA, 2000-2020.

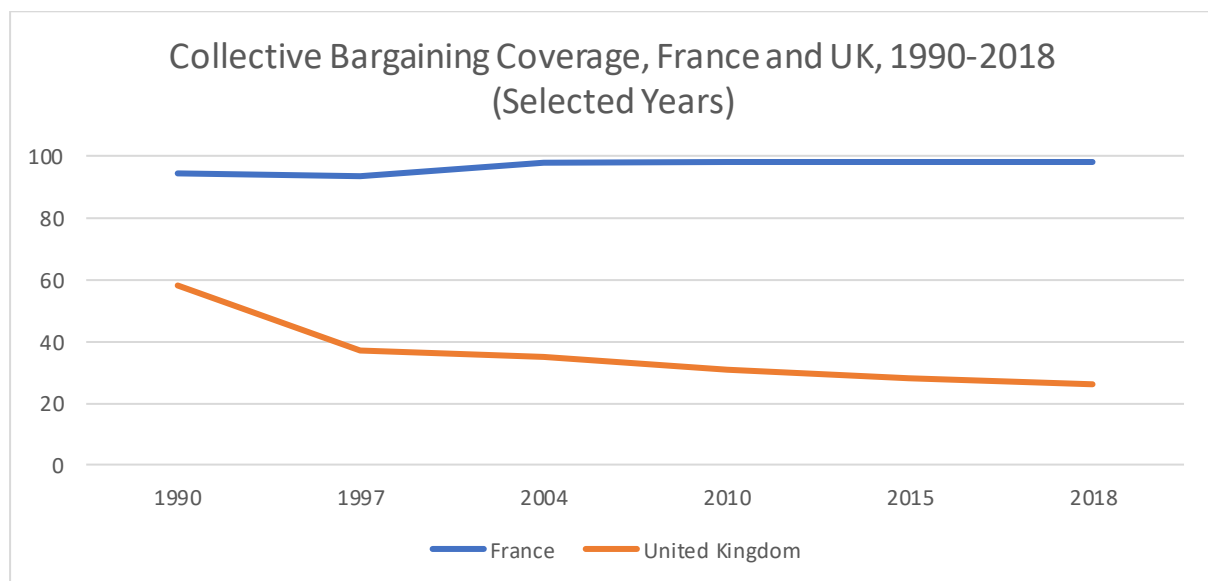


Source: (OECD.Stat 2022a). Minimum Wages Relative to Average Wages of Full-Time Workers.

Overall, considering that in the mid-1990s France had no permanent IWB and the UK had almost no statutory wage-setting instruments, reform trends in these areas represent a clear case of convergence in support tools for low-wage earners. Reflecting this, Pedersen and Picot (2022, 13–14) currently classify both France and the UK as having similar ‘state pay’ systems of low-wage regulation where NMWs are topped up by IWBs.

In contrast, the collective bargaining systems of each country remain very different. While France has lower union density than the UK, French workers benefit from far higher coverage of negotiated wage agreements compared with their UK counterparts (see figures below).⁹ This is because French workers benefit from the automatic legal extension of collective agreements, which does not occur in the UK (Bosch and Gautié 2011, 307–9).

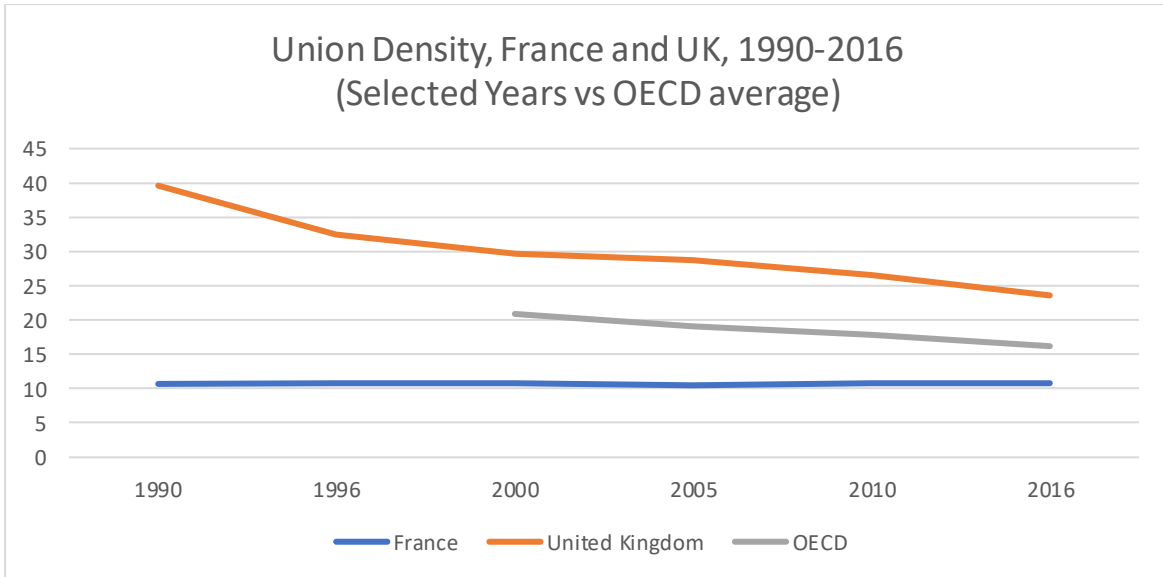
Figure 2.7. Collective Bargaining Coverage, France and UK, 1990-2018



Source: OECD/AIAS ICTWSS database, AdjCov_hist variable. (see codebook, p23 at: OECD 2022e).

Figure 2.8. Union Density, France and UK, 1990-2016

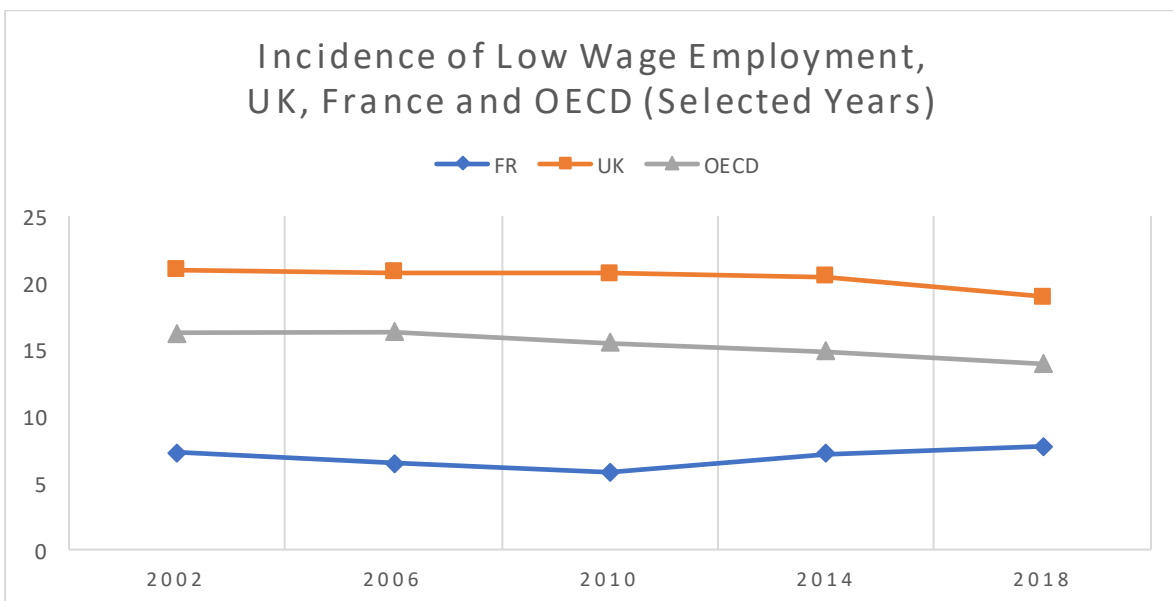
⁹ In cross-national terms, the OECD average for collective bargaining coverage was 33% in 2014, compared with 98.5% in France and 27.% in the UK (OECD 2022b).



Sources: OECD/AIAS ICTWSS database, UD_hist variable (see codebook, p19 at: OECD 2022e). The OECD average is estimated data drawn from (OECD.Stat 2022d)

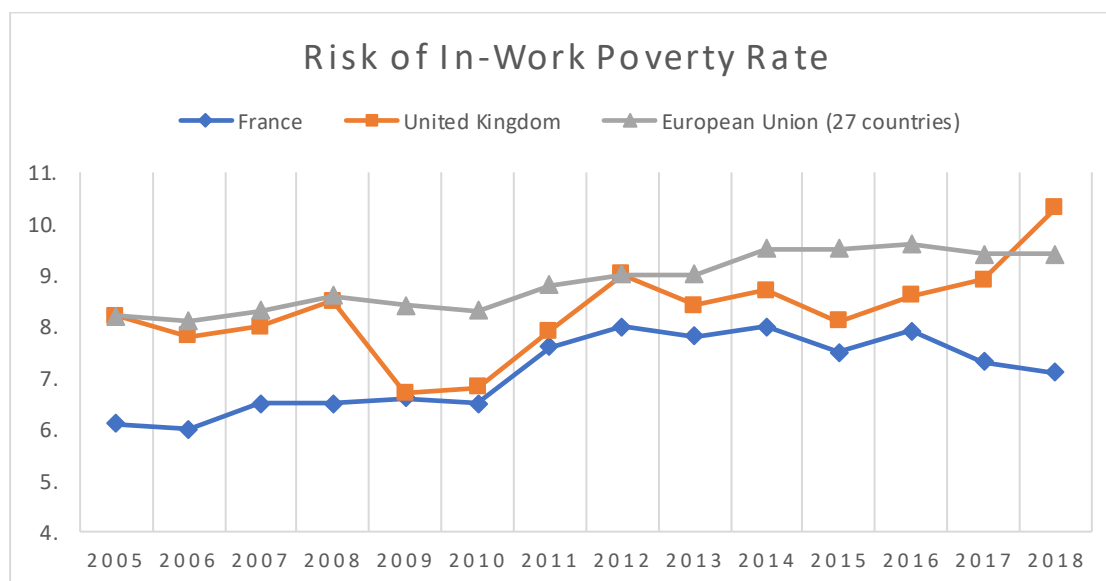
These institutional characteristics may be some of the drivers behind France’s far lower earnings inequality and incidence of low wage employment compared with the UK (Fig. 2.9; Matsaganis and Figari 2016, 18). Likewise, France has displayed a lower rate of in-work poverty compared with the UK throughout the period for which data is available (Fig. 2.10).

Figure 2.9. Incidence of Low Wage Employment, UK France And OECD (Selected Years)



Source: (OECD.Stat 2022e). Wage Levels Indicator. The incidence of low pay refers to the share of workers earning less than two-thirds of median earnings.

Figure 2.10. Risk of In-Work Poverty Rate



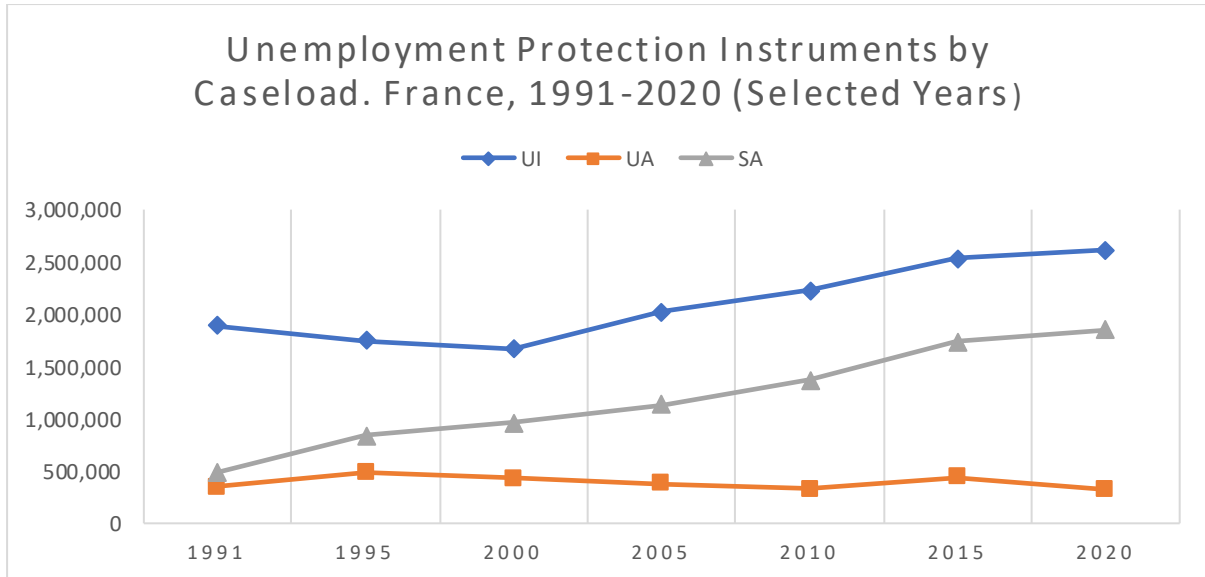
Note: share of persons who are at work and have an equivalised disposable income below the risk-of-poverty threshold (60% of the national median equivalised disposable income. Data extracted from: (Eurostat 2022).

Finally, the tax treatment of low earnings also remains very distinct in each setting. In calculations by Matsaganis and Figari (2016, 18), in 2014 low earners in the UK paid zero tax on their wages while in France the figure was 17%, above the EU average of 12.9%. In terms of instruments, those who earn sufficient amounts in the UK pay both national insurance contributions (NICs) and personal income tax (PIT) on their wages. Targeted reductions exist for lower earners in both instruments. In France taxation of low earners is based on employee social security contributions (SSCs) and the CSG flat-rate payroll tax. Progressive income tax is only paid by middle and higher earners.

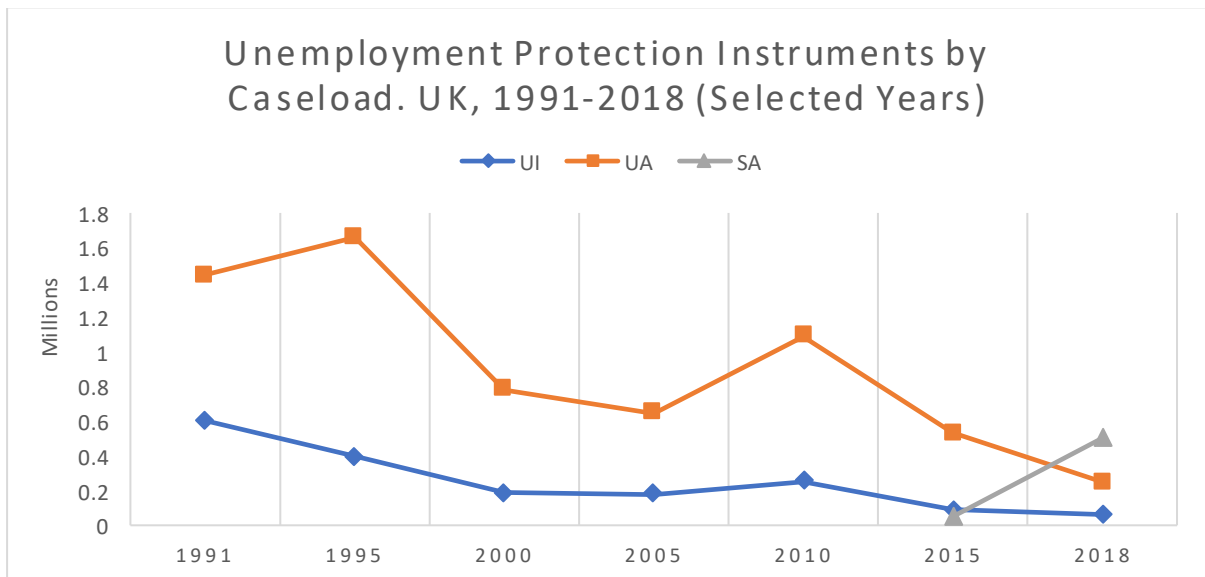
Unemployment Protection

The core logics of unemployment protection in France and the UK also remain very different. As shown by caseload data, UI remains the dominant instrument in France but has become very marginal in the UK (Figs. 2.11 and 2.12).

Figure 2.11. Unemployment Protection Instruments by Caseload. France, 1991-2020



Notes: UI = mainly ARE; UA = ASS; SA = RMI/RSA. UI statistics include those combining benefit receipt while working. This group grew as a proportion of UI recipients from 1995 and drove most of the overall increase in UI caseloads visible since 2000 (Unédic 2019, 3–4). See appendix 9.2. for notes and sources on policy instruments.



Notes: UI = UB/JSA-C; UA = ISfrU/JSA-NC; SA = UC. Social assistance policies prior to UC are not included as they are not considered as specific instruments which protect against the risk of unemployment. UC data excludes categories of claimants not expected to seek work. See appendix 9.2. for notes and sources.

At the same time, social assistance has gained in importance as a form of unemployment protection in both countries, becoming predominant compared with UA. In France this has occurred via the steady expansion of the RMI (RSA from 2009) while the ASS (a scheme open to the long-term unemployed with qualifying work records) has slowly declined. In the UK,

unemployment assistance overtook contributory UI as the dominant form of unemployment support in the 1980s (Clasen 2011, 18). However the current form of UA, non-contributory (means-tested) Jobseeker's Allowance (JSA-NC), has been fused with UC and so is currently being phased out.

Beyond the similar institutional trend towards greater use of means-tested support, the UK has integrated several other minimum-income benefits into UC, while the French system remains more fragmented. As such, while partial 'convergence from below' (D. Clegg 2014) has occurred in the area of minimum income support, this has not involved wholesale emulation nor the dissolution of France's social insurance tradition in the field of unemployment protection.

Employment Regulation

France and the UK also retain very different approaches to employment regulation. France has far stricter protection against dismissal for both temporary and regular contracts (OECD.Stat 2022c) and a far lower proportion of part-time employment compared with the UK (OECD 2022d). Conversely, France has a higher rate of temporary employment, although as noted protection against dismissal is also high (OECD 2022d). Indeed, according to an employment flexibility index compiled by a consortium of pro-free market organisations (Lithuania Free Market Institute 2019), France has the strictest labour regulations out of 41 OECD and EU countries, while the UK has among the most flexible labour market frameworks. This is consonant with the differing labour market models and employment norms discussed in section 2.2.

Summary

Overall, IWB trajectories in the UK and France appear to have developed as part of a process of partial institutional convergence of policies towards low earners and the unemployed. In addition to the implementation and secular expansion of IWBs, common trends include the expansion of means-tested income support and convergence of minimum wage instruments. A commonality of these areas is that they involve the direct role of the state rather than collective bargaining or social insurance programmes. At the same time, both countries retain distinct institutional frameworks and logics, for example regarding unemployment insurance,

collective bargaining coverage, employment regulation, and low-wage taxation. These may also relate to the different labour market outcomes relevant to IWBs such as incidences of low-pay, part-time working and in-work poverty. Further, institutional differences continued to exist in other areas such as social benefit administration, active labour market policies and benefit conditionality regimes, which are explored in Chapters 4 and 5.

2.4 Research Puzzles

In the context of the institutional trends explored above, the IWB reform trajectories in France and the UK offer research puzzles from both single-case and comparative perspectives. Importantly, convergence in support instruments for low-wage earners – IWBs and minimum wages – appears to have begun in the late 1990s, with roots in policy changes and debates immediately preceding this time point. For reasons explored further below and in Chapter 3, this is why studying IWB reforms from the mid-1990s onwards represents an analytically critical timespan in order to explain comparative reform paths and the contemporary configuration of low-wage support instruments in each country.

Within-Case Research Puzzles

The main institutional puzzle regarding IWB reforms within each case is: why did processes of policy change predominate over institutional stability or path-dependency? In the 1990s the dominant theoretical institutional approach viewed European welfare states (especially continental ones such as France) as ‘immovable objects’ and ‘frozen landscapes’ that were strongly resistant to pressures for change (Esping-Andersen 1996; Pierson 1998). Yet the story of IWB reforms since this time has been one of change and volatility rather than ‘stickiness’ and strong path dependency. In addition to significant policy expansion, within both countries almost every government studied made significant changes to policy administration, targeting, eligibility and generosity, rather than leaving previous arrangements in place.

Beyond the apparent limitations of path dependency as an explanatory approach, these reform processes also appear difficult to explain using traditional politics-based theories of welfare state change. For example power resources theory posits that the strength of trade unions and governance by left-wing parties are key drivers of welfare state expansion (Korpi 2006, 168;

Myles and Quadagno 2002, 38). However the challenge of this theory in accounting for IWBs is that governments may not have faced strong socio-electoral pressure to prioritise expansive income protection policies for diffuse or disorganised groups of labour market ‘outsiders’ (Rueda 2006; Taylor-Gooby 2004, 235). Further, as foreseen by Pierson (1998), governments have been confronted by inexorable pressures for cost containment and competition for resources among more powerful electoral groups (pensioners, asset-holders, and labour market ‘insiders’). It is therefore surprising that IWBs have seen both fiscal expansion and comparative protection from retrenchment, especially when more established programs have experienced freezes or cutbacks. For example the generosity of unemployment benefits was reduced in both countries studied from the 1970s to the 2010s, albeit far more sharply in the UK than in France (Buendía et al. 2020, 257; Korpi and Palme 2003, 435; OECD.Stat 2022b).

Responding to these issues, political accounts which seek to explain instances of post-industrial welfare state expansion have emphasised how organised interests have sometimes mobilised on behalf of outsiders, creating a source of political demand that potential beneficiaries are not able to exert themselves. For example, in areas such as minimum income systems, employability support or parental leave, such advocacy has occurred either because organised actors identified with the interests of outsiders or a cross-cutting alignment of interests emerged between outsiders and more powerful interests (Bonoli and Natali 2012; Häusermann 2012; Jessoula et al. 2014; Natili 2019; Taylor-Gooby 2004). In addition, governments are held to have faced political incentives to expand pro-employment policies which appeal either to beneficiaries themselves or target electoral groups (Bonoli 2012). Institutional structures have also played a role in the ‘new politics’ literature by mediating patterns of political mobilisation and shaping variation in how welfare states cover ‘old’ and ‘new’ social risks (Häusermann 2010; Kersbergen and Vis 2013, 121; Taylor-Gooby 2004, 233). However, while such accounts may be convincing regarding the areas studied, the literature review in Chapter 1 provides reasons to suspect that organised actors and voters may *not* have provided a strong source of political demand or incentives for IWB reforms. It is thus an open question regarding which interest-based mechanisms may have influenced French and British IWB policymaking, and the relative importance of these factors.

Finally, as noted earlier, the role of ideas has been posited as an alternative which may explain why policymakers have favoured IWB policies. Yet even if favourable elite attitudes towards IWBs can be empirically demonstrated, this generates the puzzle of why policy elites became well-disposed towards wage supplements. Further, why might changing policy ideas have had

a greater impact in this field compared with more established forms of social protection and labour market regulation (c.f. D. Clegg 2014, 160)? As the power of ideas to effect change is likely constrained by political and institutional factors, it is therefore necessary to examine the interactions between different types of causal mechanism to disentangle their effects.

Comparative Research Puzzles

In comparative perspective the challenge is to understand *qualified convergence* as well as *ongoing differences* in the use of IWBs in these two institutionally-distinct welfare states. Comparative developments in wage supplementation – and associated measures to support low earners – appear puzzling not only because of each country’s different institutional structures and policy norms, but because trajectories of change up to the mid-1990s did not appear to indicate imminent policy convergence.

Comparatively speaking the use and expansion of IWBs appears most surprising in France. Firstly, as noted, IWBs did not fit with the pre-existing structures and norms of French social protection. Indeed, aspects of IWB design and logics – such as fiscal administration or incentivising part-time working – cut directly against pre-existing employment norms and social security arrangements. Secondly, in functional terms France is considered one of the European welfare states whose institutional conditions are *least* propitious for this type of policy. This is because its comparatively compressed earnings dispersion and high tax burden on low wages make such policies simultaneously more expensive and less effective at achieving their ostensible goals (Matsaganis and Figari 2016, 17–19). Thirdly, despite France’s traditional welfare politics, the main IWB reforms were supported by both centre-left and centre-right parties and were made without major political opposition or institutional obstacles (see Ch. 5). On the surface then, IWB reforms appear to bear little resemblance to the institutions, logics or politics of 20th century social and labour market policy in France. As a result, the introduction of permanent wage supplementation and its associated incentive-based logic has been described as a cognitive and institutional rupture (Colomb 2012; Palier 2010d, 85). More recently, trends in this field have been viewed as a potential precursor to a wholesale liberalisation of France’s social model (Barbier 2019).

As a counterfactual, if reforms in France had continued to follow pre-existing trends and logics, efforts to support low-income workers might have instead been expected to combine use of the minimum wage, (further) reductions to social security contributions, and expansion of non-

employment related benefits and services (c.f. Hassel, Palier, and Avlijaš 2020, 70). For the poorest or socially-excluded, increases to social assistance and/or efforts to return to a logic of UI expansion might have occurred. Instead policymakers often chose to use permanent wage top-ups as explicit *alternatives* to minimum wage increases and other traditional levers.

In the UK, IWB expansion from the late 1990s appears comparatively less surprising. As mentioned, wage supplements had been slowly growing as a component of social security since the introduction of the FIS in 1971, a process which dovetailed with wider institutional and ideational changes. Further, from the 1980s the UK possessed ideal ‘framework conditions’ for IWBs such as a high earnings dispersion, a light tax burden on low wages, and widespread use of means-tested benefits.

At the same time, the evolution of the UK’s policy package towards low earners cannot be viewed as fully path-dependent. Firstly, from the late 1990s the scale of IWB expansion marked a break with prior decades, converting wage supplements into a large-scale wage subsidy and central pillar of means-tested social protection (Sloman 2019, 733–34). Linked to this, the apparent cross-party consensus in favour of IWBs from the mid-1990s was a change from previous decades, when prominent figures in the Labour Party and the trade union movement (as well as some on the Conservative Party right) were strongly critical of this instrument (Grover 2016, 132; Sloman 2016, 232–34). Nor did IWB reforms follow a predictable or linear path after this time. For example in the late 1990s and 2000s New Labour introduced fiscal IWBs, something the party had opposed in the 1970s and 1980s; while in the 2010s the Conservatives later scrapped tax credits, despite having actively sought to introduce fiscal IWBs in the 1970s and 1980s. More broadly, in recent decades political preferences towards the micro-institutional features of IWBs have been shifting and volatile (c.f. Ch. 4).

Moreover, the introduction and expansion of the National Minimum Wage broke with Britain’s post-war wage-setting institutions and the strategy of wage deregulation pursued from 1979–1997. Both Labour and the Conservatives were opposed the idea of minimum wages in the post-war period. Thereafter, while Labour came to support statutory wages as a response to the erosion of collective bargaining in the 1980s, the Conservative Party did not drop its opposition to the concept until after the NMW had been introduced in 1999 (Tomlinson 2021, 101–2; White 2000). As such, explaining IWBs and related policy trajectories requires accounting for unpredictable and non-path dependent reforms in *both* France *and* the UK.

2.5 Conclusion

In the decades leading up to the mid-1990s policymakers in France and the UK continued to use different instruments, underpinned by different system logics, to support and regulate low-waged work. However from the late 1990s governments in each country came to share preferences for IWBs as instruments to support low-waged workers. Subsequent IWB reform trajectories have been variegated and have exhibited both similarities and differences in policy design and logics. Thus qualified convergence and ongoing institutional differentiation must be accounted for in the development of a comparative account of this policy field. More widely, qualified IWB convergence has taken place in a context of partial convergence in related areas, namely minimum wages and minimum income support. Both these areas, and spheres where strong institutional differentiation continues, are important to consider when seeking to understand policymaking towards IWBs and the logics embodied in policy design.

As reviewed in Chapters 1 and above, available theories and studies of post-industrial welfare state change cannot fully account for how and why qualified IWB convergence might have taken place. Meanwhile literature on IWB reforms in France and the UK offers a range of potential explanations which have focused on problem pressures, political-economic contexts, political incentives (credit claiming, blame avoidance and ambiguous agreements), ideational change, and wider institutional trends. However most existing studies tend to centre on only one of these cases, on more specific time periods or reforms, or on a range of other areas without taking IWBs as the main focus. In addition, rather than this being a ‘mature’ debate with two or three main competing accounts (or hypotheses) to be tested, a myriad of potential factors may be of relevance. As a result the challenge is to develop both within-case and comparative accounts of IWB trajectories in these countries which can address potential causal complexity and capture the range of potentially-relevant factors. The research strategy developed in Chapter 3 is oriented towards this task.

Chapter 3 – Analytical Framework and Research Strategy

3.1 Introduction

This chapter sets out the analytical framework and research strategy used to investigate the factors that have driven IWB reforms in France and the UK since the mid-1990s. Section 3.2 sets out the research questions employed to address the puzzles outlined in Chapter 2. Following this, sections 3.3 and 3.4 unpack the research strategy, which comprises the following components: a multiple-streams analytical framework; theoretical assumptions regarding the role of ideas and multi-causality; a comparative logic aimed at discovering causal mechanisms via comparative process-tracing; and the use of diverse, but mainly qualitative, data and research methods.

3.2 Research Questions

This thesis examines two main research questions in relation to French and British IWB reforms. The first of these (plus sub-questions) are directed at within-case explanation and are addressed in the empirical country chapters (Chapters 4 and 5). The second is directed at explaining IWB reform trends comparatively. These questions are deliberately open-ended in order to capture causal complexity and the range of potential factors which may be relevant.

RQ1. Which factors explain governmental decisions towards IWB policy reforms in France and the UK in each period studied from the mid-1990s to 2020?

Research question 1 (RQ1) focuses on policymakers' preferences and decisions towards IWB policies in each phase of reform studied. 'Policymakers' are understood here to be those elites with decision-making power to approve a particular IWB reform and those closely involved or influential in the conception and design of that reform (c.f. sec. 3.3.2). Such figures may include government ministers, elected representatives, senior civil servants, and external experts who were in a position of influence over relevant tax, benefit or wage policies at the time.

Of course multiple factors may influence government decisions towards IWBs. As such, RQ1 is addressed via a set of sub-questions for each reform studied. These reflect the analytical and theoretical assumptions of this research:

- 1.1 Who were the *protagonists* that played a key role in driving each observed IWB reform?
- 1.2 Which factors underpinned the *policy desirability or feasibility* of each IWB reform?
- 1.3 Which factors underpinned the *political desirability or feasibility* of each IWB reform?
- 1.4 Which factors or conditions were favourable to opening up the *window of opportunity* for each IWB reform?
- 1.5 Which *configuration* of the above factors was relevant to governmental decisions towards each IWB reform studied?

These sub-questions are thus geared towards understanding, firstly, who the policy elites were that drove or authored a given IWB reform (1.1), and secondly, the technical and ideational rationales for policymakers' own preferences towards wage supplements (1.2). Sub-question 1.3 addresses the political factors which may have influenced policymakers, while 1.4 concerns the various circumstances which made each IWB reform possible and shaped final policy design. The final question (1.5) is used as a heuristic tool to consider the interactions between, and relative weight of, the different factors identified. In doing so, the aggregated responses to these sub-questions allow to answer RQ1 for each IWB reform analysed.

RQ2. What factors account for the convergent and divergent trends observed regarding in-work benefits in France and the United Kingdom from the mid-1990s to 2020?

RQ2 addresses the comparative dimension of this study. This involves cross-examining the answers to RQ1 and sub-questions for each reform period studied. In this sense, answering RQ1 and sub-questions for each reform period cumulatively provides the answers to RQ2. Therefore the main comparative findings are presented in Chapter 6 of this thesis after Chapters 4 and 5 have examined reform processes within the UK and France individually.

3.3 Analytical Framework and Theoretical Assumptions

The above research questions are investigated through a multiple streams analytical framework. The framework is designed to be able to direct data collection in relation to these questions and aid the analytical reconstruction of each IWB reform process. It also reflects theoretical assumptions informing this study and hunches about likely important causal factors drawn from existing literature about IWBs. In addition the framework allows for consideration of causal complexity and the interaction of multiple factors to produce a given reform. The specific application of multiple streams analysis (MSA) to this study is unpacked below.

3.3.1 A Multiple-Streams Analysis Framework

MSA is a heuristic tool which helps the researcher to identify the conditions under which certain ideas or proposals become translated into policy while others do not. Cross-nationally, multi-streams approaches can help illuminate and explain the variegated diffusion of policy ideas within different institutional systems (see: Cairney 2012, 243). The basic premise of such frameworks is that policy change involves the context-specific interaction of more than one dimension of activity, or ‘stream’, leading to explanatory accounts which are “not a story of *variables* but of *configuration*” (Lieberman 2002, 709, emphasis added). In identifying particular configurations of causal factors and relationships between them, it is considered here that MSA can aid in the analysis of reform processes whose causes may be multiple, temporally- and historically-contingent, difficult to discern, and potentially unpredictable (Lim 2016, 20–21; Pierson 2004, 171–72; Ragin 2014, 26–27).

A large number of MSA approaches and frameworks exist (c.f. M. D. Jones et al. 2016). The original concept as developed by Kingdon (1984, 2013, 86–88) posits that policy change results from the interaction of problem-recognition, solution-formation and political processes. If these ‘problem’, ‘solution’ and ‘politics’ streams align then a ‘policy window’ opens, understood as a time-limited opportunity for reform-minded actors to secure adoption of their preferred proposal or call increased attention to their framing of problems (Kingdon 2013, 165). However the opening of a policy window does not pre-determine reform outcomes, which

“depend on the mix of [causal] elements present and how the various elements are coupled” (Ibid, p166). Explaining policy change thus requires careful analysis of the specific configuration of factors in a given political-institutional setting at a particular moment. Other MSA approaches are based on a similar logic, although the specification of analytical streams differs according to the social phenomena examined (M. D. Jones et al. 2016, 25–26). In this spirit, the framework created for this thesis uses a bespoke specification of analytical streams considered most appropriate to addressing the aforementioned research questions. In addition to Kingdon, two other approaches have been influential for this task: Hall’s (1989) concept of economic, administrative and political ‘viability’ in explaining variation in elites’ cross-national receptivity to Keynesian ideas, and Clasen’s (2000) framework of policymakers’ ‘means’, ‘motives’ and ‘opportunities’ regarding different patterns of welfare state restructuring in European countries.

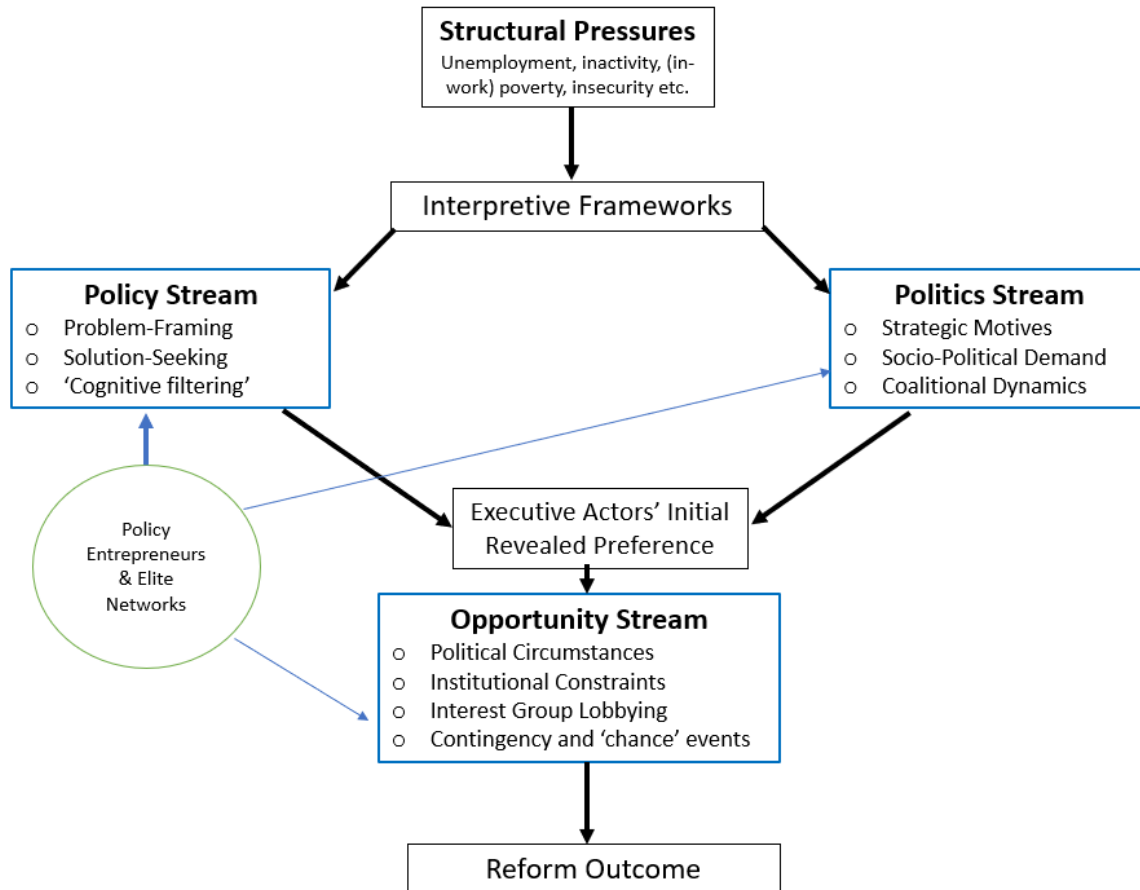
The MSA framework for this study employs three streams dubbed ‘policy’, ‘politics’ and ‘opportunity’. In relation to the research questions, the **policy stream** examines processes of problem-framing and solution-formulation and how these influenced the ideational and technical receptivity of policy elites to IWB proposals (RQ1.1 and 1.2). The **politics stream** is concerned with the strategic motives of political elites and how pressures or incentives emanating from voters and interest groups motivated observed IWB reforms (RQ1.3). The **opportunity stream** looks at the institutional and contingent factors which made reforms possible and/or blocked potential alternatives (RQ1.4). In drawing analyses of each stream together (RQ1.5) it is thus possible to develop explanatory accounts which respond to the main two research questions.

Figure 3.1 provides a stylised representation of this framework. This conceives of a social world where structural pressures and trends are interpreted by actors’ subjective cognitive frameworks (c.f. sec. 3.3.2). Furthermore, policymakers’ preferences are shaped by processes within the policy and politics streams, which determine which reform proposals will become viewed by decisionmakers as both ‘good policy’ and ‘good politics’.¹⁰ The ability to put these proposals into practice is then also determined by dynamics in the opportunity stream. Policy entrepreneurs and elite networks play an important role throughout, although most markedly

¹⁰ This language is inspired by Clegg’s description of how a policy proposal (in this case UK tax credits) can come to be viewed as both ‘smart policy’ and ‘smart politics’ (D. Clegg 2015, 499).

in the policy stream. Further explanation of the main components of this framework is provided in the next sections.

Figure 3.1. Stylised Multiple Streams Framework for Reforms to IWBs and Related Measures



Note: The above graphic is a simplified, stylised conception of the possible policy process towards IWB reforms. Rather than a linear process as depicted here, real-world reform processes are expected to be more complex, with mutual and simultaneous interactions occurring between each of the elements depicted.

3.3.2 The Policy Stream

As noted, the policy stream is concerned with understanding why and how a group of dominant policy elites comes to decide that a given course of state action is desirable or necessary (RQ1.1 and 1.2). As observed by Hecló (1974, 305), to explain policy choices we must understand how policymakers ‘puzzle’ as well as ‘power’. In the analysis of ‘puzzling’ in relation to IWB reforms, the policy stream focuses on the following elements:

(i) identification of the actors (‘policy elites’ or ‘protagonists’) closely involved in the debate, conception and design of a given IWB proposal.

(ii) tracing processes of ‘problem framing’ and ‘solution-formulation’ which lead to a dominant elite preference for a given reform.

(iii) examination of the role of ‘cognitive filtering’ (Hay 2010) in shaping elite deliberative processes, including the treatment of evidence and potential reform alternatives.

These analytical tasks, discussed below, are underpinned by an assumption that policy change is actor-centred and at least partially ideas-driven (c.f. Hay 2002, 165). As such, the existence of an elite preference in favour of a given idea will increase the likelihood that, in the right circumstances, that idea will become a real-world reform. Accounting for how and why a group of elites may come to think of a particular proposal as an attractive idea is therefore indispensable to explanation. At the same time, the influence of a dominant set of ideas or elite preference for a particular reform does not pre-determine its adoption as government policy. Functional problem pressure (Kersbergen and Vis 2013, 104–5), institutional effects and policy legacies (Pierson 1998; Rothstein and Steinmo 2002), party competition and electoral incentives (Bonoli and Natili 2012; Manow, Palier, and Schwander 2018) and contingent circumstances all play roles in motivating and constraining state action.

Policy Elites and Entrepreneurs as Agents of Change

Another assumption underpinning the empirical analysis is the observation that policy is ultimately conceived, decided-upon, and implemented by policy elites. As Genieys and Smyrl (2008, 21) observe:

“There is little debate that policy is made – and presumably changed – in large part by professionals...men and women in the public or private sectors for whom this is a principal activity and who it seems appropriate to label in a purely descriptive sense “elites”. It is they whose identities and motivations we seek to determine”.

In this study the term ‘policy elites’ refers to specialists within and outwith government whose knowledge or position gives them particular influence in the fields of tax, benefit and wage policies. They include government ministers who have decision-making power over policy adoption (executive actors), and all those who may be involved in developing, debating or designing IWBs or related proposals (such as elected representatives, civil servants, academics, think-tankers, and specialist figures within interest groups e.g. charities, businesses or unions). Within a specialist policy field such as social security, these elites form different types of ‘communities’ or ‘networks’ within which reform ideas are debated and solutions proposed

(Cairney 2012, 156, 175, 235; Kingdon 1984, 18; Rhodes and Marsh 1992). However different groups of policy elites – divided by ideology, interests or professional identity – also compete for intellectual and institutional authority over a given issue-area (c.f. Genieys and Smyrl 2008, 11, 37–38). Numerous scholars note that dominant elite networks tend to be able to establish a consensus or hegemony around a basic understanding of what constitutes problems to be tackled and types of solutions to be considered feasible (Baumgartner and Jones 1993; Genieys and Smyrl 2008, 11; Jordan and Maloney 1997; Sabatier 1998, 105). The actions of dominant policy networks, and competition between elite networks, are thus important drivers of policy change.

Within this elite-focused approach the role of the ‘policy entrepreneur’ is also key (Hecló 1974, 308; Kingdon 1984, 21; Mares 2003, 50–51). Policy entrepreneurs can be almost any type of specialist policy actor. However they often transcend their immediate organisational or professional affiliation (Hecló 1974, 308) and become active in conceiving or agitating for a particular reform idea. For Kingdon (2013, 205–6), the presence of an active policy entrepreneur greatly increases the chance that a given idea will move up the political agenda and have a chance of adoption. From an analytical standpoint, identifying the role of policy entrepreneurs requires close study of the “nitty gritty details” of policymaking, as general theories are unable to predict their effects *a-priori* (Mares 2003, 51).

The Role of Ideas in Shaping and ‘Filtering’ Deliberative Processes

In the study of IWB reforms, an ontologically constructivist position is assumed whereby actors’ policy preferences are at least in part shaped by their ideas and perceptions rather than only their ‘objective’ material position. This position is underpinned by the observations of several of the studies on IWBs cited earlier (Colomb 2012; Cousins 2014; Grover 2016) as well as a burgeoning literature which suggests that ‘ideas matter’ for policy change (for reviews see: Béland 2010, 147–48; Béland and Cox 2011; Daigneault 2014, 1). In this sense, actors are understood to be ‘thinly rational’ (Bengtsson and Ruonavaara 2017, 51). They seek to pursue self-defined goals or interests, however these goals are in turn shaped by their ideological worldviews and subjective interpretations (Parsons 2007, 13; Scharpf 1997, 19).

Theoretically, ideas play myriad potential roles in policy-making and politics (Mehta 2011). Two interrelated concepts are of particular interest here: ‘policy paradigms’ and ‘cognitive filtering’. Policy paradigms are ‘mid-level’ systems of thought which connect deeper

ideological worldviews and normative values with a particular policy area, providing a structured way of understanding policy problems, defining policy goals, and selecting appropriate courses of action (c.f. Daigneault 2014, 2; Hall 1993, 279). Heuristically, paradigms also help to distinguish different types of policy change (Hall 1993, 279–84): namely whether a reform is first-order (parameters or settings), second-order (changes to policy instrument), or third-order (changes to policy goals). Third order change is held to represent a paradigm shift (Ibid, 279) whereby the underlying assumptions, logics and goals of policy are transformed.

In policymaking, paradigms thus act as ‘interpretive frameworks’ or ‘intellectual maps’ (Béland 2010, 148; Hall 1993, 279) which – consciously or not – guide policymakers in the face of uncertainty. Moreover, the existence of a dominant paradigm in a given field exerts a form of ideational power over debate, shaping what is considered ‘rational’ and ‘feasible’ (Genieys and Smyrl 2008, 21; Hecló 1974, 312). In this sense, conflicts between policy elites who share different interpretive frameworks takes the form of a ‘battle for ideas’ whereby the intellectual displacement of one set of assumptions by another can lead to a shift in policies themselves. Charting paradigm shifts and less profound movements of ideas and assumptions thus help to explain change (Béland 2007, 23).

Meanwhile the concept of ‘cognitive filtering’ (Hay 2010) examines *how* policy actors’ systems of thought (both deeper ideologies and more applied paradigms) shape their thinking about problem-definition and solution-formulation.¹¹ The existence of cognitive filtering also questions the assumptions of rationalism and evidence-based policymaking (EBPM) contained within some functionalist accounts of IWBs (Cairney 2016; for overviews of EBPM see: A. Kay 2011). This is not to suggest that functional and structural pressures do not play a role in policy change, but rather that policymakers’ decisions about what to do are influenced by their own cognitive frameworks. Following Sabatier (1998), both the constraints of time and effort, and the influence of ideological biases and normative values, encourage policy actors to take ‘cognitive shortcuts’ (Parsons 2007, 13): leading them to lean on their own assumptions when interpreting problems, considering solutions and analysing policy-relevant information. As a result policy actors may also “resist information suggesting their deep core or policy core beliefs may be invalid and/or unattainable, and usually will use formal policy analyses to buttress and elaborate those beliefs (or attack their opponents’ views)” (Sabatier 1998, 104–5).

¹¹ The use of the term here is somewhat distinct to Hay, who centres on how cognitive frameworks shape actors’ subjective interpretation of their own self-interest and thus influence strategic action.

As such, cognitive filtering works in two directions (and both consciously and unconsciously): it guides policymakers to selectively draw on information to justify an already-held preference (Slater 2008, 219) and ‘filters out’ proposals or evidence not consonant with preferred frames of thinking.

Social Assistance and In-Work Benefit Paradigms

How might policy paradigms and cognitive filtering operate regarding policymakers’ attitudes towards IWBs? Here it is useful to draw upon Daignault’s (2014) typology of ‘social assistance paradigms’ as, despite the functional differences between IWBs and out-of-work benefits, these instruments occupy a similar policy space (c.f. sec. 1.1.2). Social assistance paradigms and their ideological roots are termed by Daignault as ‘entitlement’ (social democracy), ‘activation’ (Third Way, social investment and neoliberalism) and ‘workfare’ (conservatism and neoliberalism). What primarily distinguishes these are their ontological assumptions about the causes of unemployment and poverty, namely: structural barriers and a lack of labour demand (entitlement paradigm); a disconnect between economic and social policy (activation paradigm); and the inadequate personal traits and efforts of the poor (workfare paradigm). These assumptions in turn lead to different policy goals and preferences for different types of instruments. As ideal-types, the entitlement paradigm favours a ‘rights-based’ logic and generous, universal, and unconditional benefits; activation favours a ‘rights and responsibilities’ logic pursued via conditional and employment-orientated benefits; and workfare views welfare as a ‘privilege’ and favours low benefits with tight conditionality requirements (Ibid, p3).

Building on this, Daignault’s paradigms have been re-fashioned here as three main paradigms applicable to modes of thought towards IWBs specifically (Figure 3.2). Within this, two of the paradigms have been further divided into sub-logics of social security in order to capture how views within different ideological traditions often differ towards the notion of wage supplementation (c.f. Grover 2016, 206).

The below figure summarises these sub-paradigms and the possible influence that each may have as cognitive filters on policy actors’ attitudes towards wage supplements. They are not intended as deterministic predictors of actors’ concrete policy positions, but rather as actors’ likely ‘instinctive’ interpretations of IWBs as a policy *idea* rooted in their deeper assumptions about unemployment, poverty and the role of social security.

Figure 3.2. In-Work Benefit Paradigms

In-Work Benefit Paradigms (Daignault's Original Social Assistance Paradigms)					
	Entitlement (Entitlement)		Incentive (Activation)	Attitudinal (Workfare)	
Social Protection Logic(s)	Rights-Based	Needs-Based	MWP	Workfare	Laissez-Faire
Ideological Foundations	Socialism & Post-War Social Democracy	Social Liberalism and Third-Wayism	Neo-Liberalism and Third-Wayism	Neo-Conservatism and Neo-Liberalism	Traditional Conservatism and Classical Liberalism
Expected Attitude Towards IWBs	Critical: IWBs as low-wage subsidy favouring employers or facilitating out-of-work benefit retrenchment /conditionality.	Qualified Favourable: IWBs as anti-poverty protection / compensation for low wages & job precarity.	Favourable: IWBs as a first preference which promote employment & address disincentives.	Qualified Favourable: IWBs as a moral signal on value of work or part of wider disciplinary system for low-income groups.	Critical: IWBs as market or social distortion creating 'perverse incentives' or inappropriate state role in poverty relief.
Additional Preferences					
Benefits	Universal, generous, non-conditional benefits or unemployment insurance.	Generous support for selected groups e.g. children, pensioners.	More radical tax-benefit reform to improve incentives.	Cuts to unemployment support.	Residual support only.
Activation	'Enabling' employment support with weak or absent conditionality.	Improved employability support (social investment).	Employability support (social investment) and enhanced conditionality.	Enhanced workfare requirements and punitive conditionality.	Punitive conditionality.
Wage-Setting	Collective bargaining, wage increases, tight LM regulation	'Fair' wages via collective bargaining and / or NMW.	Wage restraint and weakened role of collective bargaining	Anti-collective bargaining but pro-minimum wages or IWBs to compensate.	Pro- de-regulation of wage-setting.

Note: Figure 3.2. is inspired by Daignault's (2014) three paradigms of social assistance.

Of these three paradigms, the incentive-based 'make work pay' framework is most closely associated with a preference for IWBs. Rooted in utilitarian economic understandings of human

behaviour, financial ‘traps’ and ‘barriers’ to enter low-paid work are viewed as an important cause of poverty, unemployment and inactivity (Blundell and Walker 2003, 77–80; c.f. Colomb 2012). IWBs may be conceived as one of the ways to ensure income from working is greater than out-of-work benefits, and that the right incentive signal is sent to (potential) workers so that they might adjust their work-search behaviour or working time. Nonetheless, some actors influenced by incentive-based thinking may also consider IWBs as subsidies which pervert the ‘free’ operation of market forces (*laissez-faire* sub-paradigm).

Those influenced by the attitudinal paradigm may favour IWBs as instruments sending a positive moral signal, maintaining ‘less eligibility’ and encouraging benefit recipients to be ‘responsible’. Conversely, others influenced by the same tradition may oppose IWBs on the basis that they increase welfare expenditure and extend benefit ‘dependency’ to low earners.

Within the entitlement paradigm, those influenced by a needs-based logic may primarily favour IWBs on a poverty-relief rather than activation basis. At the same time, such actors may oppose any framing of IWBs which appears to be at the expense of the unemployed or which implicitly questions the behaviour of benefit recipients. Finally, those holding more strongly to a rights-based logic of social security might instead support traditional social democratic tools as a first preference, such as generous unemployment support and wages indexed to living standards, underpinned by collective bargaining mechanisms.

To recap, it is assumed that actors influenced by an activation (incentive-based) framing of social protection are most likely to support IWBs or similar measures, potentially as a first preference. Meanwhile, policy actors influenced by the other paradigms might favour IWBs as a second preference or become more critical depending on the specificities of their ideational influences and outlook on related policy issues. These frameworks suggest that the raw ideological material exists for either broad consensus or varied patterns of ideational (and political) conflict towards IWB proposals, depending on the context and specificities of a given policy debate. Nonetheless, even where apparent consensus exists, this is likely to be based on contrasting assumptions and policy goals.

Problem-Framing and Solution-Searching

Lastly, in the policy stream, both ‘problem-framing’ and ‘solution-seeking’ processes are studied together. These are treated as separate by Kingdon (2013, 88). However while problem-

framing and solution-seeking are indeed distinct, in practice they are so intertwined that it makes equal sense to analyse them as part of the same stream. As suggested by the concept of the policy paradigm, policy ‘problems’ and ‘solutions’ are often logically connected by the same frameworks of thought, while contrarily, an idea that might be framed as a source of policy problems in one viewpoint may be considered as a policy solution in another. Similarly, in policy debates issues are rarely cast as ‘problems’ without certain types of ‘solutions’ being implicitly or explicitly floated, and vice-versa. Indeed critical analyses of political speeches and policy statements have shown how these tend to deploy mutually-reinforcing “problem-solution models” (Fairclough, Jessop, and Sayer 2010, 218; Wiggan 2012, 401) rather than only focusing on ‘problems’ or ‘solutions’ in isolation. Analysing both processes within a single analytical stream – while retaining a focus on each – recognises this and helps to identify the mutual interactions between them as elites ‘puzzle’ over desirable courses of action.

3.3.3 The Politics Stream

The politics stream is concerned with identifying the material or power-based motives which contribute to policy decisions towards IWBs (RQ1.3). As a flip-side of the previous discussion, if governments ‘puzzle’ and seek ‘smart policy’, they also ‘power’ and seek reforms considered to be ‘smart politics’ (D. Clegg 2015, 499; Hecló 1974, 305). For a policy proposal to become adopted by a government it must therefore meet a minimum level of acceptability in both ideational-technical and political terms.

The earlier literature review and research puzzle discussions identified potential political factors which may have motivated governments to adopt or reform IWBs. These cover both electoral incentive and interest group dynamics, with three core concepts selected as promising to investigate: ‘credit claiming/blame avoidance’, ‘socio-political demand’, and ‘ambiguous agreements’ (Bonoli 2012; Natili 2019; Palier 2005). The politics stream thus seeks to identify and test the role of the following factors:

- (i) Strategic-electoral motives, including credit-claiming and blame avoidance.
- (ii) Socio-political demand for IWBs from voters or organised interests.
- (iii) Coalitional dynamics and the question of political protagonism.

Strategic-Electoral Motives, Credit-Claiming and Blame Avoidance

In strategic terms, political actors – especially the leaderships of political parties – can be expected to seek to obtain and retain control over state power and public policy (Strom 1990). In parliamentary democracies obtaining power and passing legislation requires assembling winning coalitions among voters and organised groups, which in turn involves at least partly appealing to the interests and values of target social constituencies (Häusermann 2010, 80; Häusermann 2012, 119). In this sense, it is important to understand why political elites with (potential) decision-making power over social policy might identify IWBs as in some way instrumental, or at least not counter-productive, to their wider strategic goals.

In this context, a theory which seeks to explain cases of selective social policy expansion in mature welfare states is ‘affordable credit claiming’ (Bonoli 2012). This argues that even where governments face pressures to retrench social spending, they are still open to pursuing cost-effective ‘pro-employment’ policies that appear to be electorally popular and attract broad support (Ibid, 103). These credit claiming reforms can be aimed at beneficiaries themselves (such as parental leave provisions) or instead seek to appeal to the sentiments of wider target groups of voters, namely activation measures to ‘push’ the unemployed into jobs (Ibid, 104). The literature review in Chapter 1 identified the presence of such motivations in various cases of IWB reform, including in the UK and France, and so exploring the role of these dynamics further is likely to be a fruitful line of inquiry.

Political Supply and Demand

A second approach focuses on the relationship between political ‘supply’ and ‘demand’ in creating incentives for pro-outsider social policy expansion (Jessoula et al. 2014). For example, in his study of regional minimum income system (MIS) reforms in Spain and Italy, Natili (2019) found that different patterns of organised interest group mobilisation in favour of MIS expansion explained the divergent reform paths taken in each country. The main prediction flowing from these findings were:

“In a nutshell, the presence of a demand, whether strong or weak, is necessary for the introduction and/or institutionalization of MIS. Socio-political demand needs to be aggregated and articulated by interest groups to introduce the possibility of claiming credit by political actors...*if the socio-political demand is latent, credit-claiming dynamics are non-competitive, and it is very likely that policy inertia will prevail*” [emphasis added] (Natili 2019, 51)

The implication of this argument is that in the absence of overt agitation by organised interests on behalf of electorally marginal groups, politicians will not face incentives to undertake policy expansion. A second implication is that organised interests or voters must *first* create a ‘demand’ signal, and political actors *then* act to meet this demand and reap the reputational or electoral reward. It is therefore interesting to see if the same dynamics can be detected in the case of IWBs.

Coalitional Dynamics and Protagonists

The third concept is that of ‘ambiguous agreements’. Palier (2005, 131) describes this concept in the following terms:

“New measures are accepted by a wide range of different groups (political parties, administrations, trade unions, employers and others) who agree on the new measure, but for different reasons and with different interests. They share neither a common vision of the reforms nor the same interest in the measures.”

By aggregating different, otherwise conflicting interests, the existence of an ‘ambiguous agreement’ may therefore increase the political feasibility of IWBs compared with potential alternatives (Clasen 2020, 2; Howard 1997, 141). As noted in Chapter 1, empirically this type of broad support coalition has been identified in relation to IWB policies in various settings.

While the existence of broad pro-IWB coalitions based on ambiguous agreements therefore appears well-established, this research seeks to probe their relative importance to politicians’ calculations when proposing and approving IWB policies. This can be done by investigating the temporal sequence of the conception and adoption of reforms. Following Korpi (2006, 181–82), it is useful to establish which actors were ‘protagonists’ who created or demanded an IWB policy as a first-preference, and which were ‘consenters’ who later came to accept this reform. This is an additional motive for the inclusion of a sub-question (RQ1.1) specifically focused on identifying policy protagonists. Again following Korpi (Ibid), some actors may also remain as ‘antagonists’ resolutely opposed to a given IWB proposal. Overall, if certain organised interests (whether unions, employers, anti-poverty groups or others) act as ‘protagonists’ pushing governments to implement or expand IWBs, these could be considered to have pursued the policy as a first preference and to have created a source of political demand for policymakers to act upon. However if most organised actors were found to have been

‘consenters’ or ‘antagonists’, the implication would be that government preferences had primarily responded to factors other than coalitional dynamics or socio-political demand. As such, taken together, examining strategic-electoral, socio-political demand, and coalitional dynamics should allow to identify the sources and nature of the political incentives driving IWB reforms in France and the UK.

3.3.4 The Opportunity Stream

As observed by several analysts adopting MSA, it is often not sufficient for policymakers to hold an ideational-technical and political preference for a policy: they also require the *opportunity* to approve and implement it (Clasen 2000; Kingdon 2013, 175–78; Lieberman 2002, 709). Reflecting this, the opportunity stream is concerned with analysing two main processes, both of which relate to RQ 1.4. Firstly, it examines the political, institutional and contingent factors which enable or constrain the capacity of policymakers to implement their revealed preferences. Constraints may lead to initial proposals being watered-down or abandoned, while enablers allow policymakers to overcome political and institutional resistance. Secondly, in line with standard MSA approaches, the opportunity stream is concerned with understanding the alignment of factors which combine to open a ‘policy window’, or window of opportunity for reform. Two aspects of these processes – the role of institutions and contingency – are discussed further here.

Institutional Enablers and Constraints

Institutional structures enable, constrain and shape policy in numerous ways. Institutions here are viewed mainly as “systems of rules that structure the courses of actions that a set of actors might choose” (Scharpf 1997, 38). These systems include political structures, welfare state policies and administrative arrangements which together constitute the institutional setting in which policymakers operate. There is also a temporal dimension to institutional effects, as pre-existing arrangements and policies create ‘feedback’ effects which shape future capacities, incentives and opportunities for action (Béland 2007, 21–22; Mares 2003, 52; Pierson 1993).

While this study considers the effect of institutional factors in all analytical streams, a particular focus is maintained in the opportunity stream. This includes seeking to identify the prior

adjustment of reform plans in anticipation of future institutional obstacles, as well as the observed changes which occur after a government has proposed a policy or tabled legislation.

In the administrative realm, institutional policy legacies can play an important role. As suggested by path dependent theories (Pierson 1998, 2000), the prior absence of in-work benefits or incentive-based ideational logics would be expected to make it more difficult for an IWB to be proposed and implemented. However, in a manner similar to biological viruses (Palier 2010c, 89, 95), once such policies have been introduced at the margin it may become easier to expand them further in future. Micro-institutional features¹² of tax and benefit systems may also help or hinder a given reform proposal, as a lack of a necessary technology or a large gap between reform ambition and administrative reality will present obstacles even where the political will exists for change. Policy legacies can also have an impact whereby perceptions of policy failure lead to support draining away for existing arrangements, creating an opportunity for reform or even reversal (Mares 2003, 57).

Political institutions are also relevant. Their study means understanding how existing structures and circumstances operate once a government seeks to approve a given IWB policy. For example, the weaker a government's institutional position and the more checks on power it is subject to, the higher the likelihood is that opponents will be able to block or water-down a policy proposal. In the parliamentary sphere, the government's strength and composition (single-party majority, a coalition, or minority government), and the dynamic of party competition (left vs right, multi-polar or intra-polar cleavages) may condition government action and strategy. Likewise, the existence or absence of veto points for social actors may shape the ability of opponents to influence policy design and approval.

Contingency and 'Chance'

Another aspect of the opportunity stream is to identify the impact of 'chance' events and historical contingency. These may be any type of occurrence – the discovery of a new administrative technology, a legal ruling, an unexpected political event – which changes the course of events and the likelihood of a given reform taking place (c.f. Kingdon 2013, 206). On the reverse side, chance events may form part of the explanation as to why counter-factual scenarios and reforms did *not* occur. Finally, chance and contingency at critical junctures are

¹² This term is borrowed from Clegg (2014).

important as they may lock-in path dependent processes and embed the logic of a new instrument (David 1985; Mahoney 2000; Mahoney and Villegas 2009).

3.4 Research Design and Methods

3.4.1 Research Design

To investigate the research questions via these three analytical streams this study undertakes empirical analysis using process tracing and a (mainly qualitative) mixed-methods design.

Epistemologically, analysis is focused on the discovery of ‘causal mechanisms’ – factors or processes which contribute to producing a reform outcome in a historically-situated context. Instead of universal “law-like” variables, these are “small and medium-sized mechanisms for human action and interaction - plausible, frequently observed ways in which things happen” (Elster 1989, viii). Theoretically-informed and structured comparative analysis is an effective way of discovering these mechanisms as well as discarding alternative factors and explanations (Bechhofer and Paterson 2000, 7–8; Lim 2016). In this sense, rather than employ a quantitative approach which seeks to isolate the probabilistic statistical effect of a variable (or variables) of interest (c.f. Ebbinghaus 2005, 145), the aim here is to identify the configuration of causal mechanisms (or factors) in particular contexts, as well as to arbitrate between the likely importance of identified factors.

As discussed, this thesis compares IWB reforms in France and the UK from the mid-1990s to 2020. These cases were selected because they allow for the investigation of a similar policy outcome in two different institutional contexts, drawing inspiration from a ‘most different systems’ comparative research design (Ebbinghaus 2005, 141; Lim 2016, 36–40). Furthermore, as explained in Chapter 2 (sec. 2.4), the selected time period allows the research to chart reform trajectories from the point when both cases began to converge in this field, as well as marking the point at which both countries broke with prior trends in this area (in the UK’s case, the shift in the administration and scale of IWBs, and in France, the use of permanent IWBs for the first time). As such, the study of these cases offers both an interesting comparative puzzle (c.f. Ch. 2, sec. 2.4) and allows us to understand how each welfare state arrived at its contemporary package of support for, and regulation of, low-waged work and low-income workers.

Additionally, the study of these countries may identify the presence of causal processes which could be investigated in a wider range of cases in future. However, this research strategy does not pursue a strict variable control logic or explicitly test competing hypotheses (c.f. Ch. 2, sec. 2.5). Rather, the aim is to explore the various potential factors driving IWB policies and how they interact in order to construct an original and robust explanatory account.

Indeed, as a small-N qualitative study this design has limitations in terms of potential generalisability and robustness, disadvantages which are compounded by the absence of counter-cases (see discussion in Ch. 7). On the other hand, this thesis benefits from combining *across-case* and *within-case* analysis over time. Doing so helps to capture causally-relevant temporal processes such as potential path-dependent effects, the role of causal chains and sequences, and historical contingencies and conjunctures – including fortuitous events (Mahoney and Villegas 2009, 78–82; Pierson 2004). Detailed qualitative analysis also allows the research to open the ‘black box’ of actors’ motivations, agency and impact: something generally beyond large-N quantitative studies (Rueschemeyer and Stephens 1997, 62).

The main method used to analyse IWB policymaking is process tracing, defined in simple terms as “the analysis of evidence on processes, sequences and conjectures of events within a case” (Andrew Bennett and Checkel 2015, 7). It is a popular analytical tool in qualitative and historical research as it facilitates causally-orientated analytical reconstructions of event sequences and actor interactions within cases over time (Andrew Bennett and Checkel 2015; Collier 2011; Ebbinghaus 2005, 146; for discussion and examples, see: Hall 2003, 390–95; Hampshire and Bale 2015, 146; Mabbett 2016, 1240; Mahoney and Villegas 2009, 76–78; Natili 2018, 117). In particular, the approach taken here draws inspiration from Bengtsson and Ruonavaara’s (2017) strategy of ‘comparative process tracing’. This combines within-case and cross-case analysis to uncover “similarities or differences of outcomes (or processes) between cases that are surprising from the point of view of some theoretical or empirical background assumption” (Ibid, pp. 45-46). To do so, the analyst can develop a periodisation of policy development and then study key phases of reform (‘critical junctures’ and ‘focal points’) where path-trajectories may be broken, adjusted or reinforced (Ibid, pp. 52-53).

Following this approach, IWB reforms in both countries have been studied and findings presented in three main phases since the mid-1990s, as displayed in Table 3.1 (c.f. Chapter 2 for more discussion of these). Each country chapter is organised in three parts to reflect these phases.

Table 3.1. IWB Reform Periods, France and United Kingdom mid-1990s- 2020

IWB Reform Periods, France and United Kingdom mid-1990s- 2020		
Reform Period	France	United Kingdom
Background	Minimum Insertion Income (<i>Revenu Minimum d'Insertion</i>) - earnings disregards (1988)	Family Income Supplement (1971) Family Credit (1988)
(1) Mid-1990s – early 2000s: The Left and Tax Credits	Employment Bonus (2001)	Working Families Tax Credit & Working Tax Credit (1999, 2002)
(2) Mid-2000s – early 2010s: The Right and IWB Integration	Active Solidarity Income (2008)	Universal Credit (2012)
(3.1) Mid 2010s: Political and Policy Divergence	Activity Bonus (2015)	Universal Credit cuts and the National Living Wage (2015)
(3.2) Post-2016: Return to Convergence?	Activity Bonus expansion and the Universal Activity Income proposal	Universal Credit in-work expansion

3.4.2 Methods and Data

The research questions, MSA framework and research design specified above were all used to direct data collection for this study. This consisted of primary data on policy actor statements and key event sequences extracted from press articles, policy reports, and parliamentary debates and committees. Press articles were sourced from the Factiva online archive (unless otherwise indicated by a URL in the bibliography). In addition, descriptive statistical data was collected on relevant public policies, social and economic dimensions of cases, and public opinion in relation to IWBs and associated issues.

Further primary data was generated by conducting 45 semi-structured ‘elite’ interviews (following: Pierce 2008, 119–20). These included (former) government ministers, politicians, senior civil servants, special advisers, academics and think-tankers who were either protagonists or otherwise closely involved in each IWB reform studied. In addition, interviews were conducted with prominent policy experts and representatives of interest groups who lobbied government or expressed a position towards the reforms studied (see full list and template questionnaire in annex 9.3). Those interviewed provided crucial first-person insight

into events leading to reforms, the positions and role of different actors, and the (self-reported) origins, issues and motivations behind each reform. Questions posed touched upon each thesis research question and analytical stream of interest. A larger number of interviews were conducted in France (33) than the UK (12). This was partly because French IWB reforms are comparatively less covered by secondary literature, and also because the French case was initially the less familiar of the two for this researcher. A larger number of interviews therefore helped to provide additional insight and background information. Following the requests of interviewees, interviews in the French case are anonymised while names are provided for the UK case. The actors interviewed were of a similar a level of seniority and represented similar types of organisations in each case.

Data relevant to events and actors' discourse was mainly analysed using qualitative interpretative analysis (Pierce 2008; Wiesner, Haapala, and Palonen 2017). Information was coded using the N-Vivo qualitative data analysis (QDA) software package. Initial coding hierarchies were based on the research questions and MSA analytical framework and were adapted during the analytical process to accommodate new or unexpected angles and evidence. Information on alternative policy options, treatment of evidence, and counterfactuals were of particular interest in order to understand why certain policies (i.e. IWBs) were preferred over others. This method allowed for the thematic collation of information across different types of sources in order to progressively build a picture of the key issues, potential causal processes, and the distribution of empirical evidence. To further explore the prominence of certain 'problem' or 'solution' framings and paradigmatic assumptions, quantitative content analysis (the counting of word frequencies within a source or set of sources) was also employed on an ad-hoc basis to check or test findings and conclusions. More information is available in annex 9.5.

When examining the findings from data coding and preparing the write-up of empirical results two further techniques were employed to increase the robustness of the analytical reconstruction and causal arguments offered. These were data triangulation and counterfactuals. Triangulation aims to "corroborate" evidence from a variety of sources (e.g. private interviews and public documentary records) which together may point more clearly to one argument than another (Hancke 2009, 104; c.f. Pierce 2008, 89). Meanwhile the posing of counterfactuals (Bengtsson and Ruonavaara 2017, 58–59; Pierce 2008, 27) helped to draw attention to absent events or factors – such as things *not* done, said or considered by policy actors – in order to address why alternative outcomes did not occur.

The next three chapters present the empirical findings of this research process. The UK case is reviewed first, followed by the French case. This is both because the UK was a ‘leader’ with longer experience of IWBs at the beginning of the period studied, and because policy developments in the UK often subsequently impacted upon policy debates in France. As noted, analysis in these country chapters is aimed at responding to RQ1 and its sub-questions. Chapter 6 then discusses the results of Chapters 4 and 5 through a comparative lens and addresses the main comparative research question (RQ2). Chapter 7 summarises the contribution, limitations and potential future avenues emerging from the research findings.

Chapter 4 – The United Kingdom

4.1 Introduction and Overview

This chapter examines the trajectory of IWB policy reforms in the UK from the mid-1990s to 2020. The central focus is on understanding the factors driving governmental preferences and decisions towards these reforms. During this period, IWBs underwent both significant quantitative changes and several institutional overhauls. In the process, together with the introduction and expansion of the minimum wage, IWBs became a core element of how the state intervenes to shape the low-wage labour market and support low-income workers.

This chapter is set out as follows. The sub-section below recaps the trajectory, design and logics of UK IWBs from the 1970s to the present. Following this, three main parts examine the three major phases of IWB reform since the mid-1990s: the creation of tax credits and the national minimum wage (late 1990s to early 2000s), the Universal Credit reform (late 2000s to early 2010s), and the subsequent recalibration of IWBs and the minimum wage (2015-2020). Each period is analysed via the policy, politics and opportunity streams, which are oriented towards answering RQ1 and its sub-questions (Ch. 3, sec. 3.2). A final section concludes.

4.1.1 IWBs in the United Kingdom, 1971 - 2022

As indicated in Chapter 2, the UK began using IWBs with the introduction of Family Income Supplement (FIS) in 1971. In 1988 FIS became Family Credit (FC), which saw an expansion in the generosity and coverage of in-work support (Dilnot and McCrae 1999, 2). Eligibility for both benefits was based on household income, was limited to families with children, and required a minimum number of working hours for receipt (Blundell and Walker 2003, 78–79; c.f. Table 4.1). While caseloads grew following the introduction of FC, overall wage top-ups remained a relatively marginal component of UK social security (Fig. 4.1 below).

The late 1990s and 2000s saw major expansion and institutional reform of IWBs. The Labour Party governments of Tony Blair and Gordon Brown (termed ‘New Labour’ to reflect their centrist, ‘Third Way’ political positioning), which held power from 1997 to 2010, increased the use of means-tested and in-work benefits while also implementing a statutory minimum wage for the first time. IWBs became ‘tax credits’, which were still means-tested welfare

payments but now branded as a ‘tax cut’ and administered by the tax agency. The first of these, Working Families Tax Credit (WFTC), was introduced in 1999, the same year as the National Minimum Wage. WFTC retained most of FC’s design features but provided a more generous basic credit, withdrawal taper and childcare support (Strickland 1998). In addition, in most cases WFTC was paid via recipients’ wage packet. In 2003 WFTC was split into Working Tax Credit (WTC) and Child Tax Credit (CTC), the latter a child support measure paid irrespective of employment status. WTC extended wage supplements to workers without children and moved to annual income assessments in order to more closely emulate the tax system (Brewer 2003; Inland Revenue 2001, 22–23). Overall these features gave tax credits a dual distributive logic (combining poverty-alleviation and broad income support), a semi-standard employment logic (incentivising part-time and full-time work, but not marginal hours) and an institutional logic of separation (in-work support was cognitively and administratively separate from social assistance).

The IWB system underwent a further overhaul under the coalition government (‘the Coalition’) which took power in 2010 and was led by the Conservative Party with the Liberal Democrats as junior partner. In 2012 this administration passed legislation to create Universal Credit (UC), which integrated six means-tested benefits, including tax credits, into a single monthly payment: thus fully combining in- and out-of-work support. Wage top-ups were now made available from the first hour worked and support was gradually withdrawn at a standard rate as recipients increased their earnings (the taper rate). However some middle-income households lost out due to stricter means-testing rules compared with tax credits. Furthermore, the concept of in-work conditionality was introduced for UC recipients on low working hours. Taken together these features gave UC an ongoing dual redistributive logic but switched IWBs to an atypical employment and integrated institutional logic.

In 2015 a new Conservative majority government announced cuts to tax credits (which were still in place due to UC’s delayed rollout) and UC’s in-work support elements while also substantially increasing the minimum wage, re-branded the National Living Wage. Furthermore, for the first time in decades – perhaps even since FIS was introduced – an incumbent government criticised the rationale for wage supplements in principle. Yet while IWBs were scaled back, the core role of this instrument in topping-up the wages of low-income workers and incentivising low-wage work remained. Moreover, from 2016 subsequent Conservative Party administrations returned to a path of IWB expansion. As such, UC retained its pre-existing logics of in-work support.

The table below recaps the main design logics assigned to each UK IWB. A fuller description of policy design features is available in Chapter 2, Table 2.4.

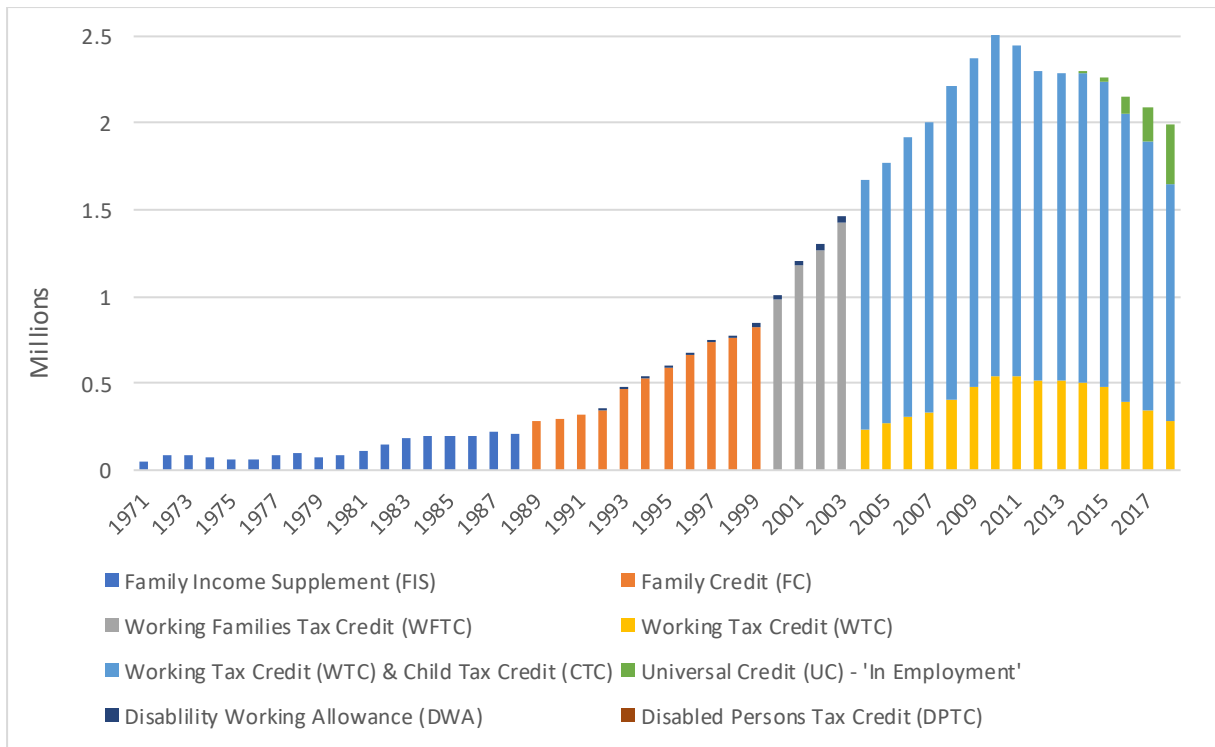
Table 4.1. Policy Logics of UK In-Work Benefits

Policy Logics of UK In-Work Benefits			
	Distributive Logic	Employment Logic	Institutional Logic
UK			
Family Credit (1988)	Poverty relief <i>Medium Targeting, Low Coverage, High Generosity</i>	Semi-Standard	Separate [Social]
Tax Credits (1999, 2003)	Poverty relief and broad support <i>Medium Targeting, Moderate Coverage, High Generosity</i>	Semi-Standard	Separate [Fiscal]
Universal Credit (2012-)	Poverty relief and broad support <i>Medium Targeting, Moderate Coverage, High Generosity</i>	Atypical	Integrated [Social]
Note: see Chapter 2, Table 2.6 for methodological notes.			

Coverage and Expenditure Profile of UK IWBs

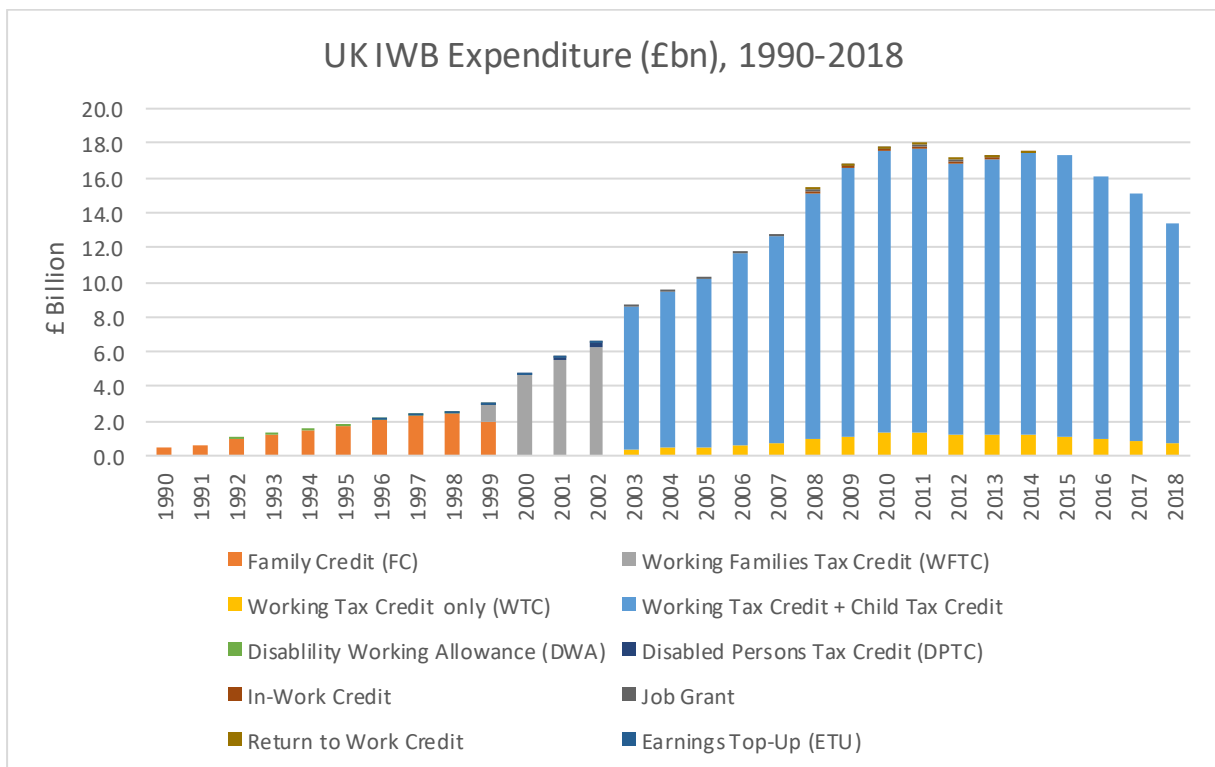
For further context, the figures below depict the impact that changing policy design (as well as take-up) has had on the coverage and expenditure profiles of UK IWBs over the past fifty years. Trends can be divided into three main periods. From 1971 to the mid-1990s, spending and caseloads grew slowly, although expansion accelerated following the implementation of FC in 1988. From the late 1990s to 2010 huge expansion took place, coinciding with the implementation of New Labour’s tax credits. After 2010, under the governance of the Coalition, limited retrenchment took place (see note on lack data on UC in-work expenditure in Fig. 4.2). However it seems likely that this trend will be reversed, given the increases to UC’s in-work elements announced since 2016 (c.f. sec. 4.4.4).

Figure 4.1. UK Households Receiving IWB Awards 1971-2018/19 (by policy type)



Note: Compiled by author from national datasets. See statistical annex section 9.2., Figure 2.4. for list of data sources.

Figure 4.2. UK Expenditure on In-Work Benefits



Note: Compiled by author from national datasets. See statistical annex section 9.2., Figure 2.3. for list of data sources. As expenditure data for in-work UC recipients is unavailable, the decline shown from 2016 may be less pronounced (or even reversed) in reality. Expenditure figures are nominal.

4.2 Part I: New Labour and Tax Credits

4.2.1 Introduction: Labour's Experiment with Fiscal Welfare

Tax credits were a central social policy reform of the New Labour governments (1997-2010). In historical perspective, tax credits accelerated the trend of IWB expansion pursued by preceding Conservative governments while also introducing unique elements. Firstly, the quantitative expansion of in-work benefits was unprecedented. Tax credits were the largest area of growth of working-age social benefits after 1999, in the process becoming the largest single item of the social security budget after the state pension (Sloman 2019, 733–34). Secondly, as noted, IWB administration was transferred to the tax authority and in 2003 eligibility was extended to workers without children. These were not novel ideas: the Conservatives had proposed in-work tax credits in the 1970s and 1980s and in 1996 had piloted IWBs for non-parents via the short-lived Earnings Top Up scheme. Nonetheless it was New Labour that finally introduced both elements into the UK's IWB system.

Tax credits formed part of New Labour's wider policy strategy aimed at labour market activation and poverty reduction. Measures included the New Deal employment support programmes, enhanced benefit conditionality, the National Minimum Wage, targeted reductions to national insurance and income tax, and greater childcare support (c.f. F. Bennett and Millar 2005, 29–30). This strategy also involved a preference shift in Labour towards means-tested transfers rather than universal allowances or contribution-based benefits (Brewer, Clark, and Wakefield 2002). Furthermore, while New Labour prioritised welfare expansion for low earners and households with children, it cut the value of unemployment benefit and froze the value of social assistance in real terms (Rutherford 2013). This subscribed to a philosophy whereby for those capable of working, employment should be the only route out of poverty (Hills and Waldfogel 2004, 767).

Following RQ1 and sub-questions, this chapter seeks to understand New Labour's preference for tax credits and their policy logics, as well as the various factors which contributed to the final shape of these policies. The timeframe of analysis covers the mid-1990s to the early

2000s, from when tax credits were first conceived in opposition to New Labour's first two terms in office when the tax credit system was implemented and expanded. Particular focus is placed on analysing the introduction of the first tax credit in 1999 (WFTC) as this was the innovation which laid the foundation for subsequent expansion.

The tax credit reforms have generated significant academic interest and a variety of arguments have been advanced to explain them. A particular puzzle has been to understand the Labour Party's shift in preference from contributory and universal benefits in the 1980s to means-tested fiscal supplements by the mid-1990s. New Labour's support for the expansion of means testing was the polar opposite of the party's 1989 Policy Review preference "to reduce the need for means-tested benefits by providing insurance benefits as of right" (quoted in: Collins 2003). Likewise, the proposal of a *tax* credit, and arrangements for payment via employers to the main earner, stood in contrast to the party's criticism of these ideas in the 1970s and 1980s (Grover 2016, 132; Sloman 2016, 234).

Most existing studies point to an interaction of changing socio-economic structures, political incentives, and ideological factors to explain these shifts. A functionalist case posits that IWB expansion under New Labour was a response to labour market pressures and driven by "rational" emulation of the EITC in the USA (Dolowitz and Marsh 2000, 16). In a more politics-focused account, Touzet (2019, 192) argues that tax credits were motivated by blame-avoidance as Labour politicians sought to redistribute wealth in an environment where target voters were hostile to welfare spending. In an alternative reading, Tomlinson (2021, 94) considers that both IWBs and the minimum wage were compensatory mechanisms resulting from the perceived political unacceptability of the likely social consequences of unbridled market rule. Others have focused on ideational arguments. Sloman suggests that tax credits were New Labour's bespoke strategy of 'redistributive market liberalism', an approach which favours the use of social transfers rather than direct intervention in markets to manage poverty and inequality (J. Kay 1996; Sloman 2019, 736, 2021). In a slightly different lens, Grover (2016, 146) conceives of New Labour's preference for IWBs as the confluence of a concern with poverty, neo-classical economic assumptions, and "ethical socialist" views regarding social duty.

The present analysis takes cognisance of these accounts and examines how processes within policy, political and opportunity streams aligned to produce tax credits as legislative outputs. The central argument is that policy reformers' ideas and cognitive frameworks provided the

key impetus for change. Tax credits were driven by the desires of elite policy actors who identified these instruments as appropriate solutions to the problems they felt needed addressed. Deliberative processes were most strongly filtered by assumptions associated with the incentive-based paradigm of social security (Ch. 3, Fig. 3.2). While Labour politicians also wished to redistribute income to poorer households, this goal was conditioned by a preoccupation with work incentives, labour supply effects and market efficiency. Furthermore, a non-negligible role of the attitudinal paradigm was evident. In the politics stream, it is found that while the preference for tax credits was partly motivated by blame avoidance, this responded as much to policymakers' *perceptions* of public opinion as to its actual contours. At the same time, neither public opinion nor organised interests provided a source of prior 'demand' for IWB expansion. This suggests the secondary role played by 'powering' compared to 'puzzling' towards tax credit reforms. Finally, a number of contingent circumstances created the political opportunity for the introduction of these policies and blocked alternatives.

4.2.2 Policy Stream

4.2.2.1 Policy Context

The processes of policy deliberation which led to tax credits were preceded by, and connected to, wider changes in Labour Party thinking towards economic and social policy. These occurred in the context of the transformation of Britain's socio-economic, welfare state and ideological landscape under Conservative governments since 1979 (see Ch. 2, sec. 2.2.6). During this time the post-war welfare state consensus was replaced with a monetarist, neoliberal paradigm, whereby "anti-inflation, low tax and liberal labour market policies [became] socially and politically embedded" (M. Rhodes 2000, 174). The effects of these changes facilitated the spread of lower-paid jobs, non-standard working time, and increased earnings and income disparities (Deakin and Reed 2000). At the same time, as previously noted, contributory unemployment support was retrenched in favour of means-tested benefits (Clasen 2011, 18–22).

Gradually in the 1980s and more markedly after the election of Tony Blair as party leader in 1994, Labour moved rightwards to embrace the post-1979 macro-economic framework. This included committing to fiscal restraint and low inflation as pre-conditions for growth. As

Gordon Brown (Labour's shadow chancellor from 1992 and UK chancellor 1997-2007) made clear, Labour's spending and wage policies were to be determined by "what the economy can afford... to have job creation and keep inflation and interest rates as low as possible" (Brown in: Financial Times 1997). This eschewed Keynesian-style demand management to combat unemployment or support consumption (Grover 2016, 136).

A shift in Labour's thinking towards social security also took place. The party argued that the Conservatives had failed to adequately protect and support the 'losers' from economic restructuring, leading to endemic long-term and youth unemployment, high inactivity rates, and an increasing incidence of poverty among working-age households (Brown 2018, 128; Commission on Social Justice. 1994, 27–39). Furthermore the expansion of the low-wage labour market, with collective bargaining stripped back and no regulated wage-floor, was criticised as creating insecurity and "poverty pay" (Brown 1995). However, instead of proposing a return to more traditional policy strategies, in the 1990s Labour embraced the conception of a more 'active' welfare model which could more effectively move benefit recipients into jobs (Haddon 2012a, 5). Broadly, this shifted the search for solutions to unemployment towards supply-side reform, 'employability' and personal responsibility rather than structural and demand-side strategies (Bevir 2009; Commission on Social Justice. 1994; Deacon 2000; Deacon in Field et al. 1996, 1; Haddon 2012a, 10). A core premise – shared by Conservatives – was that unconditional or overly-generous benefits were a *cause* of high unemployment and inactivity, rather than only a protection against economic insecurity. Labour's attack line against the Conservatives thus became that the latter was responsible for "welfare bills of social failure" by not doing enough to help (or require) benefit recipients to re-enter the labour market (Blair, cited in: White 1996). Nevertheless, by the mid-1990s the re-branded 'New Labour' party still lacked its own detailed strategy for social and labour market reform (Haddon 2012a, 10–11 c.f. UK-A). It is here that the work of Gordon Brown and his associates was central.

4.2.2.2 Protagonists and Problem-Framing

Regarding RQ 1.1, the role of the policy network which conceived of and took tax credits into government is vital to understanding New Labour's preference for these reforms. The intellectual rationale for tax credits was developed during the 1990s by a small group of

specialist researchers and advisers linked to Gordon Brown. Figures included Ed Balls, who became Chief Economic Advisor to the Treasury from 1997; Ed Miliband and Spencer Livermore, special advisers to Brown; and Paul Gregg, a labour market economist who took up a part-time advisory post in the Treasury and was a member of the Treasury's Council of Economic Advisers after 1997. Once Labour entered government, senior civil service figures involved included Nicholas Macpherson at the Treasury and Tony Orhnia at the Inland Revenue (UK-B; UK-C; Brown 2018, 128). In 1997 Brown appointed Martin Taylor (then chief executive of Barclay's bank) to lead a task force to produce design proposals for tax credits (c.f. Taylor 1998).

Within the context outlined above, numerous ideational tributaries guided Brown and his advisers towards the preference for tax credits. These fed into a multi-logic rationale for giving a greater role to IWBs as a means to boost employment and tackle poverty rather than relying only on wages or more extensive use of non-employment-conditional benefits.

Supply-Side Economics and Work Incentives

Firstly, Brown and his advisers were motivated by two economic analyses concerning the relationship between social security, labour supply and employment rates. One of these was advanced in an article published by Paul Gregg (1993). This argued that prevailing patterns of poverty, inequality and unemployment were being driven in part by the polarised distribution of jobs between multi-earner 'work rich' and zero-earner 'work poor' households (Gregg 1993, 32). Gregg argued that this trend was exacerbated by "the twin problems of tax/benefit clawback rates and uncertainty of income" which impeded potential earners in workless households with children from competing for flexible or part-time jobs (Ibid 63). The problem was thus not just about *a lack of jobs*, but *who was getting* newly-created jobs, and the role of social security as an exacerbating factor. As Gregg recalled, this analysis appeared to be novel, as "poverty analysts and labour market people in general weren't focused on this [the rise of household worklessness] as an indicator of labour market distress" (UK-B). As potential solutions, Gregg suggested combinations of minimum wages, IWBs, or targeted employment subsidies which would enable parents in workless households to compete for jobs without depressing wages below a desirable rate (Gregg 1993, 63–64).

The second analysis concerned the concept of a 'non-accelerating-inflation rate of unemployment' (NAIRU): the idea that unemployment could be reduced in a tight labour

market without triggering higher inflation. Research by Richard Layard and fellow economists suggested that this could be achieved by increasing the ‘effective labour supply’, defined as “the numbers available and wanting to work” (Layard 1995, 18). Thus if more of the non-working population could be encouraged to become ‘employable’ and actively seek work, there would need to be less unemployed people overall to create the conditions for stable employment growth (Layard, Nickell, and Jackman 1994, 53). Conversely, the long-term unemployed were not held to exercise a significant effect on employment or inflation, as they were unable to effectively compete for jobs (Layard 1995, 7; Layard, Nickell, and Jackman 1994, 111).

There is ample evidence to suggest that these supply-side analyses were taken on board by Brown and his advisors (c.f. Bower 2004, 155–56). Ed Balls, who published a joint booklet with Gregg in 1993, became Brown’s chief economic adviser. Gregg was regularly invited to meet with Brown’s team in opposition before assuming a part-time Treasury post in 1997 (UK-B). In 1996, the year before New Labour entered office, Brown declared to Labour’s conference that reducing the number of workless households was a priority, and that to do so “the tax and benefit system and the benefit tapers must be addressed” (Brown 1996). Likewise, after New Labour entered office, Balls argued that the development of a more flexible labour market “required a re-think of the tax and benefit system” (Ed Balls, cited in Pym and Kochan 1998, 99 – 105, cf. Bochel and Defty, 2007, 18). Similarly, as chancellor, Brown would later declare that “the new government has taken a decisively different approach to employment policy over the past two years aimed at reducing the NAIRU” (Brown 1999b).

Policy Learning and the EITC

The influence of supply-side and neo-classical economic thinking in Labour circles was catalysed by an openness to learn from the ‘welfare to work’ discourse and reforms of the USA’s Clinton administration (c.f. Peck and Theodore 2001). Ed Balls played a key role in the transmission of ideas between Clinton’s New Democrats and New Labour, having previously studied in Harvard under figures who would later enter Clinton’s government. According to one account: “in 1994 and 1995 Balls took Brown to meet his former teachers and discuss economic theory – meeting with Robert Reich [Secretary of Labour], Larry Summers [Deputy Finance Secretary] and Alan Greenspan at the Federal Reserve to brainstorm the British economy” (Pym and Kochan 1998, 39). Another influence was David Ellwood, an

advisor to Clinton on welfare reform (Deacon 2000, 13). Ellwood had written that to increase public support for the welfare system it was necessary to reinforce benefit conditionality; however this had to be matched with sufficient financial reward for work to be attractive. His policy prescriptions included increasing the minimum wage and expansion of the EITC (Ellwood 1988). Once Labour entered government, observers noted that both the New Deal training schemes and the WFTC were directly inspired by American examples (Dolowitz and March 2000). Indeed, Balls said of WFTC at the time: “we know the Earned Income Tax Credit scheme was helping to create a dynamic labour market in the United States. We also saw ways it would not work for us; and came up with a British solution” (Pym and Kochan 1998, 107). The intention to emulate the EITC in Britain was confirmed by several interview participants (UK-B; UK-C).

Behavioural Critiques of Unemployment

In addition to incentive-based thinking, some New Labour leaders and associated figures also deployed an attitudinal critique of welfare usually associated with conservative ideology (c.f. Fig. 3.2). This claimed that long-term benefit recipiency diminished people’s ‘work ethic’, leading them to choose to remain on benefits rather than seek jobs. Such arguments marked a shift away from post-war social democratic ideas which posited “the irrelevance of individualist explanations of poverty” (Deacon 2000, 9). Tony Blair was a foremost proponent of this view, arguing that the welfare state was “encouraging dependency, lowering self-esteem and denying opportunity and responsibility in almost equal measure” (quoted in R. Walker 1999, 683). In relation to tax credits, Martin Taylor claimed that a “malaise in society” was a “culture” whereby “perfectly able-bodied people are prepared to be out of work” because it was viewed as “not to be a disgraceful thing to do” (Social Security Committee 1998, Q. 42). While Brown was less strident, he politically framed tax credits as removing an ‘excuse’ for the unemployed not to seek work and reportedly viewed these policies as a means of encouraging people’s work ethic (UK-C). Brown used similar language when announcing plans for the WTC (HM Treasury 2002).

Poverty-Reduction and Redistribution

More traditional left-wing concerns about poverty also shaped the desire to expand IWBs. As one observer argued, Brown and Balls were motivated by the need to find ways to redistribute

to lower income groups (Richards 2010, 55, 131). Child poverty was a particularly high concern, where one in four children were growing up in a poor household - a dynamic associated with worklessness (UK-B). As such, although WFTC was primarily framed as a pro-activation measure, it was redistributive to lower-income families with children and was meant “to boost low family incomes, [because] we wanted to reduce child poverty” (UK-C; c.f. Brewer, Clark, and Wakefield 2002). In-work poverty was also a concern. Compared with ‘worklessness’ this was not a prominent feature in New Labour discourse, which focused on the mantra of work as the best (or only) route out of poverty (Kenway 2008, 6). However the architects of tax credits were aware that entry-level wages alone were not enough to move a family with children out of poverty, and in opposition Brown had framed the elimination of incentive traps as necessary “to attack poverty in work” (Brown 1996; Gregg 1993, 63–64). Nonetheless thinking about how to reduce poverty was conditioned by the aforementioned incentive-based and attitudinal ideational frameworks as well as New Labour’s macro-economic strategy. IWBs thus allowed Brown to pursue redistribution in a market-friendly way that also contributed to wider economic policy objectives (c.f. Tomlinson 2021, 97–98). As previously noted, this also reflected a preference for redistributing wealth via the tax-benefit system rather than direct market intervention through stronger collective bargaining and labour market regulation (Sloman 2019, 2021).

4.2.2.3 Tax Credits as a Solution: One System, Multiple Logics

As a policy solution tax credits proved a good fit with each aspect of problem-framing cited above. The proposal for the first tax credit, WFTC, combined increased generosity with two institutional innovations: administration by the tax authority (Inland Revenue, HMRC after 2005) and payment via employers’ wage packet to the main earner (Strickland 1998). Subsequently, as discussed, in 2002 WFTC was split into WTC and CTC, with the former extending IWB payments to workers without children.

Together with New Labour’s other employment support policies, a key goal of tax credits was “to get work into workless families, particularly with children” (UK-B). This goal contained economic, behavioural, and social rationales. Economically, tax credits would help reduce incentive barriers and thus ‘encourage’ target groups – especially lone parents and first earners in couples – to take the jobs which were available at the lower end of the labour market

(Brewer, Clark, and Wakefield 2002; Brown 1999b; UK-C; Brown in Financial Times 2001). By branding IWBs as ‘tax credits’ and routing payments through the wage packet, pro-work attitudinal change would be achieved (Taylor 1998, 8). In the social dimension, wage supplements would help low income families adapt to labour market change by providing them with security “in a fast-changing economy - with its uncertainties and vulnerabilities” (Dawn Primarolo MP, Hansard 1999a, col. 149). Furthermore, reducing unemployment would tackle “a major driver of poverty and disadvantage” in society (UK-C).

However tensions and ambiguities existed between the goals of work-incentivisation, poverty-reduction, behavioural change, as well as the promotion of gender equality.¹³ Indeed, policymakers’ thinking towards trade-offs between these objectives helped determine tax credits’ particular distributional, employment and institutional logics. The role of ‘cognitive filtering’ can be detected in these processes, in particular where there existed either a lack of strong prior evidence, or significant counter-evidence, in relation to policymakers’ claims and design preferences. Some of these issues are explored below.

Financial Incentives and Making Work Pay

Amid the various rationales described above, the logic of making work pay and the potential power of financial incentives dominated the conception and design of tax credits.

As noted above, it was argued that increasing payment generosity and smoothing the IWB withdrawal rate would ‘encourage’ the unemployed – especially lone parents and first earners in couples – to seek work where they might otherwise not do so. After its introduction, the Treasury estimated that together with other ‘making work pay’ measures, WFTC would help boost labour supply by 160,000 people (HM Treasury 2000, 10). Subsequently, in 2003 the extension of WTC to households without children was partly motivated by a concern to maintain work incentives for parents whose children left home and thus became ineligible for child support payments (UK-D).

Via their incentive structures tax credits also pursued certain employment and gender norms. Notably, in both WFTC and WTC policymakers retained the requirement to work a minimum number of weekly hours to qualify for IWB receipt. The 16-hour limit for working parents was

¹³ For examples of ambiguities and contradictions regarding the rationale of tax credits, see comments by Labour MPs in: (Hansard 1999a, cols. 209, 206, 194). See also: (F. Bennett and Millar 2005, 31–32).

retained because it was decided that this would allow (especially lone) parents to be flexible to take up part-time jobs, while preventing those already working part-time from cutting their hours (UK-B). The higher 30-hour threshold for non-parents was intended to ensure that only a smaller target group among this tranche of the population would be eligible, while also preventing working time reduction amongst potential recipients (Ibid). This suggests a concern with preventing the subsidisation of very marginal hours and the desire to support certain patterns of labour market attachment, e.g. nearer to full-time work for single earners while facilitating part-time work for parents who might be expected to have care duties.

Further, incentive-based cognitive filtering appears to have played a role in shaping policy protagonists' assumptions towards the likely employment effects of tax credits. While evidence could be mobilised to show the existence of incentive traps, arguments about the role of these as a cause of, or solution to, worklessness did not enjoy full consensus. A House of Commons Library brief on WFTC noted scepticism in academic circles about the empirical effects of work incentives, citing several studies on Family Credit which found that the link between benefit withdrawal rates and labour supply decisions was weak (Bryson and Marsh 1996; Corden and Craig 1991; A. Marsh and McKay 1993; cited in: Strickland 1998, 20). Likewise, several Department of Social Security (DSS) policy evaluations published just prior to New Labour's election found that work (dis)incentives were not a prominent reason preventing people from leaving social assistance or encouraging the unemployed into jobs, and that a range of other factors were of greater importance (Shaw et al. 1996, 97; Timmins 1996a).

Moreover, there was a relative paucity of prior evidence regarding WFTC's potential labour supply impact. Opposition parliamentarians picked up on this, with the Liberal Democrats' Steve Webb arguing: "the evidence on the incentive effects of the scheme—making people who are out of work move into work—is almost invisible" (Hansard 1999a, col. 170). Several of tax credits' supporters conceded this point (e.g. Yvette Cooper MP, cited in: Ibid, col. 175). Likewise, Professor Ian Walker, who helped advise the Treasury on WFTC, explained at the time: "it [WFTC] is motivated by the hope that this is the sensible thing to do, rather than by any concrete research" (Wintour and Brown 1998).

Fiscal Administration, the Wage Packet and Behavioural Psychology

While incentive-based thinking shaped policymakers' preference for IWBs as an instrument, the decision to transfer wage supplements to fiscal administration, and the proposal to route

payments via the wage packet, responded to a different set of considerations. These comprised ideational emulation, behavioural assumptions, and concerns with political optics (see politics stream). Firstly, the desire to use the tax system to administer IWBs reflected fashionable economic thinking at the time and followed the model of the EITC (see above and: Touzet 2019, 169–72). Secondly, policymakers were at least partly convinced that these design elements would induce behavioural change among potential claimants. In the case of WFTC, it was argued that the institutional form of a tax credit “should reduce the stigma associated with claiming in-work support and encourage higher take-up” (HM Treasury 1998b, para. 2.09). In the case of payment via employers, it was claimed that this would “associate the payment in the recipient’s mind with the fact of working, a potentially valuable psychological change” (Taylor 1998, 8). Underlying each of these points was a desire to create a strong cognitive and institutional distance from out-of-work benefits.

Cognitive filtering appears to also have been operative in shaping these design preferences, and policy supporters were often open about the lack of evidence to support behavioural claims made in relation to tax credits. Labour MP Beverley Hughes argued: “we are dealing with the unknown, but I suggest...that it is *common sense* that a benefit that is firmly attached to the rewards of work is much more likely to provide an incentive to work” (Hansard 1999a, col. 218, emphasis added). Martin Taylor likewise stated that: “The principal psychological assertion... it is not proven; is that the association of this payment with work rather than with the Benefits Agency will change the way people think about it...my exposure to the literature and I think also *just every day imagination* has persuaded me” (Martin Taylor, Q. 11 response, Social Security Committee 1998, emphasis added). Indeed, no evidence was provided at the time (or since) to substantiate claims that tax administration or payment via employers would influence work-search behaviour (Godwin and Lawson 2009, 188). Conversely, assertions that claimants’ attitudes were a reason for unemployment and long-term benefit receipt clashed with contemporary studies on the lived experience of social assistance recipients, such as those cited in Strickland (1998) above. Similarly, authors of a 1996 DSS-funded survey of income support recipients observed a “strong commitment to paid work” and concluded: “it seems that lack of opportunity to work is of far greater importance than lack of either ability or motivation to work. There is little evidence of a psychological detachment from the world of work” (Shaw et al. 1996, 97, 84).

‘Purse vs Wallet’ Debates and Gender Roles

Trade-offs between the goals of employment-promotion, gender equality and poverty-reduction further underline the overriding influence of incentive-based thinking on the IWB components of tax credits. Firstly, the retention of household income as the basis for means-testing reflected both a poverty-alleviation logic and the prioritisation of incentivising as many first (often male) earners into work as possible to the detriment of second (often female) earners in couples (Grover 2016, 140; McLaughlin, Trewsdale, and McCay 2001). Secondly, the original intention to pay WFTC via the wage packet generated a ‘purse vs wallet’ debate, as benefit income from FC would in many cases be switched from the main carer (often female) to the main earner (often male) in a couple. This appeared to give prioritisation to political optics and potential behavioural effects over the objective of poverty-reduction, as it ignored evidence suggesting that a greater proportion of benefits paid to mothers tended to be spent on children (Lundberg, Pollak, and Wales 1997; Phipps and Burton 1998; Woolley 2004).

Interaction Effects: Tax Credits and the Minimum Wage

Lastly, interaction effects with other instruments were important to policymakers’ preference for tax credits and how they conceived of their function. As Paul Gregg explained: “[tax credits] were being thought of as a...collective body of change” (UK-B). It was expected that different components of New Labour’s welfare and labour market package would thus work in tandem. Activation policies would act as a ‘push’ towards the labour market, while the minimum wage, tax credits and childcare would act as a ‘pull’. In the words of Ed Balls, while the government was “very tough” on the need for benefit conditionality and sanctions, “the quid pro quo was that being in work really paid” (UK-C). This wider activation approach also took inspiration from the example of ‘workfare’ in the USA (W. Davies 2007; Peck and Theodore 2001).

Combining tax credits with the minimum wage was particularly important. On the one hand, the minimum wage would prevent tax credits acting as a wage subsidy for employers (Taylor evidence, Social Security Committee 1998; UK-A). On the other, as Ed Balls explained, “we wanted to accelerate the process of making work pay and boosting the incomes of working households without putting too much weight on the minimum wage, because we were worried that would set us back [in terms of employment creation]”. This thinking differed from government and civil service deliberations before 1997, when IWBs were viewed as an alternative to a minimum wage, and it was hoped that wage supplements might depress wages

and increase labour demand where a minimum was absent (DSS 1996; Grover 2016, 125; c.f. Grover and Stewart 1999, 87–88).

4.2.3 Politics Stream

Political factors also motivated New Labour's preference for tax credits and choices regarding policy design. Reflecting RQ 1.3 and this study's analytical framework, this section explores the interest-based dynamics which led to these reforms, examining strategic-electoral motives, potential sources of actor or voter demand, and coalitional dynamics.

4.2.3.1 Strategic-Electoral Motives

New Labour's Electoral Strategy

The Labour Party's political strategy prior to the 1997 parliamentary election responded to its leaders' perception of what was required to become 'electable' after four successive defeats to the Conservatives since 1979. In both the 1987 and 1992 elections party strategists had identified fears among voters that Labour would increase taxes and 'spend recklessly' a major reason for defeat (Bevir 2009, sec. 20; Richards 2010, 41). This narrative was strongly shared by Tony Blair, Labour's leader from 1994. Relating his experience of meeting a voter, Blair declared to Labour's 1996 conference: "You see, people judge us on their instincts about what they believe our instincts to be. And that man polishing his car was clear: his instincts were to get on in life, and he thought our instincts were to stop him." (Blair 1996). In strategic terms, this perception translated into an imperative to win over 'aspirational' middle-class voters in southern English parliamentary constituencies (see Radice 1992, quoted in; Touzet 2019, 150). The typical target voter became 'Mondeo Man' –upwardly-mobile workers, professionals and business owners who had come to identify their economic interests with the Conservatives (Independent 1997).

With these issues in mind, Blair and his allies re-branded Labour as 'New Labour', heralding a rightwards policy shift redolent of Clinton's New Democrats. New Labour's strategy was to aggressively appeal to target voters by projecting an image of economic competence and banish the portrayal of a high-tax, high-spending party. As shadow chancellor Gordon Brown

committed to ruling out any income tax rises during the first parliament of a Labour government and to keep to Conservative spending plans during his first two years in office. He also took a “tough line” against making unfunded spending commitments because “that was the only way to overcome the perception that Labour would be reckless with the public finances” (Brown 2018, 89). Also relevant was the sense that the public held negative views towards benefit recipients and a concomitant desire among the leadership to avoid being portrayed as a party that would spend more on the ‘undeserving poor’ (UK-A; UK-C). In line with the conception of a more active welfare strategy, New Labour’s leaders instead pledged “work for those who can, security for those who cannot” (Hyde, Dixon, and Joyner 1999).

The Media as a Political Constraint

In the run-up to 1997 (and after entering office) New Labour were also sensitive to the opinion of organised business groups and right-leaning media outlets.¹⁴ In a media environment where the majority of newspapers took a right-leaning editorial line there is plenty to suggest that party leaders feared the power of the news media to shape negative perceptions of the party.¹⁵ In this context it became a strategic priority to win over pro-Conservative newspapers by emphasising ideological moderation and fiscal prudence (Kuhn 2000, 5). At the same time, this environment acted as a constraint on Labour’s potential policy programme. As Gordon Brown recalled: “In my early years as shadow chancellor, it seemed that every interview I did...focused on the allegation that taxes would inevitably go up under Labour” (Brown 2018, 81). Likewise, as a former BBC journalist described, once in power “Brown and his inner court were...functioning in a media environment that was almost universally hostile to increases in public spending” (Richards 2010, 117).

Tax Credits, Blame Avoidance and Credit Claiming

As a result, while New Labour’s strategy proved electorally successful, it also constrained the party’s policy options on taxation and spending once in government. Nonetheless, as noted

¹⁴ Labour’s campaign to win over business opinion and the financial sector prior to 1997 became known as the ‘prawn cocktail offensive’.

¹⁵ In the four elections from 1979 to 1992, Labour was only supported by two major national papers, compared with five which backed the Conservatives. In the latter election the combined circulation of pro-Conservative papers was 2.5 times greater than that of pro-Labour titles (Butler and Butler 2006; Stoddart 2010).

earlier, Brown in particular wished to find ways to tackle poverty and redistribute wealth. In light of this dilemma, expanding IWBs and branding these as ‘tax credits’ seemed to offer a perfect solution.

Of the political motives driving tax credits the desire to avoid the ‘blame’ for increasing spending on welfare appears to have been the strongest factor. There were two aspects to this. Firstly, expanding a benefit that could only be received by people in jobs allowed Labour to say it was ‘rewarding work not welfare’. As Paul Gregg underlined: “[the government] were very clear that they wanted this [tax credits] to be seen as rewards to working” (UK-B). A civil servant within the DSS (which became the DWP in 2001) likewise suggested that “[New Labour] reckon[ed] that it's easier...to get public support to give money to low earning people than it is to give money to people on benefits” (UK-M). Comments by Ed Balls further confirm this motive:

“We wanted to avoid falling into the political trap of looking like [tax credits] was only about what some people might pejoratively call the ‘the undeserving’ or ‘the poor’. We wanted to tap into an argument which was popular amongst mainstream, but median voters...you should be in work, [and] making work pay” (UK-C).

Secondly, branding IWBs as ‘tax credits’ and moving administration to the tax agency (Inland Revenue, HMRC from 2005) helped the government to mask increased welfare spending. Like in the USA, tax credits thus offered a presentational armour which could “repel” anti-welfare critics (W. Davies 2007). Touzet has described this strategy as ‘blame-avoiding negative expansion’ which operated through the logic of taxing the poor *less* rather than giving them *more* (Touzet 2019, 145). This communicative function is evident in how tax credits were framed to the public, where the words ‘welfare’ and ‘spending’ were absent from official discourse. Instead, Gordon Brown announced WFTC as “a tax cut for hundreds of thousands of working men and women with children” (HM Treasury 1998a). Brown’s discourse toward Working Tax Credit was similar (HM Treasury 2002). So determined was the government to avoid the image of increasing welfare spending that it tried to have tax credits accounted as ‘revenues not collected’, which led to conflicts with the Office of National Statistics and a partial climbdown (McCabe 2018, 128–31).

The desire to pre-empt media criticism that Labour was spending more on welfare was a particularly strong motive. As a former DSS civil servant explained, tax credits passed the ‘Daily Mail test’ as they did not lead to the type of ‘pro-welfare’ portrayal that New Labour

was seeking to avoid (Touzet 2019, 167)¹⁶. Ed Balls likewise recalled how media headlines which declared that Gordon Brown's budgets were "making work pay" were "applauded" within his circle (UK-C). An anecdote from the former director of the Child Poverty Action Group (CPAG) provides further insight into how seriously message control was taken. He recalled that shortly after a radio interview in which he had praised tax credits as "doing good by stealth", he received a call from one of Brown's advisers asking him to avoid using the phrase (UK-G).

The blame-avoidance imperative also permeated aspects of tax credits' design. The retention of minimum working hours was partly motivated by a concern that some people might cut their hours if these were removed, and "we didn't want the story to be: Labour pays people to work less" (UK-C). Meanwhile, when tax credits shifted to annual tax return-style assessments in 2003, an internal debate took place in the Treasury about how generous income disregard rules should be. According to those involved, while some argued for a more flexible system, the overriding concern was that allowing people to receive large over-payments without paying these back might lead to "the outside world claiming foul" and tax credits being viewed "like a handout" (UK-B; UK-C). However, restricting disregard limits was to prove politically embarrassing after HMRC tried to claw-back large amounts from recipients who had been unaware they were receiving over-payments. In response to the ensuing public outcry, many debts were written off and in 2005 the annual disregard was increased from £2,500 to £25,000. Ironically, a policy crafted to appear as being about 'cutting taxes' and 'rewarding work' ended up looking "both inhumane and profligate" (D. Clegg 2015, 496).

On the other hand, tax credits also allowed the government to claim credit from different social constituencies. The narrative of 'rewarding work' formed part of a disciplinary discourse towards the unemployed meant to appeal to 'Middle England' voters, epitomised by Brown's declaration that "because in future work will pay, those with an offer of work can have no excuse for staying at home on benefits" (HM Treasury 1998a). In addition, Labour ministers appealed to employers' interests by arguing that "tax credits give employers a greater choice by increasing the pool of potential employees they can recruit from" (Financial Times 1999; quote by: Primarolo 2002). Moreover, although carefully couched in messages around fiscal discipline, tax credits were touted to Labour's traditional base as an example of how the party was doing more to tackle poverty than the Conservatives (Brown 1999a; Daily Express 1999).

¹⁶ The Daily Mail is a middle-market newspaper with a conservative editorial line whose readers were among New Labour's electoral target audience.

In this vein these policies came to epitomise Brown's concept of 'progressive universalism', whereby the state would guarantee basic security to all and provide additional support to those most in need. It was hoped this would draw the middle classes into a political coalition in favour of selective welfare expansion (Independent.ie 2000).

4.2.3.2 Political Demand for Tax Credits

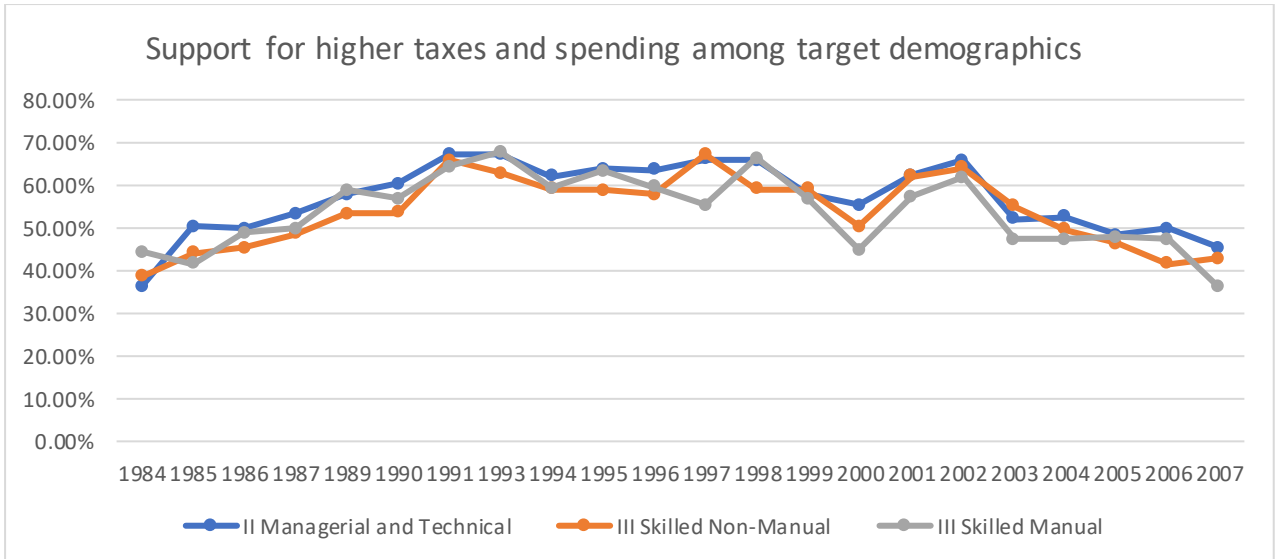
In contrast to the previous discussion, there are less grounds to suggest that tax credits responded to concrete political 'demand' from voters or interest groups.

Public Opinion

If voter opinion were to be a prior source of pressure or demand leading to tax credits, we could expect to observe either attitudinal trends expressing strong opposition to welfare expansion (incentivising blame-avoidance) or overt support for IWBs (incentivising credit-claiming and choice of policy). However data from the annual British Social Attitudes (BSA) survey does not appear to offer convincing evidence for either of these mechanisms.

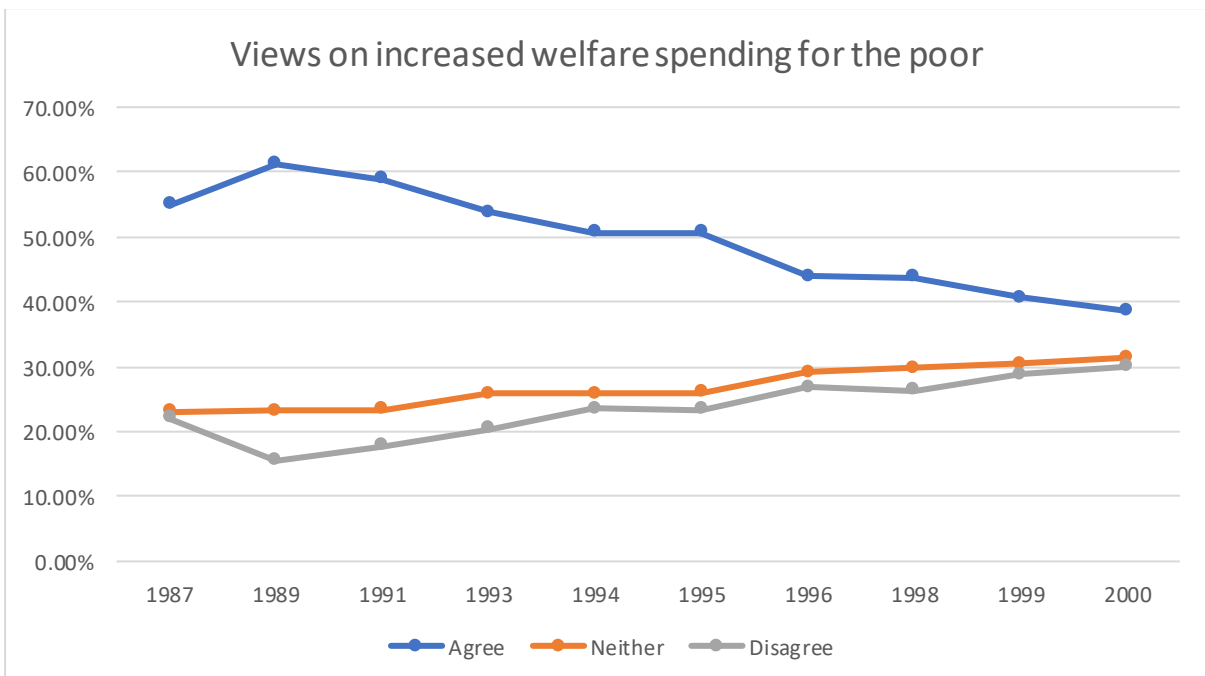
Time series data shows that support for higher taxation and spending on health, education and social benefits rocketed from 33% to 66% of the public from 1983 to 1991, remaining above sixty percent through the 1990s. This held true among the socio-economic classes identified as key to New Labour's electoral strategy (Fig. 4.3). In addition, in the 1990s only a quarter of the public opposed higher welfare spending on the poor, even if this meant higher taxation (Fig. 4.4). Lastly, although increased spending on unemployment specifically tended to receive less public support, in the years leading up to 1997 over half of respondents felt that unemployment benefits were too low (Figure 4.5).

Figure 4.3. Support for Increasing Spending on Health, Education and Social Benefits (Social Classes II and III).



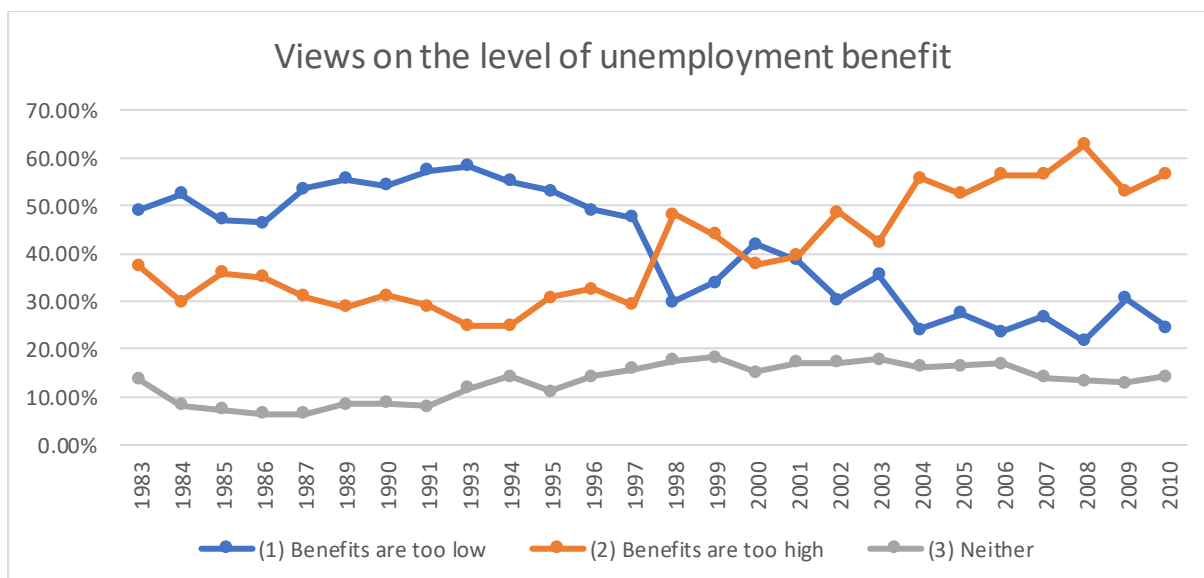
Data source: British Social Attitudes Survey (via the British Social Attitudes Information System)
Question: About the government choosing between these three options. Which do you think it should choose? Reduce taxes and spend less on health, education and social benefits OR keep taxes and spending on these services at the same level as now OR increase taxes and spend less on health, education and social benefits?

Figure 4.4. Views on Increased Welfare Spending for the Poor



Data source: British Social Attitudes Survey (via the British Social Attitudes Information System)
Question: Responses to: “the government should spend more money on welfare benefits for the poor, even if it leads to higher taxes”.

Figure 4.5. Views on the Level of Unemployment Benefit



Data source: British Social Attitudes Survey (via the British Social Attitudes Information System)

Question: About the level of benefits for unemployed people. Which of these two statements comes closest to your own view ... benefits for unemployed people are too low and cause hardship, OR benefits for unemployed people are too high and discourage them from finding jobs?

Such polling evidence provides scant support for Labour’s fear in the 1990s that a fiscally expansive or more openly redistributive strategy would be electorally toxic. Instead, these concerns were arguably rooted in the experience of previous election defeats and the suspicion that views expressed in opinion polls may not transfer to the ballot box. This argument aligns with Touzet’s conclusion that blame-avoidance constraints “seem to have primarily stemmed from New Labour’s *beliefs* about middle-class voters’ preferences” (Touzet 2019, 179). In this regard, the direction of causality between public opinion and policy choices is complex. For example O’Grady (2022) finds that anti-welfare discourse by Labour politics helped cause the hardening of public attitudes towards welfare and redistribution in the 2000s (c.f. Fig. 4.5).

Evidence that public opinion acted as a source of demand for tax credits specifically is similarly weak. Regular data on attitudes to IWBs was not gathered until after the introduction of tax credits, and so was not available for policymakers to take account of. Moreover the lack of public support for topping up the wages of workers without children, evident from 1998, did not prevent the government from bringing in WTC (Table 4.2.). It is therefore difficult to see how such attitudes could have acted as a prior ‘pull’ for tax credits specifically. Instead, Ed Balls suggested that tax credits helped to engender a shift in attitudes, making make in-work support become viewed as “normal and legitimate” (UK-C).

Table 4.2. Public Support for State Wage Top-Ups

Table 4.2. Public Support for State Wage Top-Ups

	1998	2000	2003	2005	2010	2013	2015
Lone parents		71	66	67	66	66	66
Working couples with children	56	61	59	58	55	59	55
Working couples without children	25	27	26	26	27	28	25

Question: Some [family type] find it hard to make ends meet on low wages. In these circumstances, do you think the government should top up their wages, or, it is up to [family type] to look after themselves [and their children] as best they can? **Source:** British Social Attitudes Survey, cited in (Clery 2016, 7).

Political and Social Actors

Meanwhile, research on collective actors' positions towards WFTC finds that the policy was backed by a relatively broad support coalition (Table 4.5). However, while there appeared to have been an 'ambiguous agreement' regarding the policy's main goals, aspects of policy design led some groups to oppose WFTC in practice. As a result, actor positions split almost entirely along the left vs. right lines that would be expected of a 'needs-based' rather than an activation-oriented welfare reform (c.f. Häusermann 2012).

Table 4.3. Actor Positions Towards Working Families Tax Credit 1998 - 1999

Actor Positions Towards Working Families Tax Credit 1998 - 1999					
	Supporting Actors		Non-Committal	Opposing Actors	
	Full Support	Qualified Support		Qualified Opposition	Strong Opposition
Political Parties	New Labour Cabinet Labour MPs	Dissident Labour MPs (minority)		Liberal Democrat Party	Conservative Party
Trade Unions	Amalgamated Engineering and Electrical Union	Trades Union Congress USDAW			
Employers			Confederation of British Industry	British Chamber of Commerce Engineering Employers Federation Institute of Directors	Federation of Small Businesses

NGOs Charities, Think Tanks	National Council for Lone Parent Families Gingerbread Adam Smith Institute	Child Poverty Action Group Low Pay Unit Low Incomes Reform Tax Group			Proponents of 'traditional families'
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Note: see annex 9.4. for criteria on assigning actor positions. **Data sources:** primary interviews, parliamentary archives, and media archives sourced via Factiva .

In the realm of party politics, the Conservatives and Liberal Democrats endorsed WFTC's incentive-based framing, with the Lib-Dems also valuing the policy as welfare expansion for low income workers (Hansard 1999a, cols. 157, 176–177). Nonetheless, both parties voted against the legislation to create WFTC, in part due to opposition to plans for employers to administer payments. However once the policy had been implemented neither party committed to abolishing or cutting it back (Conservative and Unionist Party 2001; Liberal Democrats 2001).

Meanwhile, among employer organisations, the Confederation of British Industry and Institute of Directors also welcomed the incentive-based logic of tax credits – both as a means to increase labour supply and as an alternative to a higher minimum wage (Peston 1998; Reuters 1998; Yorkshire Post 1999b). However, all five main UK business lobbies complained vociferously against the requirement for employers to administer payments as part of wage slips (Baron 1999; Peston 1998; Western Morning News 1998; Wighton 1999). Ministers responded by trying to convince businesses that tax credits would be beneficial to them despite this provision (Financial Times 1999; Primarolo 2002). Finally, within the think-tank ecosystem, a full-throated endorsement came from the free-market Adam Smith Institute due to the incentive-based logic of the policy (Pirie 1998).

Conversely, the Trades Union Congress (TUC) and anti-poverty charities backed WFTC mainly out of an entitlement-based logic, and argued for a higher minimum wage and more generous support for those out of work as well (Hastings 1998; Lyons and Hayes 1999; Observer 1999; Trades Union Congress 1999; UK-G). Then-TUC general secretary John Monks recalled that union leaders had generally welcomed Labour “[doing] something for the poor” (UK-E). A senior adviser to the Joseph Rowntree Foundation at the time also described “a consensus around a broad direction and travel” among anti-poverty pressure groups for the same reason (UK-F). In addition, there existed some support among unions and lone parent

groups for the goal of ‘making work pay’ and supporting people into work (UK-E; Lyons and Hayes 1999; Yorkshire Post 1999a).

Nonetheless, many actors on the socio-political left were uncomfortable with elements of the government’s wider activation-focused strategy and rhetoric. For example, groups such as the Child Poverty Action Group (CPAG) were opposed to benefit sanctions and wary of political discourse which legitimised negative portrayals of the poor (Lyons and Hayes 1999). Meanwhile, the TUC, the Low Pay Unit and some Labour MPs were worried that tax credits would be used to subsidise low wages (Bochel and Defty 2007; Carrell 1999; Little 2002; Monks 2000). For example John Monks recalled being concerned that expanded IWBs could undermine both wage solidarity and the role of collective bargaining in improving pay. However trade unions’ concerns on this score were not considered “politic” to raise because: “the government arranging a £40 [weekly] top up: how could you really oppose that?” (UK-E).

Consenters, not Demanders

Importantly, the evidence suggests that organised interests did not advocate for IWB expansion in advance of New Labour’s decision to create tax credits, but rather reacted to a course of action already set by Brown and the Treasury. According to the TUC’s former general secretary, the dominant feeling among union leaders was to “let Gordon [Brown] get on with it” as unions had other priorities at the time (UK-E). Likewise the CPAG made a “pragmatic” and “strategic” decision to support tax credits because if the organisation was overly critical “we [weren’t] going to have the potential influence that we could and should have on this [i.e. on policy design]” (UK-G).

In fact, once WFTC had been split into WTC and CTC, Brown’s circle actively sought to *generate* political demand by encouraging anti-poverty groups to push the government to fund further expansion. This reflected the lack of external pressure on New Labour over both IWBs and its child poverty reduction targets, announced in 1999. As Paul Gregg recalled:

“[Brown's team] desperately wanted the outside pressure to match the inside desire for change...they wanted a big campaign out there to act as a sort of a disciplinary device to provide the cover, if you like, for continued action.... and there was a lot of frustration within Brown's camp that [this] wasn't there in the early 2000s” (UK-B).

This view from inside government was matched by accounts from anti-poverty groups themselves (UK-G; UK-F). It was partly in response to this encouragement from government that CPAG brought various charities together to form the End Child Poverty coalition (UK-G).

4.2.4 Opportunity Stream

In addition to ideational and political motives a set of factors aligned to create a window of opportunity for the creation and expansion of tax credits. It is important to recall that previous Conservative governments had sought to introduce some form of tax credit in the 1970s and 1980s, including payment via the employer in the case of FC. However their proposals were abandoned in the face of opposition from various quarters including the Labour Party (Grover 2016, 123–24; Sloman 2016; Touzet 2019, 94–95). Thus ideas similar to what Brown proposed in the late 1990s had run aground in the recent past. However unlike previous governments New Labour was able to create a fiscal IWB and was partially successful in driving through plans for payments to be made via employers. The sections below explore the factors which enabled this outcome, as well as the various constraints which shaped final policy design.

4.2.4.1 Enabling Factors

Centralisation of Social Policy Authority under Gordon Brown

In the 1990s various circumstances combined to concentrate power over UK tax and social policy in the office of Gordon Brown and the Treasury.

Firstly, catalysed by the UK's electoral system, Labour held overall parliamentary majorities from 1997 to 2010 (including 63% of seats after 1997). This meant that the Blair and later Brown governments were able to pass legislation without the support of opposition parties or all of their own MPs. As one contemporary study of UK welfare politics found "MPs from all parties referred to the size of the government's majority allowing them to force through legislation without the need to make concessions" (Bochel and Defty 2007, 154). The government's relatively free hand was further strengthened by the UK's model of centralised cabinet governance and lack of institutional vetoes (c.f. Cairney 2012, 160–61). This can be observed in the case of the WFTC's legislation, which was passed by the government's large

majority while all opposition amendments were unsuccessful (Hansard 1999b; see legislative votes at: The Public Whip 2021b, 2021a).

Secondly, Brown possessed strong authority over social policy within the Labour party and government. This position was facilitated by an informal agreement made between Brown and Blair in 1994 which according to the former involved him standing aside in favour of Blair's party leadership bid in exchange for "complete autonomy over economic and social policy" (Brown 2018, 97). Linked to this, while several other party figures were interested in welfare reform, by 1997 "it was the New Deal and later tax credits ... that would prove to be the most visible and worked out of Labour's [welfare] policies" (Haddon 2012a, 11). Once in government, impetus for welfare reform largely passed from the DSS to the Treasury, where Brown was Chancellor. According to Alistair Darling, then a social security minister, "Gordon totally dominated domestic policy at that time" (UK-A). Consequently, beyond the countervailing authority of Blair as prime minister, there were few effective political checks on Brown's preferred reform direction (c.f. Richards 2010, 123–24).

The significance of Brown's position is made evident when observing how he was able to retain control of Labour's social policy agenda while side-lining competing sources of ideas. In 1995 Blair appointed Chris Smith as Labour's shadow social security secretary (Haddon 2012a, 10). However according to one account, Brown effectively ignored Smith's proposals – such as increasing unemployment support and restoring certain other allowances – to make public announcements on the New Deal and the intention to introduce greater benefit conditionality (Bower 2004, 160–70). Upon entering government, another source of competing policy authority came from Frank Field MP. A longstanding expert on social security, Field was a strong opponent of means testing, and instead supported an extension of the insurance principle via new member-run social insurance corporations (Field et al. 1996, 9). Blair appointed Field as minister for welfare reform in 1997 with a brief to set the government's direction in this area, which resulted in a consultative Green Paper published in March 1998. However in the same month Brown publicly announced plans to create WFTC, which had been largely developed without consultation with the DSS (Bochel and Defty 2007, 37). In the event, Blair did not support Field's proposals, fearing they would be unfeasible and would overtly increase the social security bill (Bower 2004, 235; Richards 2010, 133; UK-B). When it became clear that Brown was assuming control of welfare reform and that his own ideas lacked Blair's confidence, Field resigned from government and publicly criticised tax credits as an extension of means-testing (Field 1998; McCabe 2018, 218; White 1998). The events marked the

dominance of Brown's Treasury over welfare policy, and each Secretary of State for Social Security over this period was also considered a Brown loyalist (Bochel and Defty 2007, 37).

An ongoing challenge to Brown's authority over social policy was Tony Blair himself. Blair took a direct interest in conditionality and activation, chairing a 'committee on welfare reform' and holding a series of 'welfare roadshows' in early 1998 (Hills 1998, 20). At the same time, according to journalistic accounts, Blair's advisers were "alarmed" about Brown's plans for tax credits due to their potential cost and complexity, while the prime minister himself was "deeply sceptical" of the policy (Bower 2004, 243; Richards 2010, 137). Nonetheless, official notes of a meeting held between both leaders in 1997 reportedly stated that Blair was reluctant to challenge Brown on tax credits (Bower 2004, 243). Further, according to Alistair Darling, Blair was willing to support Brown's reforms as long as they included a focus on 'responsibility' (UK-A). As such a combination of the above factors meant that despite the potential obstacles Brown was able to get his way when it came to introducing WFTC.

Economic Context and the Poverty Pledge

Two contingent factors contributed to the subsequent expansion of tax credits after WFTC's implementation. Firstly, economic conditions were very favourable to fiscal expansion. Labour inherited and then presided over a period of growth which lasted from 1992 until 2008, with Brown operating in an environment of falling unemployment, low inflation, and surging tax receipts (BBC 2001; Sawyer 2007). While the government's political rhetoric focused on fiscal responsibility, from 1999 spending increased as a percentage of GDP and the Treasury became more open about allocating additional resources to priority areas (HM Treasury 2001, 3).

Secondly, Tony Blair's child poverty pledge in 1999 provided added political cover for tax credits' expansion (UK-A). According to one account, this pledge was originally motivated by the "search for a headline" in response to pressure to do more to appeal to Labour's base and left-leaning papers like the Daily Mirror (Richards 2010, 136). However the consequent child poverty reduction targets gave Brown a new justification for tax credit expansion (c.f. Brown 2004). According to Ed Balls: "it was extremely important – that child poverty commitment – to the further increases in generosity of tax credits. It would never have been pushed as far as it was without that child poverty commitment being made" (UK-C).

4.2.4.2 Constraints

While the aforementioned dynamics helped to open the window of opportunity for tax credits' introduction and expansion, there were also institutional and political constraints which prevented the system's architects from fully realising their original policy vision.

Institutional Obstacles to Tax-Benefit Integration

Despite the political will to more fully integrate the UK's tax and benefit systems, institutional legacies largely prevented this from occurring. As noted, the architects of tax credits originally sought to emulate the EITC. While in opposition Alistair Darling recalled discussing the idea for some form of tax-benefit integration with Brown along these lines (UK-A). Once in government, Brown asked Martin Taylor to look at options around the EITC as part of his taskforce. However while Taylor recommended the introduction of a tax credit, he recognised that "substantial differences" between the tax and benefit systems in the USA and UK represented an institutional barrier to the replication of the EITC or wholesale tax-benefit integration (Taylor 1998, 21). For example, where US taxation was based on submitting tax returns and on household income, the UK system was centred around individual taxation and payment at source (PAYE). As Ed Balls recalled:

"Our purist desire to integrate tax and benefits [was] coming up against these two really quite serious buffers...And that's why in the end, the only way to do this was for the Inland Revenue to take over the managing of a household assessment of a different tax payment, or tax credit" (UK-C).

In the case of WTC, the Treasury sought to continue the government's "fundamental objective" of further integrating IWBs with the tax system (Inland Revenue 2001, 37). Nonetheless, WTC remained in effect an IWB based on household income (Brewer 2003, 4). Further, as previously noted, the attempt to match "the psychology of individuals whose finances work on a weekly basis and a computer-based bureaucracy that can work only in terms of April-to-April tax years" contributed to the payment error fiasco described earlier (W. Davies 2007).

Political Lobbying and Resistance

Brown's Treasury also faced opposition from political and social actors to aspects of tax credits' design. This centred on the proposed arrangements for WFTC to be paid via employers and to the main earner rather than main carer in a couple. However while lobbying resulted in a few modifications and concessions, the WFTC's final form almost entirely reflected proposals contained in the draft legislation.

The first, and most successful, challenge to the proposal to pay tax credits via the wage packet came from groups from within the government's wider support coalition, whose opposition was rooted in the 'purse to wallet' concerns discussed earlier. An informal coalition including the Women's Budget Group, Fawcett Society, CPAG, TUC and some female Labour MPs "lobbied tirelessly against this aspect of the WFTC in 1998/99" (McLaughlin, Trewsdale, and McCay 2001, 168). This led to a partial victory in February 1998 when the government conceded that for couples with only one earner, payment via the wage packet would only be an "option" and families could decide for themselves who would receive the credit (Coyle 1998). This still left dual-earner couples and lone parents with the requirement to be paid via the wage packet (Grover 2016, 141).

Secondly, the UK's business confederations actively lobbied to reverse plans to require employers to pay out tax credits (Buckley 2000; Reuters 1999c). The government ignored calls for exemptions, however proposed compensation to help small businesses with initial administrative costs (Financial Times 1999; Guardian 1999). However after "a long and bitterly fought campaign" by business groups (Godwin and Lawson 2009, 186) the government eventually scrapped payment via the wage packet: first by making it optional for some groups, then exempting CTC in 2003, and then entirely scrapping the provision by 2006 (Ibid).

Some third sector organisations also felt they had influence on tax credits' design. Groups like CPAG and JRF aimed to be 'critical friends' by flagging potential issues and suggesting changes to make the system more responsive and user-friendly (UK-G; UK-F). Likewise, the Low Incomes Tax Reform Group (LITRG) formed a forum with several other interest-based and anti-poverty groups to lobby the tax agency over design issues which it was felt would improve tax credits' operation (UK-I). Furthermore, as noted, an End Child Poverty coalition was formed to pressure for further expansion. Areas where such groups felt their lobbying made a difference include raising capital limits to widen eligibility for tax credits and advocating for income disregards to be increased to avoid problems with overpayments (UK-G; UK-I).

4.3 Part II: The Coalition and Universal Credit

4.3.1 Introduction

Universal Credit was the flagship social security reform undertaken by the Conservative-Liberal Democrat coalition government ('the Coalition') which held office in the UK from 2010 to 2015. UC merged six means-tested benefits into one, including tax credits.¹⁷ As such, the system of fiscal in-work support created by Gordon Brown did not last beyond New Labour's tenure in power. Other changes to IWB support engendered by UC included making wage supplements available at any amount of working time, offering additional earnings disregards to target certain household types, and introducing the concept of 'in-work conditionality' for recipients on low working hours. Initially UC was predicted to be marginally expansive and to have a net positive effect on the incomes of the lowest six income deciles (Brewer, Browne, and Jin 2011, 3). Together these changes shifted logics of British in-work support. In distributive terms IWBs continued to be comparatively broad and generous (c.f. sec. 2.3) but with greater targeting on poorer workers. Meanwhile the employment logic changed to foster atypical work as well as more substantial hours, and institutionally IWBs became a core part of social assistance rather than existing as a separate system.

The creation of UC is intriguing on several levels. Firstly, in its original conception the policy saw a centre-right government propose additional welfare spending for lower income groups at the same time as it was otherwise cutting working-age benefits through a programme of fiscal austerity. Secondly, the micro-institutional preferences of mainly conservative policymakers were the inverse of those of Conservative administrations in the 1970s and 1980s. Thirdly, despite the scope of the changes involved, it appears that UC's approval was not subject to high levels of public attention or political conflict (Field and Forsey 2016, 73). This is particularly relevant in hindsight given UC's troubled implementation (Timmins 2016).

To analyse the driving forces behind UC's creation the sections below trace the policy's journey from initial conception in the late 2000s through to parliamentary approval in 2012. Given the remit of this thesis, particular attention is paid to the in-work aspects of UC. Each main section addresses the sub-questions of RQ1 cited earlier. As with tax credits, it is once

¹⁷ The benefits subsumed into UC were: the means-tested components of Employment and Support Allowance and Jobseeker's Allowance, Income Support, Housing Benefit, Child Tax Credit and Working Tax Credit.

again found that policymakers' preferences cannot be adequately explained by external pressures or political demand. Rather it seems that the ideas and advocacy of well-placed policy entrepreneurs and the fit of these ideas with dominant discourses of social security were the key conditions leading to UC's adoption as policy. Subsequently, the formation of a passive 'ambiguous agreement' among political actors, the dynamics of internal government politics, and fortuitous events aligned to open a window of opportunity for the reform's institutional approval and implementation.

4.3.2 Policy Stream

Universal Credit: Protagonists and Timeline

In relation to RQ1.1, UC was largely conceived by a network of policy entrepreneurs linked to Iain Duncan Smith, a former Conservative Party leader (2001-2003) who in 2004 co-founded the Centre for Social Justice (CSJ) think-tank. Other members of this network included Stephen Brien, a management consultant and chair of the CSJ's Economic Dependency Working Group (EDWG), and CSJ co-founder Phillipa Stroud (who together with Brien, would later work for Duncan Smith in government). Another central protagonist was David Freud, a Conservative peer, former banker and one-time welfare adviser to Labour who held the post of Minister for Welfare Reform from 2010 to 2016. Within the DWP an important role was played throughout by Neil Couling, who in 2014 became the senior official in charge of UC's implementation and rollout (for a fuller description of those involved, see Timmins 2016).

The conception of UC originated in the debate about poverty which took place among the political right during the 2000s. The CSJ was a key player in this process. In 2005 the think tank was appointed by the new Conservative Party leader, David Cameron, to chair a Social Justice Policy Group (SJPG) as part of a wider review of the party's platform. The group's reports *Breakdown Britain* (SJPG 2006) and *Breakthrough Britain* (SJPG 2007) helped to create the problem narrative of a 'broken society' which came to frame the Conservative Party's discourse on social issues (Slater 2014). Subsequently, from 2007 to 2009 the CSJ's EDWG, led by Brien, conducted an extensive review of the welfare system in relation to this 'broken society'. The result was the report *Dynamic Benefits* (CSJ 2009) which proposed the initial blueprint for what would become Universal Credit.

When the Coalition formed after the May 2010 General Election Iain Duncan Smith was appointed by new prime minister David Cameron to be Secretary of State for Work and Pensions. From here the DWP became the site of UC's final policy design and implementation. The idea for UC was put out to consultation as one of several options for reform in July 2010 (DWP 2010a) and confirmed as the government's preferred option in a White Paper in November (DWP 2010d). Legislation to create UC was introduced to parliament as part of the Welfare Reform Act in February 2011 and received Royal Assent in March 2012. After a long and challenging roll-out period, the current timetable for transferring all remaining claimants of legacy benefits to UC is 2024 (Howard 2021).

4.3.2.1 Problem-Framing

UC's architects mainly drew on attitudinal and incentive-based paradigms of poverty and social security to frame the case for reform (c.f. Newman 2019, 182). While there were similarities with New Labour's framings of these issues, especially in the commitment to work incentives and benefit conditionality, the CSJ and Coalition arguably put greater emphasis on individual behaviours as causes of poverty while rejecting structural factors more fully than previously.

Attitudinal problem-framing was strongly embedded in the 'Broken Britain' narrative. This viewed the UK's primary social problem as the emergence of "an ever growing underclass" afflicted by "social breakdown and dysfunctionality" (CSJ 2009, 4; SJPG 2006, 13). In this narrative 'dependency' on welfare was viewed as one of the major 'pathways to poverty', together with family breakdown, educational failure, drug addiction, and personal indebtedness (Duncan Smith, CSJ 2009, 4). Being out of work and in receipt of state support was argued to erode claimants' work ethic and habituate them to a state of inactivity. This meant that tackling poverty was about "changing the attitudes and values of those...who could work but who choose not to" (CSJ 2009, 38). Linked to this was the notion of 'intergenerational worklessness', whereby unemployed parents were thought to pass on poor work attitudes to their children. As Stephen Brien put it: "benefit dependency...can endure from generation to generation, depriving each new generation of its potential...it can become its own culture, where the habit of dependency becomes a way of life" (CSJ 2009, 34). Statements by other UC protagonists and Coalition politicians appeared to reflect a shared assumption that a 'culture of dependency' was a key problem to be tackled (Cameron 2011; Duncan Smith 2011; David Freud in Sainsbury 2014, 38; Nick Clegg in Walters and Carlin 2010). Also notable is that

‘worklessness’ was viewed by the CSJ as undermining marriage and stable families, another important issue for the think tank (SJPG 2006, 18; Slater 2014, 14).

Insufficient work incentives were also viewed as a problem. In contrast to the attitudinal approach, here it was felt that people did not actively ‘choose’ their situation but were forced to remain unemployed by a badly designed social security system (CSJ 2009, 17, 83–84; DWP 2010d, 11, 2010a, 5; Duncan Smith in Hansard 2011b, col. 921). In this sense, the CSJ shared the economic-utilitarian focus on the need to ‘make work pay’ expressed by New Labour and previous Conservative administrations. Its critique here centred not on *what* New Labour had sought to achieve, but rather *how* it had pursued this objective (CSJ 2009, 75–77; SJPG 2006, 25–26). Despite Brown’s reforms, it was argued that too many benefit claimants were still being ‘trapped’ on welfare by financial barriers to seek work or increase earnings (CSJ 2009, 83; DWP 2010d, 11). However, the other rationales that had informed tax credits (income redistribution, disassociation of IWBs from welfare) were generally ignored.

Conversely, welfare expansion under New Labour was viewed as a problem. Labour was criticised as having relied on the expansion of means-tested benefits (especially tax credits) to reduce poverty rather than getting more people into work (SJPG 2006, 24). Further, as explored later, the CSJ and Coalition were uncomfortable with the extension of tax credits to middle-income workers, viewing this as spreading ‘welfare dependency’ to the middle classes.

Critique of the Welfare System and Tax Credits

The CSJ (and DWP after 2010) applied these problem-narratives to a critique of the welfare system which built the case for UC. Two main issues were identified regarding in-work support which were distinct from New Labour’s analysis. Firstly, the lack of state support for marginal or flexible working hours was viewed as a problem. Secondly, the complexity of the welfare system – including the division between IWBs and out-of-work benefits – was considered a major cause of ‘perverse incentives’ and inefficiency (CSJ 2009, 17; DWP 2010a, 8).

(i) Inflexible Incentives and ‘Ossification’

A central aspiration of UC’s architects was for financial incentives to encourage flexibility, support work at any number of hours, and to make the transition between ‘welfare’ and ‘work’ as seamless as possible. On these grounds the existing system was criticised for disincentivising

flexibility and offering poor rewards for those on low, fluctuating, or intermittent hours. For example the CSJ observed that different benefits were withdrawn at different taper rates and that for many the withdrawal of housing and council tax benefit cancelled out the prospective gain from WTC (CSJ 2009, 92). WTC itself was cast as inadequate, as under-25s without children were not eligible, while working hours thresholds meant that it was often more attractive to remain on benefits than to work just a few hours per week. These thresholds were feared to result in workers ‘clumping’ around ‘arbitrary’ limits rather than adapting to their (or their employers’) needs (c.f. CSJ 2009, 5; Duncan Smith in Work and Pensions Committee 2011, 38). According to DWP official Neil Couling, such inflexibilities were viewed as the key problem:

“This is where Iain [Duncan Smith]’s big insight was: you get an ossification between a group of people on tax credits, who never go anywhere, [and] the group of people on benefits who never try out the tax credits. Now that’s a gross simplification, but ...there is truth to that” (UK-M).

(ii) Complexity as a Problem

The complexity of the benefits system was also considered a major issue. While not a new topic, it had risen on the policy agenda in the mid-2000s. Several institutional reports had problematised the number of existing benefits and the inefficiencies these were held to create (CPA 2006; NAO 2005, 21; c.f. Timmins 2016, 18–21). From 2006-2009 the leading idea for a solution was the Single Working Age Benefit (SWAB) designed by Roy Sainsbury, Professor of Social Policy at the University of York. SWAB proposed the integration of the main social assistance, unemployment and disability benefits and the introduction of a gateway interview to determine claimants’ conditionality status (Sainsbury and Stanley 2007). This was conceived by Sainsbury as a “non-ideological” and “technocratic” fix and was received with interest by all main political parties (UK-J; c.f. University of York 2013). In response, a series of New Labour-era DWP reports mentioned benefit simplification as a goal and cited SWAB or its components as a possible model to follow (DWP 2006, 11, 2008b, 10, 2008a, 107). Sainsbury also pitched SWAB to David Freud, who as an adviser to Labour at the time recommended that “debate should certainly take place” around the idea (Freud 2007, 100). It was this recommendation by Freud that inspired Stephen Brien and the CSJ “to run detailed modelling for a single benefit system” (Freud 2021, 80).

In their approach the CSJ (and DWP from 2010) cast benefit complexity as not only a problem of technical inefficiency but also as something which exacerbated ‘perverse incentives’ and ‘entrenched dependency’ (CSJ 2009, 21; DWP 2010a, 13). This purportedly occurred in at least three ways. Firstly, transitions between in- and out-of-work support created administrative hassle (a “benefit steepchase”) for those with changing circumstances, potentially involving procedures with the DWP, HMRC and local authorities (quote by UK-M; c.f. Duncan Smith in Work and Pensions Committee 2011, 24). Secondly, as above, multiple withdrawal rates and income threshold triggers created uncertainty about future income when moving into work. Administrative errors with tax credit payments exacerbated this uncertainty (CSJ 2009, 21). Taken together, these two points meant that for UC’s proponents “distinct in-work benefits have failed to convince some people to make the transition to work” (DWP 2010a, 21). Thirdly, institutional divisions among out-of-work benefits, namely between programs for the unemployed, lone parents and the disabled were feared to “trap people in situations which no longer reflect their reality” as people’s circumstances changed (UK-K).

4.3.2.2 Universal Credit as a Solution

The idea for UC was drawn up as a solution to these different issues by offering flexible incentives, encouragement of ‘responsible’ life choices, and benefit simplification. Discussion here focuses on the version of UC proposed by the DWP in 2010 and largely translated into legislation by 2012. This represented an evolution from the CSJ’s proposal in *Dynamic Benefits* for two ‘Universal Credits’ and Roy Sainsbury’s initial idea for SWAB (Table 4.4).

Table 4.4. Proposals for UK Benefit Integration c. 2005 - 2010

Proposals for UK Benefit Integration c. 2005 - 2010			
	Single Working Age Benefit	Universal Life and Work Credits	Universal Credit
Concept	Integrate ‘income replacing’ out of work benefits into a single working-age benefit.	Integrate all main working-age benefits into two ‘universal credits’: one for income replacement (work credit) and the other for living costs (life credit).	Integrate six means-tested benefits into a single in-and-out of work benefit for people of working age.
No. of Benefits Included	4	9	6

Benefits Integrated	JSA, ESA, IB/ESA, CA*	<u>UWC</u> : JSA, IS, IB/ESA <u>ULC</u> : HB, CTB, DLA/PIP, CTC, WTC, CB*	Means-tested components of ESA and JSA plus IS, HB, CTC and WTC.
Incentive Structure	Common rules to be drawn up on 'permitted work' while on benefit (non-specified).	Single withdrawal taper rate (55%) from the first hour worked. Additional disregards for couples and parents.	Single withdrawal taper rate (65%) from the first hour worked. Additional disregards for couples and parents.
In and Out of Work Support	Ongoing separation between tax credits and out-of-work benefits.	Integration of in- and out-of-work benefits into a dual structure managed by a single agency.	Integration of in- and out-of-work benefits into one structure managed by a single agency.
Proponent Source	(Sainsbury and Stanley 2007)	(CSJ 2009)	(DWP 2010d).
Legend	<p>* = For 'potential' integration into new system.</p> <p>JSA = Jobseeker's Allowance IS = Income Support IB (ESA) = Incapacity Benefit (Employment and Support Allowance from 2008) DLA (PIP) = Disability Living Allowance (Personal Independence Payments from 2013)</p> <p>CA = Carer's Allowance HB = Housing Benefit CTB = Council Tax Benefit CB = Child Benefit CTC = Child Tax Credit WTC = Working Tax Credit</p>		

As Neil Couling recalled of the vision behind UC: "the idea was: bring it together - one set of rules, one agency, clear incentives" (UK-M). The new structure of work incentives included a standard withdrawal taper of 65% on earned income from the first hour worked, additional 'work allowances' (100% earnings disregards up to a certain threshold) for working parents and couples, and a beefed-up conditionality and sanctions regime. Once in place, it was intended that these 'levers' could be adjusted according to the economic cycle and desires of the government of the day (Duncan Smith in Work and Pensions Committee 2011, 37; UK-M). Regarding administration, calculation of entitlement would take place via a single claim, with a digital 'real-time information' (RTI) system adjusting payments monthly according to changing household circumstances. It was hoped this would increase benefit take-up and at the same time bring savings due to reduced duplication, fraud and error (DWP 2010d, 50; UK-L).

The hope underlying all of these features was that improved incentives and attitudinal change would lead to a 'dynamic effect' resulting in more people entering work. UC would thus promote a new "culture of work" and reduce the number of workless households, poverty rates, and in the long run, welfare costs (DWP 2010d; Brien, quoted in: Work and Pensions Committee 2011, Ev 2). The sections below explore further how different dimensions of UC's design related to these goals and distinct policy logics.

Flexible Incentives and ‘Seamless’ Transitions

The principal logic of UC was that “work must always pay and be seen to pay” (DWP 2010b). To do so, the work allowances would incentivise people into jobs while a smooth withdrawal taper would encourage those already in jobs to increase their hours (DWP 2010d, 5; Duncan Smith: Work and Pensions Committee 2011, EV 31). Together, these elements made very low or flexible working hours more attractive compared with the previous system. Analysis of UC’s original design showed that resources had been prioritised to incentivise the first household earner to enter part-time employment at the relative expense of higher-earning/full-time workers, second earners, and those out of work (Brewer, Browne, and Jin 2011, 4; Brien: Work and Pensions Committee 2011, EV 2-3). For UC’s architects, entering the labour market was now a ‘journey’ with the system built to “allow people the flexibility to move at a pace that they can move at” and “reflect on what their own needs are” regarding working hours (UK-K; Duncan Smith: Work and Pensions Committee 2011, EV 31). Administrative simplification would also ensure “it is transparently clear to all that work pays” (CSJ 2009, 37). In addition, creating a single benefit for those in and out of work would reduce the perceived risk of taking a job, including for those who might only work intermittently due to their circumstances (CSJ 2009, 37; DWP 2010d, 4; Sainsbury 2014, 42)

UC’s protagonists also hoped that re-engineered incentives would lead to macro-economic benefits. Abolishing the ‘hours rule’ was viewed as removing a rigidity that “fails to reflect the flexible working pattern that modern employers and individuals need” (DWP 2010d, 8). Instead, in Britain’s post-industrial labour market, UC could ensure the availability of workers to fill marginal jobs and help employers generate growth to power the economy out of recession (Brien: Work and Pensions Committee 2011, EV 8). At the same time, unlike Conservative governments in the 1980s and 1990s, IWBs were not viewed as an alternative to minimum wages, but rather a complement – underlining a consensus that had formed between the main UK parties on the issue. Thus for David Freud, “the whole existence of Universal Credit... is predicated on a minimum wage” as without this “employers just take advantage and they can cut [pay]” (UK-K).

Behavioural Change

Another goal of UC was to “reintroduce the culture of work in households where it may have been absent for generations” (DWP 2010d, 18). This responded directly to the spectre of an ‘underclass’ marked by ‘intergenerational worklessness’, with policymakers seeking to induce what were considered to be the habits of the working population among workless households. Aspects of policy design oriented towards this goal included moving from fortnightly to monthly benefit payments and routing housing support to claimants rather than directly to landlords (Millar and Bennett 2017b, 175). Furthermore, a new and stricter conditionality regime involved signing a tailored ‘claimant commitment’ which usually required recipients to spend 35 hours per week seeking work and to accept any job they were capable of undertaking. The DWP was thus re-cast as the claimants’ “employer” (Brien, quoted in: Timmins 2016, 40). Those who repeatedly failed to comply could face potential sanctions of up to three years without benefit income, compared with six months under the previous system (DWP 2010d, 30).

Another new element of UC was ‘in-work conditionality’ whereby those working just a few hours would be expected to seek to increase their labour market attachment (DWP 2010d, 31). In this sense, through changes to policy administration, incentive structures and conditionality rules, UC broke down the barriers between IWBs and social assistance erected by previous governments.

Distributive and Gender Orientation

UC was consciously limited as a direct redistributive instrument. In its original design, the DWP estimated that up to 500,000 adults and 350,000 children would be lifted from poverty as a result of improved benefit take-up and increased entitlements among working households (DWP 2010d, 52). However there were no increases to out-of-work support, and workless households were projected to experience income losses due to other rule changes (Brewer, Browne, and Jin 2011, 45, 2012, 62). UC’s projected generosity was later scythed by a series of austerity-driven cuts during the Coalition years, which Duncan Smith later cited as a major factor in his resignation in 2016 (Duncan Smith 2021). By 2016, these cuts had reduced UC’s projected long-run cost by £5bn and meant that while work incentives would still be improved on average, working families would receive less net income support compared to the legacy system (Browne, Hood, and Joyce 2016, 242). Such design decisions arguably evinced a prioritisation of work-incentivisation over direct poverty-reduction (c.f. Grover 2016, 166).

In terms of gender, UC followed through on the CSJ's preoccupation with supporting co-habitation and two-parent families. Distributional analyses showed that in its original conception UC prioritised support for couple households (especially those with children) and increased incentives for one-earner couples relative to two-earner couples (Adam and Browne 2013, 2; Brewer, Browne, and Jin 2012, 60–61). The DWP's impact assessment of UC was cognisant of worsened incentives for some second earners but did not consider such effects problematic and stated these were gender-neutral (DWP 2012, 23). However according to the Liberal Democrat's pensions minister at the time: "I think there was a feeling in the Lib Dem side that the Centre for Social Justice favoured mums staying at home looking after children... so there was always a bit of suspicion of social engineering" (UK-L). This and other aspects of policy design raised concerns among some observers that UC risked undermining the autonomy of women within low-income couple households (F. Bennett 2011; Millar and Bennett 2017b, 177).

4.3.2.3 Processes of 'Cognitive Filtering'

The CSJ and DWP argued that UC was 'evidence based' and cited a number of studies to support their arguments that better financial incentives, stronger conditionality and reduced complexity were key levers which could reduce worklessness and poverty (CSJ 2009, 83, 323; DWP 2010a, 11, 2010d, 58, 2012, 28–80). However there is much to suggest that policymakers' cognitive frameworks also acted as a 'filter' on the deliberative processes leading to UC's conception and design.

Firstly, claims about UC's likely effects on labour market behaviour were contested. At the time of UC's development, the chief economist of the liberal Reform think tank, Patrick Nolan, argued to a parliamentary committee that offering 'smooth' incentives from the first hour worked ignored "how reforms interact with the labour market in the real world," as few people sought to move from unemployment into marginal employment (Nolan 2011; Nolan: Work and Pensions Committee 2011, EV 7-9). More broadly, it has been noted that documents setting out the case for UC ignored findings from DWP-funded research which showed "the real-world complexities of moving into work and changes to circumstances beyond technocratic or rational economic dimensions" (Monaghan and Ingold 2019, 357). Likewise, incentive-based arguments appeared not to take account of benefit recipients' responses to surveys

commissioned by the CSJ or DWP which downplayed the importance of financial barriers for claimants' employment decisions (Couling 2012; SJPG 2006, 100; Tu and Ginnis 2012, 49–50).

Secondly, assumptions regarding 'intergenerational worklessness' and 'dependency culture' were not well supported. Numerous studies seeking to discover the existence of multi-generational unemployment and a lack of work ethic among benefit recipients found such concepts to be largely unfounded (Gaffney 2010; Gordon 2011; Macdonald, Shildrick, and Furlong 2014; Slater 2014). Conversely, UC's design elements which focused on changing claimants' attitudes were found to be "out of step with the [academic] evidence" about the lives and behaviours of people on low incomes (Millar and Bennett 2017b, 170, 178).

Thirdly, UC's protagonists rejected structural problem narratives and concomitant policy solutions out of hand. A large body of contemporary research existed which drew attention to low pay, involuntary under-employment, job insecurity, insufficient income support, and a lack of suitable childcare as causes of poverty and inactivity in Britain (e.g. Kenway 2008, 4; Shildrick et al. 2010; Simmonds and Bivand 2008; Thompson 2015). However as observed by Wiggan, the possibility that structural inequalities or labour market trends were drivers of poverty or unemployment "is not dismissed but simply goes unmentioned in the Coalition's discourse" (Wiggan 2012, 393). Instead the CSJ and Duncan Smith argued that inactivity rates were not linked to labour market conditions, as economic growth prior to the 2008 financial crash had not seen a commensurate reduction in benefit caseloads (CSJ 2009, 47–49; Duncan Smith, Hansard 2011b, col. 919). Duncan Smith held to this view during the post-crash recession, arguing: "it's not the absence of jobs that's the problem. It's the failure to match the unemployed to the jobs there are" (Duncan Smith, quoted in: Kirkup 2011). Likewise, the CSJ claimed that poverty could not (or should not) be remedied by increasing benefit generosity because this would only increase 'dependency' (CSJ 2009, 31).

Fourthly, UC's protagonists often resisted evidence which ran counter to their own narratives. The CSJ dismissed most academic research as out of step with what policymakers already knew to be the main problems to be tackled because it "focused more on redistributing income than addressing worklessness" (CSJ 2009, 35). Duncan Smith in particular did not appear receptive to contrary information. He flatly rejected Patrick Nolan's critique of plans for UC (Duncan Smith: Work and Pensions Committee 2011, EV 37). Likewise, when asked in parliament for evidence regarding the existence of intergenerational worklessness, he later responded that his

statements on the subject were drawn from “personal observations” and that there existed no data which could reliably estimate the phenomenon (Duncan Smith 2013).

Prior observations on the apparent incongruity between ‘the evidence’ and UC’s narrative and design have led to debate about whether this can be explained as a ‘policy blunder’, a consequence of ideological convictions, or a more intentional effort to re-shape the terms of social policy debate (Millar and Bennett 2017b; Newman 2019; Slater 2014; c.f. Wiggan 2012). These latter points indicate the potential role of UC in the wider battle of ideas and the Conservative Party’s political strategy on either side of the 2010 General Election.

4.3.3 Politics Stream

4.3.3.1 Strategic-Electoral Motives

Both the conception of UC and its adoption by the Coalition after the 2010 General Election, can be linked to wider political strategies and motives.

The founding of the CSJ by Iain Duncan Smith in 2004 and a social justice policy review set up by David Cameron in 2005 were aimed at detoxifying the image of the Conservatives as ‘the nasty party’ and showing that the party cared about, and had solutions to, poverty and social injustice (Evans 2008; Fielding 2009; Haddon 2012b; Hayton 2014). *Breakdown Britain* made this intent clear, stating that while poverty “has been a difficult issue for the Conservative Party to deal with” it was “too important an issue to be left to the Labour Party” (SJPG 2006, 18). The fleshing out of the ‘broken society’ narrative and ideas like Cameron’s volunteer-based ‘Big Society’ were all outgrowths of this process. Yet this did not involve an abandonment of the core ideological tenets of conservative thinking, but rather their reformulation as the Conservatives sought to compete with Labour on social issues (Hayton 2014, 136).

After the 2010 election, UC offered political opportunities to both parties in the Coalition. As explored in the opportunity section, these were crucial to UC’s adoption amid internal government policy disputes. For the Conservatives, UC helped to secure the mission of seizing control of the poverty debate from Labour. In David Freud’s view this was an “almost existential issue” for Labour because “the creation of a new benefit system, if that is owned by the Conservatives, what is the point of Labour?” (UK-K). Furthermore, a similar strategy to

that of New Labour was employed whereby IWB reform was used to appeal to the sentiments of middle-class target voters rather than policy beneficiaries themselves. UC was thus heralded as a new “contract” whereby taxpayers would perceive their money wasn’t being “wasted” while claimants would be shown that working would always pay more than benefits (DWP 2010d, 1; Duncan Smith in Hansard 2011b, col. 921). In contrast, ignoring the direction of New Labour’s welfare reforms since 1997, Labour was accused of having “subsidised people who made the wrong choice...on the backs of those who tried to do the right thing” (Duncan Smith 2010). Furthermore, unlike the ‘blame avoidance’ constraint faced by Gordon Brown, UC’s advocates were also clearly not concerned that their plans would be portrayed as ‘pro-welfare’ or spending on the ‘undeserving poor’ (c.f. Touzet 2019, 189). This removed the main political logic which had motivated New Labour’s preference for fiscal administration.

Meanwhile UC aligned with the Liberal Democrats’ long-standing advocacy of social security simplification (Liberal Democrats 2005, 19) and the party was quick to support the policy. In addition, the Lib Dem’s deputy prime minister Nick Clegg largely shared the view that “welfare dependency” and “the welfare bill” were problems needing to be tackled (Walters and Carlin 2010). Within the dynamics of coalition government, the policy also offered distinct credit-claiming opportunities for the more left-leaning of the two governing parties. Given that UC was initially projected to reduce poverty, it was used to signal the ‘progressive’ influence of the Liberal Democrats on government and burnish its credentials as the ‘party of fairness’ (Stratton 2010). On the day UC’s White Paper launched, Nick Clegg made a pitch in the left-leaning *Guardian* that the reform was part of an agenda of promoting “fairness” and “social mobility” (N. Clegg 2010). Likewise, for Liberal Democrat pensions minister Steve Webb, in the context of the government’s wider austerity drive UC “was the one good news story when we were squeezing other benefits” (UK-L).

4.3.3.2 Political Demand

Public Opinion and the Media

Despite the perceived political advantages offered by UC there is little evidence to suggest that the adoption of the policy primarily responded to pre-existing voter demand or direct electoral motives. For example a core component of the proposal – providing state wage top-ups to non-parents – did not enjoy public support (c.f. sec. 4.2.2). Further, not only did no political party

propose to scrap or fuse tax credits as part of their 2010 election manifestos, but the future Coalition partners actively avoided discussing tax-benefit integration. David Freud recalled that the upcoming election was instead viewed internally as a motive *not* to talk about such issues, with George Osborne (the future Conservative chancellor) purportedly saying in early April 2010: “You cannot be serious if you think you can introduce [into public debate] a complete reform of both the tax system and benefit system just five weeks ahead of an election. Not a word of this must get out” (Freud 2021, 84; c.f. Timmins, 2016, p. 25). Likewise, from the Liberal Democrats’ perspective, there was little public interest or political capital to be gained in detailing potential reforms to IWBs as part of any future government (UK-L).

Nonetheless, while winning votes may not have been a primary motivation, the broader shape of public and media opinion provided a conducive political environment for UC’s adoption. Views on the welfare system and the unemployed hardened in the 2000s, with psephologist John Curtice observing that “since Labour has been in power, the public have become less concerned about equality and less supportive of efforts by government to reduce it” (Curtice 2009, 177). The CSJ reported in its own polling that large majorities of the public supported increased conditionality for lone parents and disabled people, felt that work should pay more than benefits, and felt that the system should be simplified (CSJ 2009, 102, 108, 119, 128, 131). Likewise, when UC was first trailed in media, a YouGov poll found strong majorities in favour of greater conditionality, tougher sanctions, and more generous work incentives. Views on benefit integration were more ambiguous: 46% agreed with combining in- and out-of-work support into a single payment, with 19% opposed and 35% undecided (Woods and Dowling 2010).

Additionally the Coalition enjoyed a supportive media landscape which acted to reinforce the narrative that poor work attitudes and benefit ‘dependency’ were key causes of poverty and unemployment. Negative portrayals of the unemployed and the welfare system, long a prominent feature of UK media (c.f. sec. 4.2.2) appeared to intensify over the 2000s (Slater 2014, 7; Wiggan 2012, 390–91). In this context, when UC and tougher benefit conditionality were announced in November 2010, a *Sunday Times* column noted: “Commentators have been falling over themselves to praise the bold vision...of a simpler and better solution than today’s byzantine benefits system” (Mulheirn 2010). A review of editorials and op-eds in national papers confirms this impression.¹⁸ Most broadsheets (*The Times*, *Daily Telegraph*, *Financial*

¹⁸ Analysis based on a review of 40 editorial and opinion-leader articles in UK newspapers published between June 2010 and March 2011 towards the Coalition’s proposals for Universal Credit.

Times) and tabloids (*The Sun, Daily Mail, Daily Express, Daily Star, People*) warmly welcomed UC as a means to tackle complexity, fraud, the ‘welfare trap’ and ‘lazy’ benefit claimants. Meanwhile liberal or left publications (*The Guardian, Independent, Daily Mirror, New Statesman, Morning Star*) were more circumspect, tending to welcome the principle of simplicity and clear incentives, while warning against increased sanctions and calling attention to wider labour market trends as sources of problems. Conversely, few voices were raised to counsel against benefit integration, and even fewer in favour of retaining tax credits.

Collective Actors

Organised actors also did not appear to act as sources of prior pressure pushing for a reform along UC’s lines or have any significant input into policy design. Instead, process tracing of events over 2006-2012 makes clear that policy conception and formulation was driven by the policy entrepreneurs and political-administrative elites centred around Iain Duncan Smith. For example, two months after the Coalition took power the DWP published a consultation paper which contained five options for welfare reform including UC (DWP 2010a). However it was clear from the framing and space dedicated to each idea that UC was already the DWP’s preference (Timmins 2016, 29). Indeed the day the consultation closed – and over a month before UC’s White Paper was published – media outlets reported that internal agreement had already been reached to proceed with Universal Credit (Cordon 2010). Some interest groups publicly complained about the lack of input from outside organisations into the decision-making process, with the CPAG stating soon afterwards: “There has been no consultation on the Universal Credit and there is very poor public knowledge of the proposals” (Work and Pensions Committee 2011, EV 213).

Actor Positions Towards Universal Credit

While organised actors may not have provided prior demand for UC they shaped the political dynamics of the reform after it had been proposed (see opportunity section). As such to fully understand the politics of the reform it is important to identify where collective actors stood towards the initial proposals.

The below table maps actors’ positions based on analytical judgements of their statements over the period from when UC was first announced in November 2010 to its legislative approval in

March 2012. On the level of principle actors' statements reflected a classic 'ambiguous agreement' with almost all welcoming the goals of simplification and clearer incentives (c.f. Millar and Bennett 2017b, 170). Some commentators even noted the cross-party consensus in this area and criticised that the role of the state in supplementing wages was largely being avoided in public debate (D. Byrne 2011; Hellen 2013). However beyond this broad agreement, differences existed between actors over policy design and generosity, as well as first-order preferences towards social security. It is also important to view these positions in the prevailing context of high unemployment following the financial crisis and the Coalition's programme of fiscal austerity, which included a series of proposed cuts to the benefits that UC would replace.

Table 4.5. Actor Positions Towards Universal Credit 2010 - 2012

Actor Positions Towards Universal Credit 2010 - 2012					
	Support		Non-Committal	Opposition	
<i>Actor Type</i>	<i>Full</i>	<i>Qualified</i>		<i>Qualified</i>	<i>Strong</i>
Political Parties	Conservative Party Liberal Democrats	Labour Party		Rebel Labour MPs SNP, PC, Alliance, SDLP and Greens	
Employers	Confederation of British Industry British Chamber of Commerce Institute of Directors	Federation of Small Businesses			
Unions		Trades Union Congress		USDAW	
Third Sector (charities and interest-advocacy)		Citizen's Advice Gingerbread Low Incomes Reform Tax Group Poverty Alliance Church Action on Poverty		Joseph Rowntree Foundation Child Poverty Action Group Oxfam Women's Budget Group The Fawcett Society	

				Disability Rights UK / Disability Alliance	
Thank Tanks	Centre for Social Justice [P] ResPublica Adam Smith Institute Institute for Fiscal Studies	Institute for Public Policy Research Resolution Foundation	Social Market Foundation Policy Exchange		Reform

Following this table, actor positions can be divided into three main ‘blocks’: the political centre-right and businesses lobbies which fully supported the reform; the Labour Party, TUC and third sector interest groups which offered qualified support; and dissident (left-wing) Labour MPs, sub-national parties and third sector groups which expressed qualified opposition. There were also several ‘outliers’ (such as the FSB and Reform) which took a different view to actors sharing a similar ideology or social constituency.

Regarding the first block, in addition to the governing political parties, most business lobbies and several right-leaning think tanks offered strong backing to the promised combination of simplification, flexible work incentives, reinforced conditionality, cost savings and reduced ‘welfare dependency’ (Blond 2010; Churcher 2010; A. Jones 2011). Among the business federations, the CBI and IoD in particular emphasised how a smooth withdrawal rate from the first hour worked could help increase workforce flexibility and labour supply (CBI 2010; DWP 2010c, 4). However the FSB expressed concern that an increase in job applications arising from reinforced conditionality might waste businesses’ time, while its policy chair criticised reduced generosity for some self-employed people as “unhelpful” (FSB 2010; Hansard 2011b, col. 942; Work and Pensions Committee 2011, 194–97).

A common characteristic of actors associated with the second block was that they offered support for UC’s main principles while criticising provisions which would create ‘losers’ or cut in-work support for some groups. Many of these organisations also drew attention to structural labour market issues as bigger problems to be tackled (CAP 2010; Gingerbread, in: Gingerbread 2010; Grice 2011; A. Jones 2011; Poverty Alliance 2010; Citizens Advice and LITRG in: Work and Pensions Committee 2011, EV 147-151, 190-194). As the main opposition party, Labour was keen to emphasise its overall support for simplification, making

work pay and reinforced conditionality (Byrne, Hansard 2011a, col. 885). Nonetheless the party's welfare spokesperson Liam Byrne criticised aspects of UC that represented potential retrenchment, especially those that would affect workers such as tax credit recipients and the self-employed (L. Byrne 2011; Hansard 2011b, col. 394). Overall Labour's position was defensive, as the leadership sought to avoid being portrayed as 'soft' on welfare. Thus leader Ed Miliband accepted that those with jobs had a right to feel "hacked off" at the idea that some of those on benefits might be 'choosing' not to work, and the party also accepted a large proportion of the Coalition's proposed £18bn cuts to working age welfare over the course of the 2010-2015 parliament (Coventry Telegraph 2010; Watson 2011). Meanwhile, the TUC welcomed benefit simplification and extra income security for claimants moving into work (Work and Pensions Committee 2011, EV 222). However, as with Labour, the TUC opposed worsened marginal incentives and stricter savings rules for many tax credits recipients and argued that a lack of jobs was the main labour market problem to be tackled. It also recommended improved job security and higher minimum wages (Ibid, 223-4).

Like those offering qualified support, actors classed as offering qualified opposition tended to support the objectives of simplification and clearer incentives. However they were more strongly critical of the case for reform and aspects of design. Among political parties, only 20 MPs voted against the Welfare Reform Bill at its second reading. They included 12 left-wing Labour MPs who defied the party line on this issue. One of these, John McDonnell argued that low generosity combined with recessionary economic conditions meant that "Universal Credit will fail" regarding its ostensible policy goals (Hansard 2011b, col. 989). The strongest criticisms came from some anti-poverty groups and gender equality campaigners. The former criticised the lack of attention on wider structural causes of poverty and for undermining a 'rights-based' approach to social security (JRF in: Aldridge et al. 2011, 13; CPAG in: Work and Pensions Committee 2011, EV 210). The latter criticised elements of UC which would undermine women's independence in couples or otherwise have an unequal impact on women (Asthana and Savage 2011; Work and Pensions Committee 2011, 154-56, 170-72).

4.3.4 Opportunity Stream

Close process tracing of the journey to Universal Credit's adoption shows that several enabling factors combined to allow UC's protagonists to overcome political and technical obstacles to

their reform. In addition, enabling and constraining factors interacted to shape the policy's final design.

4.3.4.1 Enabling Conditions

Pro-Simplification Consensus and Vulnerability of Tax Credits

As previous sections have shown, a pre-condition for UC's successful adoption and approval was a broad political consensus in favour of benefit simplification. However this consensus in itself did not make reform inevitable. Despite New Labour committing to exploring the implementation of a SWAB in the late 2000s, the momentum to do so "fizzled out" as the 2010 election approached (UK-J). According to figures within government at the time (cited in: Timmins 2016, 20–21) this was due to a mix of political territorialism (any 'big bang' reform risked encroaching upon Gordon Brown's tax credits), scepticism over the likely advantages, and political hesitancy at a sensitive moment in the electoral cycle.

A second enabling pre-condition was tax credits' weak support base. As noted, these policies had become viewed as contributing to system complexity and had been the source of a "major public policy fiasco" due to payment errors (D. Clegg 2015, 495; see debate in: Hansard 2006). As such, despite the system's successes in reducing poverty, by 2007 tax credits had become "a punchbag for both left and right" with significant support existing for "scrapping the current system and starting again" (W. Davies 2007). Political vulnerability was compounded by institutional vulnerability, as the Treasury held no strong desire to retain control of tax credits. This was due the department's difficult experience with administration as well as the view among officials that the "revenue raising" and "revenue dispensing" functions of government should be kept separate (UK-M; c.f. Touzet 2019, 189–90). As such, when UC was first proposed, neither David Freud nor Neil Couling recalled experiencing bureaucratic or political resistance to the notion of rolling tax credits into the new scheme (UK-K; UK-M).

Policy Authority of UC's Protagonists

A third pre-condition was the intellectual authority and influence of UC's proponents among right-leaning circles of opinion. As discussed, the CSJ played a leading role in shaping the Conservative Party's social policy narrative after 2004. Consequently since its founding the

think tank “had rapidly come to represent the voice of right-wing thinking in social policy” (Freud 2021, 76). The CSJ’s influence afforded it access to Conservative shadow ministers and civil servants before the 2010 election, and its policy implementation plans were privately made available to the party (Haddon 2012b, 12). This gave UC’s proponents a competitive edge in an environment where several other proposals for benefit reform were circulating.

Meanwhile, through his work with the CSJ, Iain Duncan Smith himself had enjoyed a revival in standing following his ousting as Conservative leader in 2003. In the final party conference before the 2010 election David Cameron declared that he was the “one person this party can rely on” to tackle social injustice, stating “if we win the election he will be responsible in government for bringing together all our work to help mend the broken society” (Cameron 2009). Prominent conservative media commentators and outlets also feted Duncan Smith as the party’s voice on social issues and welcomed his proposals (Anderson 2010; Nelson 2010; The Daily Telegraph 2010; The Sunday Telegraph 2010). The (not always subtle) subtext to many of these articles was that Duncan Smith, and not current shadow secretary Theresa May, should be appointed to lead the DWP in a future Conservative government.

Finally, David Freud enjoyed a reputation as a radical reformer whose proposals in 2007 on employability schemes had drawn support from all major political parties. Conforming to the classic image of a policy entrepreneur, in the late 2000s his services had been solicited by both Labour and the Conservatives. His ‘defection’ from Labour adviser to Conservative peer in 2009 was thus viewed by newspapers as a key blow to the Brown government, with Freud repeatedly dubbed as a “welfare guru” (Freud 2021, 57). George Osborne highlighted Freud’s enlistment as evidence that the Conservatives had credible plans to tackle unemployment in a future government (Parker 2009). As such the combination of Duncan Smith and Freud as DWP ministers, with the CSJ’s Stroud and Brien as advisers, enjoyed significant goodwill and respect in right-leaning intellectual circles *vis-à-vis* potential rival figures or agendas.

Enabling Contingent Events

Following from these pre-conditions, in 2010 a series of events occurred which opened up a ‘policy window’ for UC to move from the CSJ’s whiteboard to the statute book. Of major importance was the 2010 General Election result and subsequent decision of the third-placed Liberal Democrats to enter into a coalition with the Conservatives. In counter-factual scenarios

it is difficult to imagine a reform of a similar nature and scale being proposed with Gordon Brown as prime minister.

A second, critical event was the appointment of UC's protagonists to lead the DWP. As Steve Webb recalled: "when David Cameron chose Iain Duncan Smith [as Secretary of State for Work and Pensions]... it was pretty clear that was an endorsement for Universal Credit and the Centre for Social Justice" (UK-L). This was crucial because Theresa May as the previous shadow secretary had been sceptical about the CSJ's proposals, and Freud had privately decided that he would not accept a ministerial post if she were to be his boss (Freud 2021, 86; Timmins 2016, 25). Furthermore, both Duncan Smith and Freud were not particularly motivated by future political ambition, having only accepted their posts under the condition that they could undertake Universal Credit (Freud 2021, 1; Timmins 2016, 26). This increased the political capital they were willing to stake on ensuring the policy's adoption by government.

Thirdly, another indispensable development in February 2010 was the chance discovery that a commercial organisation had already completed several years of the work needed to create a new 'real time information' payment system that could be used to calculate entitlements for Universal Credit (Freud, quoted in: Sainsbury 2014, 40). If this had not been the case, it would have taken double the time to build the system for UC, meaning that it would have been "dead in the water" as a feasible proposal (Freud 2021, 81).

4.3.4.2 Constraints and Negotiation

Despite these favourable conditions and events there were several constraining factors which either threatened UC's approval or shaped the eventual form the policy took.

Intra-Governmental Dynamics

The thorniest obstacle to UC's approval was achieving internal government agreement. This was due to clashes between the DWP's reform plans and alternative agendas emanating from other government departments. The main resistance came from the Treasury and George Osborne as Chancellor, which was rooted in the conflict between Osborne's search for welfare cuts and the DWP's request for funding to build and roll-out UC. In addition, senior Treasury officials were sceptical about the policy itself, with one quoted as describing the plans as

“unaffordable and impractical” (Walters and Carlin 2010). David Gauke, who was a Conservative Treasury minister at the time, later summarised Osborne’s position to Freud:

“He just wondered what you guys [in the DWP] were doing – launching a massive reform, which would never work anyway...It was a major distraction from his central goal of driving down the deficit in his austerity programme. Besides, he didn’t trust Iain [Duncan Smith] to carry it off successfully” (cited in: Freud 2021, 119)

In July 2010 tensions between Osborne and Duncan Smith over cuts and UC reached boiling point, resulting in a “blazing row” (Walters and Carlin 2010). It took the intervention of David Cameron and a cabinet ‘away day’ to broker a deal between the two departments before UC was eventually approved internally (Timmins 2016, 30). However even after the Treasury agreed in principle to fund UC, it forced the inclusion of alternative reform options in the July 2010 Green Paper (DWP 2010a). Following this, a series of ‘reform for cuts’ deals were made ahead of the 2010 Autumn budget statement, which paved the agreement for UC’s White Paper to be published (Freud 2021, 109–18; Haddon 2012b, 13).

Nonetheless, counter-running agendas forced modifications to the CSJ and DWP’s original vision for UC. To make budgetary savings the withdrawal taper was increased from 55% to 65% and the under-25s were excluded from the work allowances (Brien, in: Work and Pensions Committee 2011, EV 9). Furthermore, over the course of the Coalition’s period in office the Treasury made a series of cuts to tax credits worth £1.9bn p/a which acted to worsen UC’s future work incentives (Browne and Elming 2015, 19–21). New restrictions on benefit receipt for workless households (the ‘benefit cap’) and some social housing tenants (the ‘bedroom tax’) also added complications to UC’s future structure (Freud 2021, 118). A further blow came when Council Tax Benefit was devolved to local authorities instead of being integrated into UC. This was opposed by DWP ministers and senior officials, however was backed by the Treasury as part of a £500m cut to the benefit (Timmins 2016, 31).

Despite these obstacles, circumstantial factors and the balance of power within government ultimately favoured UC’s approval. Firstly, due to the groundwork conducted before the election and the appointment of a ministerial team dedicated to the policy the DWP was one of the few departments with a clear agenda upon the formation of the Coalition (Freud 2021, 119). This early momentum was bolstered by the quick buy-in of the DWP’s civil servants, who were reportedly enthusiastic about the chance to overhaul what was considered to be an ageing and

complex infrastructure (Timmins 2016, 27). For example Neil Couling recalled: “in running [Job Centre Plus] for three years, I came away convinced that if we were to make progress ...we need[ed] to simplify the benefits system and almost start again” (UK-M). As an example of the difference this support made, the assurance of UC’s feasibility given to David Cameron by the DWP’s permanent secretary, Sir Leigh Lewis, was considered very important by Freud to convincing an “unsettled” prime minister to give the green light to public consultation of the policy (Freud 2021, 110).

Perhaps most crucially, UC counted not only on the support of some key Conservative politicians but also the Liberal Democrats. This was to prove critical at numerous stages in UC’s journey, including a vocal intervention from Nick Clegg when the DWP and Treasury were at loggerheads in the summer of 2010 (Walters and Carlin 2010). This was recognised in hindsight by several key players involved, with Duncan Smith stating: “It would have been touch and go whether I could have got this [UC] through a purely Conservative government with that kind of interest from the Treasury. The Liberals were very helpful” (cited in: Timmins 2016, 30). For David Freud, “the nervous support of David Cameron and the more solid enthusiasm of Nick Clegg were enough, just, to counter the mounting opposition of George Osborne” (Freud 2021, 119). Similarly, Steve Webb gave his judgment that “in a single party government [without Liberal Democrat support], I think things would have been very different” (UK-L).

External Lobbying and Constraints

In contrast to the fraught process of internal agreement, there was very little overt external opposition or lobbying towards UC. Indeed broad external agreement towards the reform was a facilitating factor when intra-governmental approval proved difficult (UK-M).

However perceived political constraints did modify the scope of the reform put to parliament. Ministers were wary of the political risks of creating too many ‘losers’ from benefit integration and arousing widespread opposition. For example a pre-emptive decision was taken to exclude both Child Benefit and Disability Living Allowance (later Personal Independence Payment) from UC, which were both universal benefits at the time. According to David Freud (Timmins 2016, 24–25) it was feared that means-testing these benefits could have drawn the ire of the middle classes and disability groups (c.f. Freud 2021, 80). Furthermore, transitional protection was offered to pre-existing recipients of the benefits to be rolled into UC, meaning that their

entitlements would be preserved until they experienced a change in circumstances. For Touzet, this was “a classic case of blame-avoiding retrenchment” (Touzet 2019, 199). A similar logic was apparent in the decision to make an additional £300m available for childcare support to coincide with the widening of eligibility to those working under 16 hours per week, after polling showed that support for the government was slipping among lower income women (Wintour 2011).

In parliament the government faced little challenge to its proposals, where opposition focused on the sharper edges of the proposed welfare cuts also contained in the Welfare Reform Bill. Labour and smaller parties voted against the bill in the final (third reading) stage due to opposition to some cuts and concerns about the uncertainty created by the lack of detail in UC’s primary legislation. However with the Coalition holding a majority in the House of Commons and on the Work and Pensions select committee, all opposition amendments regarding UC were defeated, while in the House of Lords the government suffered only one minor defeat on provisions related to disability payments for children (Freud 2021, 148). As such, after the Welfare Reform Act was approved, a CPAG briefing reported that “UC remains pretty much as presented to Parliament back in February 2011” (Graham 2012).

4.4 Part III: The Conservatives and IWB Recalibration

4.4.1 Introduction

In the 2015 General Election the Conservative Party was returned to parliament with an overall majority. David Cameron, George Osborne, Iain Duncan Smith and David Freud continued in their previous roles, while the Liberal Democrats departed. Soon after, Osborne delivered a budget which declared the government’s intention to re-orientate Britain’s employment and welfare system towards a “higher wage, lower tax, lower welfare society” (HM Treasury 2015d, 32). The measures announced represented a further change in the policy package towards low-income workers in Britain. With UC still in the implementation phase, this comprised IWB retrenchment, increased tax breaks at low earnings, and a sharp increase in the minimum wage (re-branded the ‘National Living Wage’, or NLW). Furthermore, the budget crystallised a growing critique of IWBs as a desirable policy instrument, threatening to break the relative political consensus that had existed on the topic since the mid-1990s.

The July 2015 budget reforms are curious on several counts. Firstly, the Conservative government’s policy preferences – critical of IWBs, supportive of a strong minimum wage – were diametrically opposed to those of Conservative Party administrations in the 1980s and 1990s. Secondly, 2015-2016 offers a case study of attempted retrenchment of a policy instrument meant to be backed by a broad ‘ambiguous agreement’. Finally, as noted in Chapter 2 (sec. 2.3), this period saw divergent trends compared with IWB reforms in France.

To explore these changes, a section below first details the measures announced in the July 2015 budget and their consequences for low-income workers. Subsequent sections then examine the policy, political and opportunity dynamics driving this turn of strategy. A final part examines the return to IWB expansion after 2016.

The 2015 Summer Budget

The below table provides a summary of selected measures announced in the July 2015 budget with regards to support for low wage and low-income workers.

Table 4.6. July 2015 Budget Measures Towards Low-Income Workers

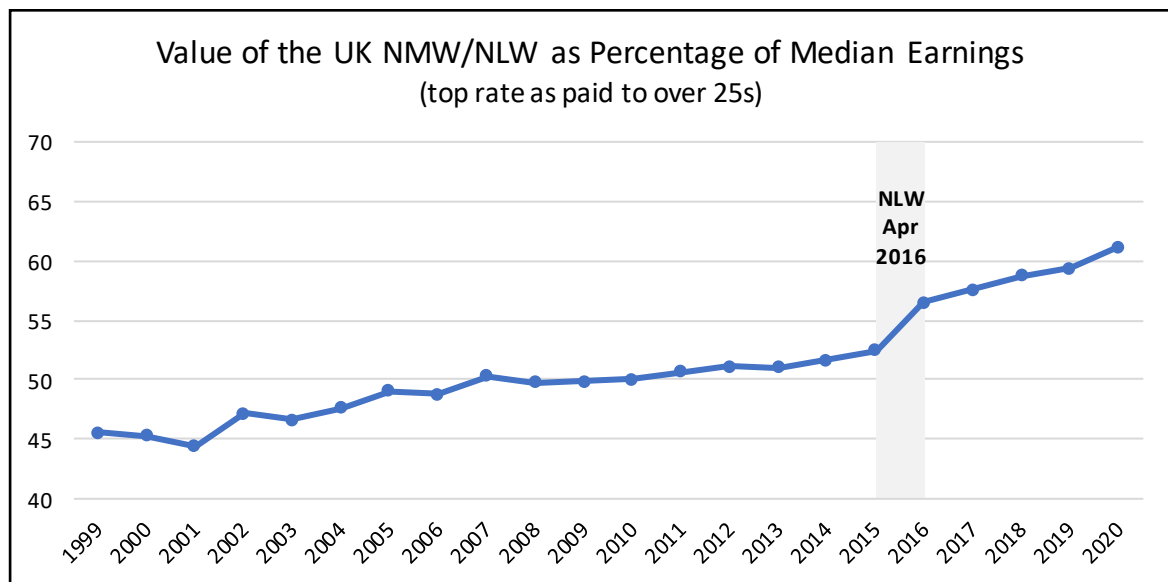
July 2015 Budget Measures Towards Low-Income Workers	
Minimum Wage	A large increase for workers aged over 25 as part of an intended rise from £6.70 per hour in 2015 to £9 by 2020, equalling 60% of median earnings.
Income Tax	An increase in the tax-free ‘personal allowance’ from £10,600 to £11,000 p.a. in 2016, with plans to increase this to £12,500 by 2020.
Social Security	£12bn of cuts to working-age social security from 2015 to 2020. Measures which focused on IWBs and related support included: <ul style="list-style-type: none"> - A four-year freeze on the value of working-age benefits. - A cut in WTC’s earned income disregard from £6,420 to £3,850 p.a. and a rise in the withdrawal rate from 41% to 48% from April 2016. - Concomitant reductions in Universal Credit’s work allowances. In addition, non-disabled claimants without children were no longer eligible for work allowances. - Restriction of child support in tax credits, housing benefit and Universal Credit to the first two children only (with exemptions for disabled children) from April 2017.

	- Elimination of the ‘first child premium’ in UC (and equivalent ‘family element’ in TCs) from April 2017.
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Sources: (HM Treasury 2015c, 2015d, 32–38; Keen and Kennedy 2016)

Of these measures the announcement of the NLW was particularly eye-catching as it superseded the Labour Party’s pre-election pledge to raise the minimum wage to £8 per hour by the end of upcoming parliamentary term (BBC 2014). The aim for the NLW to reach 60% of median earnings by 2020 also broke with the Coalition-era policy (and New Labour’s during the financial crisis) of minimum wage restraint (see Fig. 4.6). It was estimated that 2.7 million workers would see a direct uplift in pay, with the gross earnings of a full-time minimum wage worker rising a third from 2015/16 to 2020 (HM Treasury 2015d, 38). As a result of this trajectory, by 2019 the UK had the eighth-highest minimum wage in the OECD, one which paid almost the same as the French SMIC as an hourly equivalent rate (Low Pay Commission 2020, 221–22).

Figure 4.6. Value of the UK NMW/NLW as Percentage of Median Earnings



Source: Data extracted from (Low Pay Commission 2020), Fig. 4.01. URL to spreadsheet: <https://www.gov.uk/government/publications/low-pay-commission-report-2020>.

Meanwhile the commitment to increase the tax-free personal allowance continued Coalition-era reforms which had raised this from £6,475 to £10,600 of annual earnings between 2010 and 2015. In contrast, under New Labour the personal allowance had only increased from £4,045 to £6,475 in thirteen years (HMRC 2021, Table A.1). This trend suggests a preference by the Osborne-led Treasury for tax cuts over wage top-ups as a means of supporting low-paid

workers. Nonetheless, as noted in Chapter 2, the utility of such a strategy was limited by the fact that low-wage workers already paid little or no income tax.

Finally, it was intended that the proposed cuts to tax credits would see spending on these fall to 2007/8 levels in real terms and restrict eligibility to 5 in 10 families with children compared with 9 in 10 in 2010 and 6 in 10 in 2015 (HM Treasury 2015d, 38). While the planned reductions to tax credits' earnings disregards and taper rate were eventually cancelled (see opportunity section) the same reductions were retained in UC.

Estimated Impact

Despite the Chancellor's pronouncements that the budget measures would 'make work pay' and 'give workers a pay rise', external analyses concurred that low income working households would on average lose more from benefit cuts than they would gain from tax and wage changes. The Institute for Fiscal Studies (IFS) estimated that households would face an average loss of £480 p.a. from the announced measures, with the lowest four income deciles losing most. Meanwhile the NLW was only projected to compensate for 27% of net income losses (Elming et al. 2015). Even after the government abandoned some of the planned tax credit cuts, the Resolution Foundation estimated that the other cuts announced in the budget would cost in-work UC recipients around £1,000 p.a. on average (c.f. Ghelani 2016; Resolution Foundation 2015). Furthermore, according to the IFS, the cuts to UC also meant that the increased work incentives intended by the policy's architects would not materialise (Browne, Hood, and Joyce 2016, 257). The sections below explore the factors which drove the Cameron government's preferences for this recalibration and retrenchment of in-work support.

4.4.2 Policy Stream

In light of the previous conflicts between the Treasury and the DWP the decision to cut IWBs and raise the minimum wage could be understood as simply the prevalence of Osborne's austerity agenda. However the arguments offered by senior Conservative politicians in support of the budget package denoted a deeper ideational shift within British conservatism regarding desirable forms of regulation of low-wage work. The growing reliance on IWBs to bolster living standards and encourage work had come to be viewed as a problem, while minimum

wages, once argued to be a ‘job-destroying’ intervention in markets, were embraced as a favoured solution. Both policy trends and processes of ‘puzzling’ among right-leaning circles of opinion played a decisive role in driving this shift.

4.4.2.1 IWBs: From Solution to Problem

Around the time of the July 2015 budget four distinct policy rationales can be identified as influencing the Cameron government’s preference for IWB retrenchment. The first related to the continued pursuit of austerity and the identification of working-age welfare as a key target for savings. The Conservative manifesto had committed to making £12bn in welfare cuts from 2015 to 2020, following £21bn made during the previous five years (Conservative Party 2015, 8). Further retrenchment was justified by the well-rehearsed argument that social security costs were ‘out of control’ and that balanced budgets were necessary to underpin investor confidence in the economy. In this vein, shortly after the 2015 election, Duncan Smith and Osborne published a joint *Sunday Times* op-ed arguing that spending on working-age welfare remained “unsustainable” and that further cuts were needed “to return the system to sanity” (Duncan Smith and Osborne 2015). The policy context was also a factor: tax credit caseloads and expenditure had jumped during the Great Recession and remained high despite subsequent cuts (OBR 2021). This caseload trend may have been driven by the labour market adjustment to the recession, which led to the creation of part-time, insecure and self-employment (Coulter 2016). Beyond cost-cutting, ministers also criticised the role of IWBs in principle. This came in contrast to a generation of arguments by senior Conservative politicians regarding the purported social and economic benefits of wage supplements. Instead it was posited that IWBs (especially tax credits) had become a wasteful subsidy which were undermining Britain’s economic productivity. Osborne thus declared:

“It can’t be right that we go on asking taxpayers to subsidise, through the tax credit system, the businesses who pay the lowest wages. That subsidised low pay contributes to our productivity problem. The government is against unfair subsidies wherever we find them” (Osborne, HM Treasury 2015c).

While apprehension on the political right about wage supplements was not new (Grover 2016; SJPG 2006, 25), in the mid-2010s such views re-surfaced not only due to the size of IWB expenditure, but widespread concern about the UK’s ‘productivity puzzle’. This referred to

Britain's low productivity growth and persistent under-performance compared with other G7 economies (Osborne, HM Treasury 2015a; ONS 2015). With regards to the labour market dimension of this phenomenon ministers had begun to blame employers for taking advantage of public wage top-ups rather than investing in skills or innovation (Doyle and Groves 2015; The Sunday Times 2015). Cameron decried this system as a "merry-go-round" which only dealt with the "symptoms of low pay" (BBC 2015a). In this sense, re-balancing the relationship between IWBs and the minimum wage came to be viewed as both saving money and incentivising employers to invest in productivity (HM Treasury 2015c).

Notably, concerns about tax credits and economic productivity were not restricted to the Conservatives. In 2012 Labour leader Ed Miliband had argued that his goal in a future government would be "making work itself pay" through upskilling and higher wages rather than relying on tax credits and "a low-wage economy" (Miliband 2012). Likewise Alistair Darling, as Labour's former chancellor from 2007-2010, made public his view that the growth in tax credits meant "we are now subsidising lower wages in a way that was never intended" and that it was necessary to "adjust the system" (quoted in: Nelson 2015).

A third strand of the case for IWB retrenchment was ongoing normative opposition among right-wing opinion to any but the poorest workers being reliant on welfare support. It was considered by many journalists and think tanks of this persuasion that tax credits and other benefits were subsidies which spread 'welfare dependency' to the middle classes and 'twisted' the link between work effort and material reward (e.g. Hellen 2013; see discussion in: Wintour 2010). There is substantial evidence that such views were widely shared in government. In the Coalition years both Conservative and Liberal Democrat ministers criticised the provision of tax credits and other benefits to middle-income households (Duncan Smith in: Barrett 2012; Nick Clegg in: Prince 2010). The desire for low-income workers to depend less on benefits was also a strong theme of Duncan Smith and Osborne's discourse in the run-up to the July 2015 budget (Duncan Smith and Osborne 2015). Likewise Steve Hilton, Cameron's director of strategy from 2010-2012, later wrote that he viewed the state topping up millions of workers' wages as "profoundly wrong" and "un-Conservative" (Hilton 2015). Such stances arguably reflected a re-drawing of the moral line of 'deservingness' to not only distinguish between the working and the jobless, but also between workers receiving wage top-ups and those fully 'independent from the state' (c.f. Abbas and Chrisp 2021, 10).

The final argument against the tax credits (although not as IWBs *per se*) took issue with the statutory child poverty targets inherited from New Labour, as these put pressure on government to increase welfare spending to cut relative poverty. Even before the targets became law in 2010 they had become the object of increasing opprobrium in conservative circles. First the CSJ and then post-2010 Conservative ministers argued against using relative income as a measure of poverty (Doyle and Groves 2015; SJPG 2006, 22–25). Once the Conservatives re-entered government without the Liberal Democrats in 2015, the DWP announced its intention to replace these targets with new measures of the “root causes of poverty”– which were closely based on the CSJ’s five ‘pathways of poverty’ (DWP 2015). The episode appears to offer another example of ideas-driven policy-making, as the DWP’s own consultation showed that only two of 251 interested parties agreed with the intention to abolish income-related poverty measurements (Stewart and Roberts 2019). In the end, while the statutory requirement to seek to eliminate child poverty was scrapped in 2016, opposition from the House of Lords forced the government to continue publication of income-based poverty statistics (Mason 2016).

4.4.2.2 The National Living Wage as a Solution

The Cameron government’s problematisation of IWBs was mirrored with its preference for a significantly higher minimum wage. Several policy-based arguments and trends explain this shift in opinion compared with the stances of previous Conservative governments. Firstly, as previously noted, with IWB expenditure becoming a matter of concern, a higher minimum wage was viewed as a way for the state to be able to reduce welfare costs. As Duncan Smith put it: “we want companies to pay better salaries, which means less tax credits from us” (Hansard 2015a, col. 610). Secondly, the notion of a ‘living wage’ had gained intellectual currency in conservative circles, with supporters including Ferdinand Mount (the former head of Margaret Thatcher’s No.10 Policy Unit), Boris Johnson (as Mayor of London, 2008-2016), Steve Hilton, and centrist Conservative MPs associated with the *Renewal* caucus. These proponents argued that higher wage floors would: help restore the link between people’s work effort and their incomes, ensure wages would ‘make work pay’ and be adequate to live on, and reduce or eliminate the dependence of workers on state benefits (Barwell 2013; Hilton 2015; c.f. Mulholland 2009; Silvester 2015). Thirdly, campaigning efforts to encourage employers to pay the official Living Wage had only made a marginal impact. Despite efforts by civil society groups to promote voluntary adoption of the Living Wage since 2001 (Living Wage

Foundation 2021), by 2014 only 35,000 employees received the Living Wage from accredited employers while 5.3 million workers were paid under this rate (Living Wage Foundation 2014). Furthermore, from 2008 to mid-2014 the real value of wages fell consistently despite the post-recession recovery (Boulton 2018; ONS 2021). Finally, the experience of past minimum wage increases in Britain had reduced fears that a further rise would harm employment. The Summer Budget highlighted the existing academic consensus in this regard to support the decision to create the NLW (HM Treasury 2015d, 34). As David Freud reflected: “it [the minimum wage] doesn't seem to have had the effect of undermining employment yet. But there must be a level at which it does” (UK-K).

In addition to these arguments, the introduction of the NLW reflected a hardening of attitudes within government towards the business community. In light of the apparently intractable ‘productivity puzzle’ ministers expressed the view that many businesses were not doing enough to contribute to national prosperity. An un-named Conservative minister explained to a newspaper: “It's right for us to say to business that if we cut taxation and regulation, you have to give something back. They have not been reinvesting enough in improving productivity” (Parker 2015). This stance translated into greater willingness to intervene in economic regulation, as one adviser made clear: “when it's beyond obvious that companies aren't investing adequately in training... or when they're paying squillions to boardroom execs but peanuts to the shopfloor – we need to be...a lot less laissez faire” (paraphrased by: Montgomerie 2015). More bluntly, according to another Cabinet minister, measures such as the NLW were meant to “kick British businesses up their lazy arses” (Ibid).

4.4.3 Politics Stream

4.4.3.1 Strategic-Electoral Motives

Beyond the policy case for the July 2015 budget measures at least three political motives can be discerned. Each responded in different ways to dynamics of bi-partisan competition. At the same time, these motivations emerged primarily from the strategic preferences and perceptions of ministers themselves rather than external political or functional pressures forcing their hand. Firstly, a blame avoidance motive underpinned the decision to announce the NLW: namely to mollify potential public outcry against further welfare cuts, especially those which would affect

groups perceived as more ‘deserving’ (such as low-income workers). Following Osborne’s budget statement, several media sources – including journalists with close links to Cameron’s cabinet – reported a sense among ministers that further cuts to working-age welfare would only be politically palatable with a compensatory hike to the minimum wage (Montgomerie 2015; Rigby 2015; Shipman 2015a). Linked to this, a blame-avoidance logic can be perceived in the targeting of retrenchment on means-tested working-age benefits more generally. There is much to suggest that working-age social security was viewed as a comparatively ‘soft’ political target compared with fiscal and social benefits targeted at older or higher-income groups who were core constituencies of the Conservative’s electoral coalition (c.f. Ipsos Mori 2015). As such, while the party had pledged to cut working-age welfare prior to the 2015 election, it had also committed to increasing the state pension, protecting pensioner-age benefits, and cutting income taxes for higher earners (Conservative Party 2015, 65). This strategy was also evident in Osborne and Duncan Smith’s joint *Sunday Times* op-ed in which they made a direct appeal to the interests of taxpayers and the elderly by arguing that ring-fencing healthcare spending and delivering income tax cuts was only made possible by (working-age) welfare cuts (Duncan Smith and Osborne 2015). Lastly, given that UC had yet to be fully implemented, it was considered by the Treasury as a comparatively safe form of retrenchment. As Coalition-era minister Steve Webb explained:

“Universal Credit was always a soft target, because it didn't exist... nobody's going to march down Whitehall because Iain Duncan Smith's earnings allowances have been scaled back compared with what he planned in some document nobody had read.” (UK-L)

Due to this dynamic UC had already seen a series of cuts to its work allowances since 2012 (Browne, Hood, and Joyce 2016, 241). In 2015 even DWP ministers were relatively accepting of these cuts and the opportunity to simplify work allowances in the process, as their priority was maintaining a generous taper rate to ensure a ‘smooth journey’ into work (UK-K).

Secondly, the July 2015 budget was a conscious act of credit-claiming and issue-triangulation aimed at cementing the Conservatives’ new-found electoral hegemony. Several policies previously championed by other parties were included in the budget, which Osborne claimed was a “new settlement” which represented “the new centre of British politics” (BBC 2015b; HM Treasury 2015c; Wintour 2015). The NLW was symbolic of this strategy, as it allowed a Conservative government to take ownership of an instrument first implemented by Labour,

using a trade union campaign slogan ('Britain needs a pay rise') and the brand recognition built by the Living Wage movement. Thus in a post-budget interview Osborne was at pains to stress that the new wage rate had been calculated using recommendations from the "centre-left" Resolution Foundation think-tank (BBC 2015b). A shadow Labour minister also perceived the political dimension of budget in these terms, commenting: "This is the construction of a Tory big tent. Osborne wants to suck the life out of any position that is different from his own. He has parked slap bang on the centre ground occupied by Tony Blair... That's dangerous for us" (quoted in: Shipman 2015a). More broadly, this strategy of 'blue collar conservatism' sought to appeal to socially-conservative workers with tax cuts and wage rises while casting Labour as 'pro-welfare', fiscally profligate, and in thrall to radical "vested interests of the left" (Duncan Smith and Osborne, 2015; c.f. Sky News, 2015; BBC, 2015c). Labour would thus be left to defend disadvantaged social constituencies and the less popular components of social security without being able to build a winning electoral coalition, or as Conservative MP Stewart Jackson put it approvingly: "He [Osborne] is trying to entrench us as the party of the working people while marooning Labour on an island of being a welfare party" (Rigby 2015).

Thirdly, it seems that the political thinking behind the budget did not only seek to shore up the Conservative's existing electoral base. According to reports by well-connected media commentators, an ulterior motive behind dismantling tax credits was the desire to reduce the size of the social constituencies perceived as more supportive of Labour. In this spirit several senior Conservative politicians had viewed the previous expansion of tax credits as a clientelist tactic aimed at creating more Labour voters. Duncan Smith argued the point in parliament, declaring: "Interestingly, it appears that just before every election, the [1997–2010] Labour Government dramatically increased tax credits... The truth is that [Labour] have always used benefits as a way of trying to buy votes" (Hansard 2015e, col. 606). Providing further insight into this mindset, James Forsyth of the conservative *Spectator* magazine claimed that Osborne's "mission" in the Summer Budget had been to "erase every trace of Brown" from public policy:

"In office, he [Osborne]... was more aware than any other Tory of how Brown spent 13 years trying to create Labour voters through an expanded public sector, welfare and tax credits. Osborne has systematically set about reversing these structural changes" (Forsyth 2015).

A similar observation was made by *The Times*, which quoted an un-named Conservative minister as stating of tax credit cuts: "This was the budget where he [Osborne] finally got to defeat Gordon Brown" (Shipman 2015a). Instead, according to Forsyth, Osborne's other

policies – such as the ‘Northern Powerhouse’ agenda to address regional economic disparities – sought “to create more Tories” in the long run (Forsyth 2015). Finally, tangentially linked to each of these factors was what was widely considered to be Osborne’s personal ambition to become the Conservative Party’s next leader and prime minister if and when Cameron stepped down (c.f. Shipman 2015a).

4.4.3.2 Political Demand

The extent to which these strategic motives were influenced by external political demand may have varied by instrument. In the cases of the NLW and the tax-free personal allowance it appears that the government’s preferences responded at least in part to observable public opinion and actor preferences. In the early-to-mid 2010s a combination of the post-2007 squeeze on wages, civil society campaigning for the Living Wage, and the size of the tax credit bill had fed into increased pressure across the political spectrum for government to raise the minimum wage. Vocal proponents included trade unions and low pay groups as well as Conservative Party lobbies such as the *Renewal* group of centrist Tory MPs (Asa Bennett 2013; TUC 2014). In addition to organised pressure, in 2014 opinion polls showed that two thirds of voters – including half of Conservative supporters – backed a substantial minimum wage increase, as did almost three-quarters of ‘opinion formers’ across society (Dahlgreen 2014; Kowalewski 2014). Such contours of opinion were matched by a burgeoning partisan consensus, with all three main UK parties declaring their support in principle for the Living Wage and intention to substantially increase the minimum wage in their pre-election manifestos (Conservative Party 2015; Liberal Democrats 2015; The Labour Party 2015). In the end it was the Cameron government that reaped the benefit, with post-2015 budget polls suggesting that up to 90% of the public backed the NLW (Dore 2015; Hughes 2015). Such polls suggest that as in France, minimum wages tend to enjoy higher recognition and legitimacy among voters than IWBs.

However, despite pre-existing political demand, attributing Osborne’s announcement directly or only to the search for votes would overstate the case. Prior to the 2015 election the Conservative leadership declined to out-bid partisan rivals regarding how far it would raise the minimum wage if returned to office, instead offering roughly the same increase as Labour. The decision to go further was kept secret to the extent that most ministers, including Iain Duncan

Smith, were unaware of the policy until the budget statement itself (Montgomerie 2015; Shipman 2015a).

Meanwhile there is far less to suggest that the intention to pursue further welfare cuts, and in particular IWB retrenchment, was a response to political demand or vote-seeking behaviour. Around this time BSA surveys showed that public support for austerity was waning. There was no type of benefit for which a majority of the public wanted to see less spending, and the analysis accompanying the 2015 BSA survey noted there was “relatively little apparent support for the government’s programme of welfare reform” (Clery 2016, 8). Further, clear majorities of citizens continued to support wage top-ups for working parents with children (c.f. Table 4.2, sec. 4.4.2). Reflecting this, both before and after the July 2015 budget announcement polls found that around 60% of the public opposed tax credit cuts – although one survey did suggest that three-quarters of Conservative voters were in favour (Blanchard 2015; Grice 2015; Hughes 2015; Sky News 2015b). Indeed there are signs that ministers were aware that further welfare cuts did not have public support (c.f. Disabilities Minister Justin Tomlinson, cited in: Freud 2021, 290). Instead, it appears Osborne was willing to go against public opinion in making cuts to IWBs, indicating that his stance responded more to his own preferences and the dynamics of elite policy debate explored above. This point was further demonstrated by the government’s determination to push through cuts to tax credits and UC against widespread political resistance and the adverse public reaction (see opportunity section).

Finally, given that the NLW and cuts to IWBs were announced simultaneously, the structure of political debate is best understood when viewing actor positions towards both of these measures together.

Table 4.7. Actor Positions Towards 2015 Summer Budget In-Work Support Measures

Actor Positions Towards 2015 Summer Budget In-Work Support Measures		
	Pro-IWB Cuts	Anti-IWB Cuts
Pro-NLW	<p>Recalibration</p> <p>Conservative Party</p> <p>Institute of Directors (i)</p> <p>Engineering Employers Federation</p> <p>Policy Exchange</p>	<p>Pro-Expansion</p> <p>Labour Party</p> <p>Scottish National Party</p> <p>Liberal Democrats</p> <p>Smaller Parliamentary Parties</p> <p>Trade Union Congress & Sectoral Unions (ii)</p> <p>End Child Poverty Coalition (iii)</p> <p>Fawcett Society</p> <p>Gingerbread</p>

		<p>Living Wage Foundation</p> <p>Joseph Rowntree Foundation</p> <p>Resolution Foundation</p> <p>Fabian Society</p> <p>Centre for Social Justice (iv)</p>
Anti-NLW	<p><i>Deregulation</i></p> <p>Institute of Economic Affairs</p> <p>Adam Smith Institute (vi)</p>	<p><i>Status Quo*</i></p> <p>Confederation of British Industry</p> <p>Federation of Small Businesses</p> <p>Low-wage employers (v)</p>
<p>*Status Quo' includes actors with non-committal views to IWB cuts.</p> <p>Sources: House of Commons parliamentary debates (Hansard) and media archives (sourced via Factiva).</p> <p>Note: colour highlights group organisations by actor type (e.g. trade unions, employers, charities, think tanks).</p> <p>(i) – (vi): For more detail on collective actor's substantive positions, see Annex 9.2., Chapter 4, Table 4.7.</p>		

The actor configurations in Table 4.7 illustrate that while there was widespread support for a higher minimum wage, very few organised interests shared the government's overall position. Only two employers' federations and the conservative-leaning Policy Exchange think-tank could be classed this way. However even here their support was rather ambiguous as none publicly backed cuts to IWBs and employers were only 'consenters' to the NLW. It is interesting to note that business lobby groups were split in their attitudes, with federations representing higher-value sectors apparently unconcerned (as they tended to pay higher wages) while those representing low-value activities or small businesses warned about the impact of the NLW on employment levels and profit margins. The only other public opponents to the NLW were libertarian think tanks who continued to support full wage deregulation.

Conversely, most actors favoured an expansionary logic which backed the increase in the minimum wage and at the very least did not support IWB cuts. While they shared different first preferences, actors in this group included all opposition political parties, the trade union movement, anti-poverty charities, 'progressive' think tanks, and even the CSJ. Combined with the shape of public opinion and the media (see below), it thus appears that the Cameron government's preference for IWB retrenchment did not reflect existing political demand.

4.4.4 Opportunity Stream

Over 2015-16 enabling and constraining factors interacted to determine the final extent of the IWB cutbacks sought by the Treasury.

Enabling factors mainly related to the institutional power of the figures involved in proposing the budget measures. Firstly, after the 2015 election the Conservative Party held an overall majority of seats and no longer depended on the Liberal Democrats to govern. These new circumstances allowed Cameron and Osborne to pursue policy preferences which had not been possible previously. As “Downing Street sources” informed one journalist, the two politicians had wanted to announce a minimum wage hike combined with further welfare cuts in 2013 however had failed to gain the support of the Liberal Democrats for the cuts side of this equation (Shipman 2015a). This point also relates to the UK’s political system, as there were few hard veto points to prevent the government from approving its chosen tax, benefit and wage policies. Secondly, for reasons cited previously, Cameron and Osborne were determined to implement further welfare retrenchment and ploughed significant political capital into preparing the ground to do so. Thirdly, the power of the government to undertake at least some of its preferred changes was bolstered by wider developments: namely the ascendancy within British conservatism of arguments favouring higher statutory wages and critical of extensive IWBs, and the wider popularity of the concept of a Living Wage.

Despite these factors No. 10 and the Treasury faced two significant constraints which reigned-in their proposed IWB cuts. The first was widespread political opposition to tax credit retrenchment. Despite the government’s appeals to its manifesto mandate, the imperative of austerity and the compensatory effects of a higher minimum wage such cuts proved politically toxic. In part this was because IWB retrenchment (especially for actual, as opposed to future, recipients) ran counter to the poverty-alleviation, incentive-based *and* deservingness framings of social security variably shared by different political ideologies and actors. Cuts to tax credits’ earnings disregards and the taper increase became the focal point of opposition as these would entail low-income working households losing large sums of money overnight. As noted above, this issue united opposition political parties, trade unions, anti-poverty campaign groups, left-of-centre think tanks and a sizeable majority of the public. On the right, dissent was expressed by Conservative Party figures such as then-London mayor Boris Johnson, former Conservative minister David Willetts, and several back-benchers (Mason 2015; Newton Dunn 2015).

However this initial wave of opposition was insufficient to force the government to change course. No Conservative MPs rebelled against the Welfare Reform and Work Bill (containing the cuts to Universal Credit) and only two voted against the cuts to tax credits in a separate vote (Hansard 2015d). Nonetheless opposition continued to grow, with the country’s largest circulation newspaper – the right-leaning *Sun* – launching a campaign against the “bonkers”

cut for “hard-working families on low pay” in early October 2015 (The Sun 2015). Disquiet about the cuts continued to rise among Conservative MPs, underlined by an incendiary attack made by Heidi Allen on 20th October in her maiden speech to parliament (Churcher and Woodcock 2015; Hansard 2015c, cols. 874–876). A week later, a major political block was put in place when the House of Lords passed two motions rejecting the reductions to tax credits (Hansard 2015f). Given the extent of opposition the issue had already aroused and the lingering threat of a back-bench rebellion, rather than seeking to overturn the motions or soften the impact of the reductions, a month later Osborne announced the government would abandon the cuts to the in-work elements of tax credits altogether (HM Treasury 2015b).

The second constraint on IWB retrenchment was internal. Once it became clear that the planned cuts to tax credits would be abandoned, the Treasury sought further savings from UC’s in-work elements, including via a proposal to push the taper rate from 65% to 75%. However Duncan Smith and Freud both threatened to resign if the taper rate was increased (Freud 2021, 280). In this battle they were supported by the CSJ, which put out a well-publicised ‘options paper’ in November 2015 arguing that “if the Government does seek to mitigate the costs of its new policy on tax credits it is essential that it does not do so by reducing the amount of money Universal Credit has at its disposal” (CSJ 2015, 6). In the end the Treasury backed down (Shipman 2015b). Nonetheless, in March 2016, Iain Duncan Smith did eventually resign, ostensibly over his opposition to a proposed cut to disability support. He later slammed what he called “George Osborne's anti-work legacy” and also attributed his resignation to “the Treasury’s penny-pinching attitude” to UC (Duncan Smith 2021).

Despite these setbacks, the Cameron government was able to use its parliamentary majority to secure the overall objective of IWB and wider welfare retrenchment. Both the two-child limit on support and the cut to UC’s work allowances were passed as part of the WRWA, with the government also winning specific committee and Commons votes on the latter (Hansard 2015b, 2016). In the House of Lords opposition to the reduction of UC’s work allowances was divided, with Labour and the Liberal Democrats backing separate amendments. Duncan Smith expressed his relief to David Freud on this point, stating: “I’m not sure I could have held our backbenchers on the work allowances [in a future House of Commons vote], since they are spooked by the tax credit business” (Freud 2021, 285).

As a final point on Universal Credit, the reversal of cuts to tax credits but not UC also changed the political dynamics of the latter. The rollout of the policy now became a cost-saving

mechanism, leading the Treasury to have a strong interest in its successful implementation. This meant that, as Timmins has observed, “for the first time since IDS won his battle to get Universal Credit launched, the interests of all parts of government in making it a success – the DWP, the Cabinet Office, HMRC, the Treasury and the Prime Minister – were finally aligned” (Timmins 2016, 55). At the same time, the association of UC with welfare retrenchment as well as growing awareness of the benefit’s implementation problems led to increased external opposition. By 2017 the SNP was calling for the suspension of UC’s rollout, and in 2019 Labour proposed to scrap it altogether (Labour Party 2019; Scottish National Party 2017). Yet with the continued tenure of the Conservative Party in office, by the end of the decade UC appeared to have passed the institutional point of no return. In this sense, an observation made by Stephen Brien in 2016 could well apply to the whole period of UC’s implementation: “at no point did the political dark days and the technical dark days [of UC] coincide. If they had, it might have been stopped” (Timmins 2016, 5). Thus the policy not only benefitted from a ‘window of opportunity’ for its initial approval, but subsequently in such a window *not* forming to lead to its reversal.

4.4.5 Post-2016 Reforms: The Ineluctable Attraction of IWBs?

Despite the 2015-16 cuts to tax credits/Universal Credit and the political desire to trim-back the role of wage supplements, reform trends from 2016 onwards suggest that the role of IWBs in British social security has become deeply entrenched. Following the departure of Cameron and Osborne from government in the wake of the 2016 European Union referendum, under subsequent Conservative prime ministers the generosity of wage supplements was re-inflated. By 2018/19 support provided by UC to working households had become roughly equal to the legacy benefits that UC would replace (Brewer et al. 2019, 14, Fig. 4; Finch and Gardiner 2018, 6, Table 2). Nonetheless the wider cuts announced in 2015 such as the two-child limit on support meant that families in receipt of UC (whether in-work or not) would still experience lower net incomes than prior to 2015 (Finch and Gardiner 2018, 23).

Conservative governments continued to pursue IWB expansion in the wake of the Covid-19 pandemic. In October 2021 then-Chancellor Rishi Sunak further increased the value of UC’s work allowances and reduced the withdrawal taper rate from 63% to 55% - the level originally proposed in *Dynamic Benefits*. These latter changes were estimated to increase the numbers eligible for in-work support and to cost an additional £3bn p.a. by 2026/27 (HM Treasury

2021b). Meanwhile in July 2021, 2.3 million recipients of UC (40% of the total) were in some form of employment (DWP 2022c). This suggests that when also considering legacy tax credit awards, coverage of IWBs in 2021 had returned to the peak recorded in 2010 (2.5m), when New Labour left office.

Table 4.8. In-Work Provisions of Universal Credit, 2015 – 2022

In-Work Provisions of Universal Credit, 2015 – 2022								
	2015	2016	2017	2018	2019	2020	2021	2022
Taper	65%	65%	63%	63%	63%	63%	63%	55%
Higher Work Allowance (monthly)	£734	£397	£397	£409	£503	£512	£515	£557
Lower Work Allowance (monthly)	£263	£192	£192	£198	£287	£292	£293	£335
<p>Sources: DWP Benefit and Pensions Rates series. For latest data, see: (DWP 2021a). For 2022 work allowance rates: (Entitledto 2022).</p> <p>Notes on work allowances: The <u>higher work allowance</u> applies to those who do not also receive support with housing costs, and vice versa. The rates shown for 2015 apply to lone parents only. Couples with children, single people and those with limited capability for work all received lower rates of work allowance. From April 2016 these rates were harmonised while single people and couples without children were made ineligible for work allowances.</p>								

As previously, this expansionary trend was driven by both policy and political factors. In policy terms, additional spending on IWBs since 2016 followed a continued ideational commitment to work incentivisation and behavioural change. On one hand, increased IWB generosity was combined with a sustained rise in the minimum wage. Both measures were framed as “to ensure work always pays” (HM Treasury 2021a). On the other, those without jobs have continued to be viewed as less deserving of support, while the principle of ‘less eligibility’ remains sacrosanct. This was most vividly demonstrated by the decision in 2021 to cut the increase in UC’s basic rate introduced during the Covid-19 pandemic, which was justified on the basis that people should be encouraged into jobs (Treasury statement in: Winchester 2021).

Politically, IWB expansion coincided with the abandonment of austerity as an overriding imperative of fiscal policy and a new rhetorical focus by Conservative administrations on support for lower-income households. The wider context was the political fallout of the European Union referendum in 2016, with the vote to leave the EU partly interpreted as a

protest by ‘left behind’ groups in society (Goodwin and Heath 2016). Political incentives to be seen to be doing something for the ‘left behind’ were arguably increased after the Conservative Party’s victory in the 2019 General Election, which involved winning over some Labour seats in less prosperous areas of northern England (dubbed the ‘Red Wall’). These events had an impact on successive Conservative prime ministers’ policy and rhetoric, as seen in Theresa May’s focus on the ‘just about managing’ followed by Boris Johnson’s ‘Levelling-Up’ agenda.¹⁹

4.5 Conclusion: UK In-Work Benefits, 1995-2020

The preceding chapter reviewed IWB policy reforms in the UK from the mid-1990s to the early 2020s in order to understand the factors which drove policymakers’ preferences and decisions in this field (RQ1). Following the chosen analytical framework, the policy, politics and opportunity streams addressed the sub-questions to RQ1 for each reform. Summary thoughts in relation to the overall findings from this period are provided below.

RQ 1.1 (protagonists) – Each reform studied was conceived and driven by elite policy networks and individual policy entrepreneurs embedded within them. Without the intellectual work and political advocacy of such figures the observed policy changes would likely not have occurred, at least not in the form that they did. These networks drew together political elites and technical experts from political parties, civil service departments, academia, think-tanks and the business world. While the backgrounds and particular ideologies of those involved shifted over time (see below), present throughout were figures who foregrounded ‘incentive traps’ as major problems and were convinced of the economic and social potentialities of adjusting incentive effects. On the other hand, policy experts committed to ‘rights-based’ social security and unemployment benefit expansion (e.g. trade unionists and anti-poverty campaigners) were generally marginalised from the key decision-making processes in this area.

¹⁹ As an illustration, the 2022 Levelling Up White Paper cited reductions in UC’s taper rate since 2019 as an example of ‘Levelling Up’ (HM Government 2022, 2).

RQ 1.2 (policy desirability) – Linked to the above, policymakers’ preferences for each reform (and rejection of alternatives) appear to have been primarily influenced by an incentive-based framing of social security and the conviction that insufficient financial incentives were a cause of prevailing levels of unemployment, poverty and other social problems. In addition, attitudinal assumptions exercised an influence throughout, while entitlement-based discourse was only (marginally) present in relation to IWBs during the New Labour era. Within these broad frameworks the specific rationales and issues which influenced reforms evolved over time as policy contexts changed and one group of dominant policy elites was displaced by another.

In the case of New Labour, tax credits responded to a re-think about the role of social security in Britain’s post-industrial labour market and puzzling over how to reconcile redistributive and employment goals in a monetarist macro-economic framework. In particular, Gordon Brown and his team were convinced that improved financial incentives and symbolic design arrangements could influence recipients’ behaviour (e.g. work search and benefit take-up) and lead to desirable social and labour market outcomes. The hold of such ideas meant that – together with political factors – alternative approaches to welfare reform were ruled out.

UC then re-engineered how UK social security interacted with the low-wage labour market, bringing further changes to the distributive, employment and institutional logics of wage supplements. These changes responded to a clearly identifiable problem-solution framework constructed by the policy network centred around the CSJ. It was this network’s reading of social problems (the broken society, benefit dependency and the underclass) and critique of the welfare system (perverse incentives, inflexibility and complexity) that informed UC’s conception and design (smooth incentives, seamless transitions, and reinforced conditionality). The fact that the rationales underpinning tax credits’ design logics were so easily discarded underlines how ideational frameworks, rather than only ‘objective’ evidence or functional pressure, played a determining role.

The influence of (changing) ideas on IWB reform can also be seen in the July 2015 budget package. Here, the problematisation on the political right of wage supplements as expensive, inefficient subsidies that engendered benefit dependency contributed to ‘making work pay’ being displaced by cost-cutting as a primary goal. This shift also responded to a changing policy and labour market context, and the increased power of one group of policy elites (Osborne and the Treasury) over another (Duncan Smith and the DWP-CSJ nexus) following

the 2015 election. Nonetheless, as demonstrated by the return to policy expansion since 2016, an elite ideational commitment to ‘making work pay’ and less eligibility continues to shape debates and preferences towards British IWBs.

It is worth noting that despite the relative cross-party consensus in favour of wage supplements, partisan differences still matter. For example New Labour retained a role for structural understandings of labour market insecurity and undertook greater IWB expansion compared with Conservative-led governments. Different administrations also displayed different preferences towards IWB policy logics. Nonetheless, the mid-1990s onwards was marked by a shared ‘make work pay’ discourse in which the major parties largely coincided on the desirable *goals* of working-age welfare reform, but differed over the precise design and levels of *instruments* to be used (c.f. Hall 1993). On the reverse-side of this consensus, over the past three decades all UK governing parties oversaw the shrinkage of unemployment insurance, a reduction in the value of unemployment benefits, and the strengthening of benefit conditionality (c.f. B. Walker 2022).

RQ 1.3 (*political factors*) – As each politics stream analysis made clear, political motivations and contexts were also important to explaining governmental preferences and decisions towards IWBs.

Regarding tax credits, blame-avoidance was a strong motivator which contributed to the choice of fiscal administration and tax credits’ design arrangements (payment via employers, annual income assessment, hours rules). Conversely, New Labour’s leaders generally declined to credit-claim among potential recipients, instead focusing on wealthier target voters by burnishing tax credits as an example of how the party was ‘rewarding work’ while being ‘tough on welfare’. By the second wave of tax credit reform in 2002-03 (WTC and CTC) Brown and his team had gained sufficient confidence to more openly credit-claim for policy expansion, especially in relation to reducing child poverty.

Likewise, several political motives drove the conception and adoption of UC. These included issue-competition with the Labour Party, brand detoxification, and distinct credit-claiming opportunities for the Coalition partners. However as with New Labour, the politicians who implemented UC generally did not seek to credit-claim among beneficiaries themselves, but rather used the reform to appeal to the sentiments of wider groups of target voters. Subsequently, efforts to retrench IWBs in 2015/16 were almost entirely framed by blame-

avoidance tactics, as the Cameron government pursued a course of action which lacked the support even of elements of its own socio-political and media coalition.

Meanwhile, each case of IWB expansion was enabled (and the attempt at direct retrenchment in 2015/16 constrained) by broad ‘ambiguous agreements’ among the main socio-political actors, public opinion and the media. As found elsewhere, this evinces the ability of reforms which simultaneously promise to encourage work and reduce poverty to bring together otherwise conflicting interests and ideologies. Nonetheless, despite wide agreement on overarching policy goals, conflict lines existed over the micro-institutional features and logics of each reform, both within governments and among external actors. Furthermore, although interest groups did express preferences towards IWBs, they tended to act as ‘consenters’ or ‘antagonists’ to reforms *after* governing parties had already made up their minds about the desirable direction of change.

RQ 1.4 and 1.5 (opportunity factors and configuration) – Without rehearsing details explored earlier, discussions in each opportunity stream demonstrated that without the confluence of certain enabling conditions, each IWB reform observed would not have occurred: either in the way that it did or indeed at all. In fact these periods are replete with examples of alternative ideas being abandoned or ignored, which offer counterfactuals to underline this point. As such, extending Haddon’s discussion of UC, each reform period offered a case study of “the ‘policy window’ in action” (Haddon 2012b, 11). On the other hand, context-specific institutional constraints and lobbying patterns acted to shape final policy design. Ultimately then, the confluence of the policy-based, political, institutional and circumstantial factors reviewed explains each IWB reform which took place.

RQ1 and summary – In drawing these threads together, the assembled evidence provides grounds to argue that ideational factors – policymakers’ cognitive frameworks and the influence of policy paradigms – played the primary role in motivating governmental preferences and actions with regards to the IWB reforms studied.

For tax credits, only policy ideas explain policymakers’ intrinsic motivation to expand means-tested IWBs. As noted by informed interviewees, these reforms ultimately emanated from “the inside desire for change” (UK-B) and were “what Gordon wanted to do” (UK-E). Branding

IWBs as tax credits offered a politically-expedient way of delivering a type of social policy intervention that Brown's circle was already leaning towards. As long as the most politically-toxic criticisms could be avoided (e.g. of being 'pro-welfare' and 'anti-work') reformers were willing to follow through on their plans even where overt support was lacking and also sought to *generate* external demand when little existed. This determination was revealed by the Treasury's willingness to go against a near-united front of opposition to delivering tax credit payments via the wage packet. Similarly, the expansion of wage supplements to workers without children did not respond to political pressure and ran against public opinion.

Likewise, as explored above, the design of UC closely responded to the problem-solution framework of its architects. In addition, UC's successful adoption by government was in part due to the wider appeal of the reform's rationale to the ideational frameworks of political and media elites. Conversely, neither external problem-pressure, institutional path-dependency, political demand from voters or collective actors, nor electoral vote-seeking provided the original impulse or main motives for UC's conception and adoption.

Finally, of the factors motivating the July 2015 budget, the ideational preferences of leading government ministers – and their perceptions of how these policies fit with their wider political strategy – appear to have been the most important. While wider support did exist for an increased minimum wage, the decision to further cut IWBs took place in the near total absence of observable political demand. Here, Cameron and Osborne were willing to go against public sentiments because they were personally convinced of the desirability of IWB retrenchment. Only when faced with strong opposition did the government back down over some of the planned cuts to tax credits, although it still made reductions where politically possible.

Overall then, IWB policymaking in Britain responded primarily to shifts in policymakers' perceptions and preferences as part of elite deliberative processes, not to changes in patterns of political demand or overbearing problem pressure. As a result, the use and design of wage supplements will most probably continue to be sensitive to frequent change, as evidenced by constant institutional tinkering since 2015. Future reform will not only be due to shifting problem pressures and policy trends, but the ideological and political winds which will interpret these, as governing elites continue to manage the relationship between 'work' and 'welfare' in Britain's post-industrial labour market.

Chapter 5 – France

5.1 Introduction and Overview

This chapter examines the trajectory of IWB reforms in France from the late 1990s to 2020. As with the previous chapter, the central focus is to understand the driving forces behind governmental preferences and decisions towards these reforms (RQ1). At the beginning of this period France introduced permanent wage supplementation for the first time and then over several phases substantially re-designed its system of in-work support. As a result of these reforms, as in the UK, wage top-ups became a core component in how the French state supports low-income workers and regulates the low-wage labour market. As discussed in Chapter 2 this development is puzzling in light of France's pre-existing institutional structures and reform trajectories up to the mid-1990s.

This chapter is set out as follows. The sub-section below recaps the trajectory, logics and profile of French IWBs. Following this, the three main parts examine the three major phases of IWB reform which took place: the creation of the Employment Bonus (late 1990s to early 2000s), the Active Solidarity Income reform (2005-2009), and the fusion of these two instruments into the Activity Bonus (c. 2012-2016). An addendum to part III looks at IWB changes since 2016. Each of the three main reforms is analysed via the policy, politics and opportunity streams. A final section concludes.

5.1.1 IWBs in France, 2000 – 2020

In 2001 a Socialist Party (PS)-led coalition government introduced France's first permanent IWB, the Employment Bonus (*Prime Pour l'Emploi*, PPE). As a tax credit, this policy established a strong institutional and cognitive separation with social assistance. Income support was very broad (reaching one third of all workers at peak caseloads) and concentrated incentives on full-time rather than part-time work.

In 2008 a centre-right government led by the Union for a People's Movement (UMP) party converted the pre-existing social assistance scheme (RMI) into an integrated in- and out-of-work benefit (Active Solidarity Income: *Revenu de Solidarité Active*, RSA). Like UC in the

UK, this integrated IWBs with social assistance. Further, the in-work element, RSA *activité*, was highly targeted on poorer households and encouraged non-standard working hours.

In 2015 another Socialist Party government merged the RSA *activité* and the PPE to create the Activity Bonus (*Prime d'Activité*, PA). This is managed as a social benefit which is entirely separate from social assistance (the out-of-work RSA). Upon its creation, its income support logic combined the highly targeted and broad functions inherited from the PPE and RSA *activité*, while incentives were adjusted to encourage more substantial part-time and full-time hours. In 2018 the PA was significantly expanded by the centrist Macron administration. The same government also proposed the fusion of the PA with a new UC-style benefit, Universal Activity Income (*Revenu Universel d'Activité*, RUA).

The table below recaps the logics assigned to each main French IWB. A fuller description of policy design is available in Chapter 2 (Table 2.3).

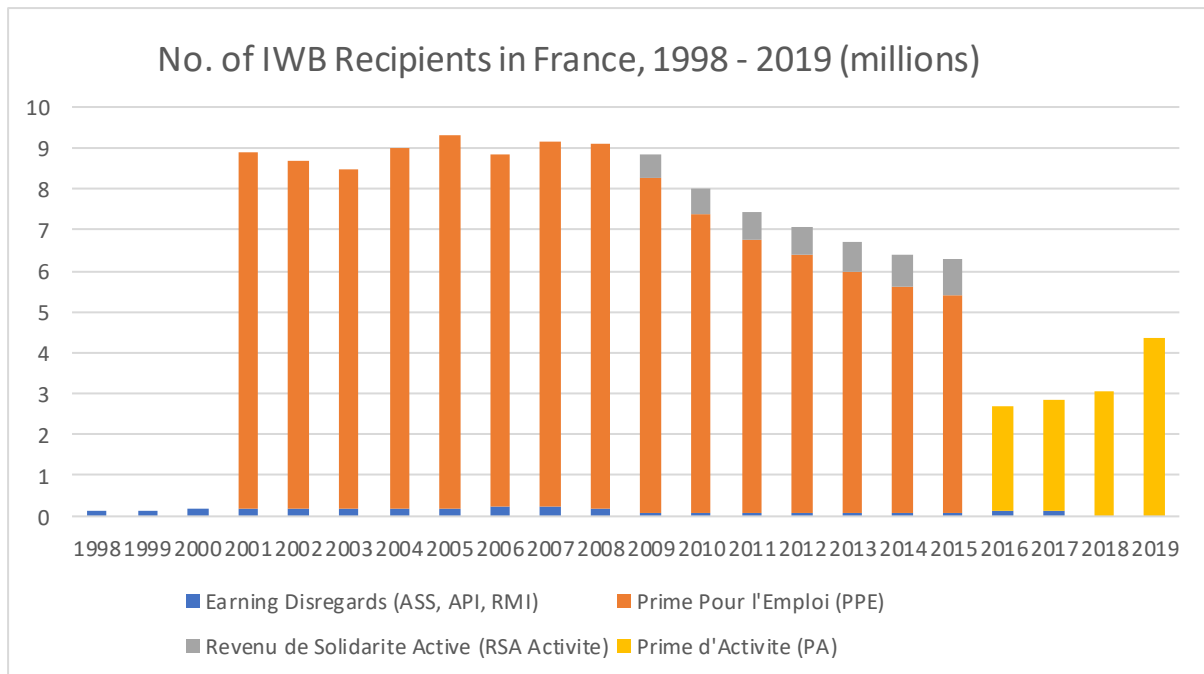
Table 5.1. Policy Logics of French In-Work Benefits

Policy Logics of IWBs in France			
	Distributive Logic	Employment Logic	Institutional Logic
France			
Employment Bonus (2001)	Broad support <i>Low Targeting, Very High Coverage, Low Generosity</i>	Standard	Separate [Fiscal]
Active Solidarity Income (2009)	Poverty relief <i>Very High Targeting, Low Coverage, Medium Generosity</i>	Atypical	Integrated [Social]
Activity Bonus (2016)	Poverty relief and broad support <i>High Targeting, High Coverage, Medium-High Generosity</i>	Semi-Standard	Separate [Social]
Note: see Chapter 2, Table 2.6 for methodological notes.			

The figures below depict the quantitative dimensions of French in-work support (for distributive profiles, see Ch. 2, Fig. 2.4). Over the period studied an overall trend of fiscal expansion occurred with the exception of a small contraction in spending from 2010-2015. This was a legacy of the decision to freeze PPE rates from 2008: a decision taken by the centre-right UMP but maintained by the Socialist Party after 2013 (c.f. Touzet 2019, 243). For the same reason, IWB coverage shrank from 2008-2015, and then fell sharply with the PPE's elimination. However, both spending and coverage began increasing again after the PA's

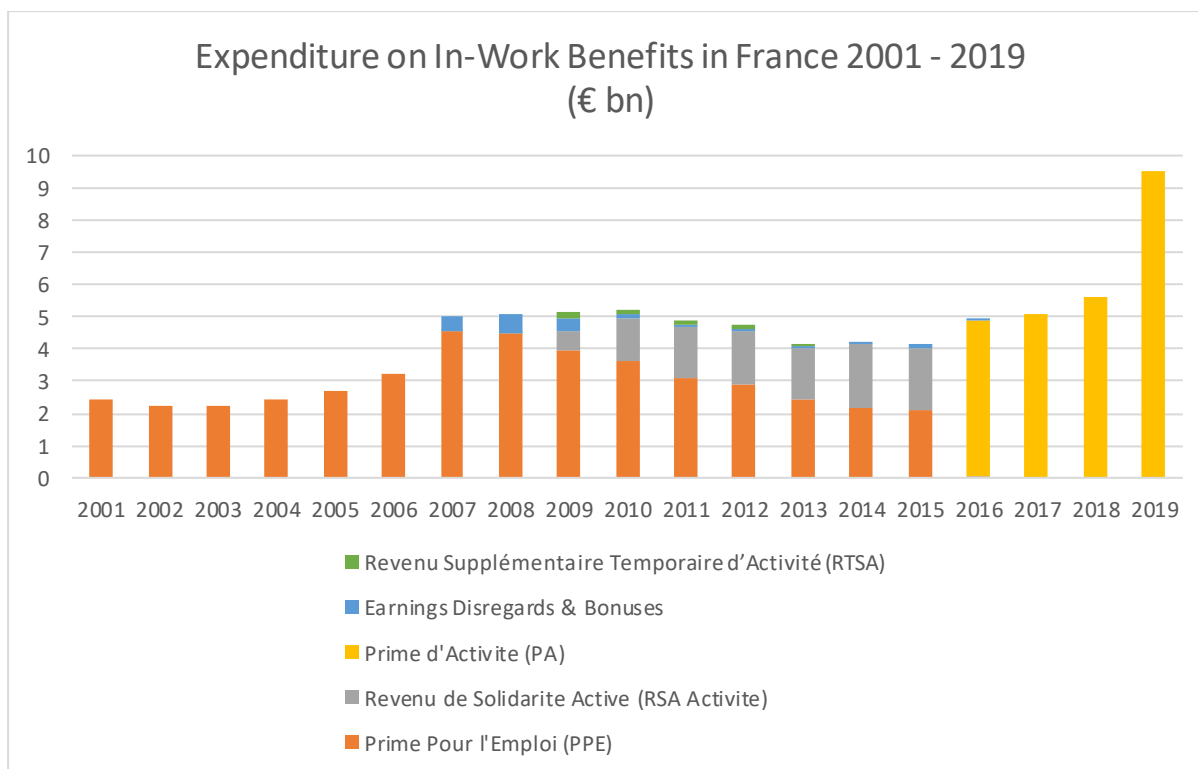
introduction. Given the PA’s lower coverage than the PPE, this also suggests that IWBs have become more generous and targeted compared with previous time periods (c.f. Ch. 2, Table 2.3. and Fig. 2.4).

Figure 5.1. No. of IWB Recipients in France, 1998 - 2019



Sources: compiled from national statistical series and reports. See note in Annex 9.2., Chapter 2, Figure 2.3. for list of data sources per instrument.

Figure 5.2. Expenditure on In-Work Benefits in France 2001 - 2019



Sources: expenditure data is nominal and compiled from national statistical series and reports. See note in annex 9.2, Figure 2.2. for list of data sources per instrument.

Note: expenditure data for earnings disregards and bonuses [blue block] could not be sourced prior to 2007. Including this would likely increase pre-2007 annual expenditure by c. €0.5bn per annum.

5.2 Part I: The Employment Bonus

5.2.1 Introduction

The Employment Bonus (PPE) was an in-work tax credit introduced in 2001 by a Socialist Party-led government headed by prime minister Lionel Jospin.²⁰ The PPE was a path-breaking reform both as France's first permanent IWB and as an instrument of fiscal welfare (Morel, Zemmour, and Touzet 2017). In addition to being a case of redistributive welfare expansion, the policy marked the moment when IWBs became a mainstream component of French income support. In line with RQ1, this chapter section focuses on why Jospin's government adopted its preference for IWBs, both as an instrument in itself and as an alternative to other policy

²⁰ This was known as the Plural Left (*Gauche Plurielle*) government, with the Socialist Party (PS) ruling as the main partner in coalition with the Communist Party (PC), the Greens (LV), the Citizens Movement (MCD) and the Radical Left Party (PRG).

options. This is central to understanding long-term developments in French social security because while the PPE later fell out of favour, the logic of wage supplementation became deeply embedded in the institutions and logics of French social protection.

This question poses numerous explanatory puzzles, especially concerning why the French centre-left opted for a type of policy often associated with the political right (Touzet 2019, 30). As “a completely new type of policy intervention in France” the reform also cannot be explained with reference to institutional path-dependence (Erhel and Zajdela 2004, 135). Further, in choosing the PPE, Socialist Party (PS) ministers actively declined to use more traditional instruments such as the minimum wage. This episode is also challenging to explain because historical ‘chance’ played a critical role. Jospin’s government initially intended to introduce a targeted rebate for low earners on the CSG payroll tax. It was only after this measure was blocked by France’s Constitutional Court in December 2000 that the government created the PPE as a replacement.²¹

Existing scholarship points to a mix of factors to explain this policy reform, comprising: (i) a paradigm shift in elite policy-making circles which favoured more ‘liberal’ solutions to unemployment and poverty, including the need to ‘make work pay’; (ii) the presence of electoral incentives and constraints which turned ministers away from more traditional forms of welfare expansion; (iii) external pressure from EU spending rules which preventing overt social spending and incentivised fiscal welfare; and (iv) the constitutional ruling which blocked approval of the government’s first-preference option (Colomb 2012; Erhel and Zajdela 2004; Palier 2002, 315–18; Touzet 2019).

Taking stock of this literature, the analysis here re-examines the events and processes which led to the PPE’s introduction and offers a re-calibrated argument. The central claim is that the process of policy ‘puzzling’ and a cognitive shift in favour of ‘making work pay’ among a network of ministers and influential advisers was the single most important factor driving change. At the same time ideational factors are viewed as necessary but not sufficient. Without political pressure on Jospin to do something for low-income workers specifically a reform on the scale of the PPE may not have occurred. Likewise, contingent and chance developments opened a unique ‘policy window’ and enabled policymakers to overcome internal opposition to a tax credit.

²¹ The Constitutional Court found that the plan for a targeted CSG rebate was not compatible with the principle of equality of taxation, as the CSG was a universal, flat-rate tax (Conseil Constitutionnel 2000).

This argument is developed as follows. The policy stream identifies the PPE's protagonists and analyses the ideational processes which led policymakers to favour a permanent IWB mechanism while 'filtering-out' alternative narratives and proposals. The second section explores the political motives, incentives and constraints leading ministers to favour an expansive fiscal instrument to cater for lower-income workers. A third section reviews enabling and constraining factors and how these interacted with the policy and political streams to create the window of opportunity for the PPE to become reality.

5.2.2 Policy Stream

5.2.2.1 PPE Overview and Protagonists

The Employment Bonus

Prior to the PPE's introduction, France's only IWB mechanisms were temporary earnings disregards linked to certain minimum income and unemployment benefits. Among means-tested benefits, disregards had slowly expanded in the 1990s, and in 2000 were paid to around 145,000 recipients.²² Compared to this, in its first year the PPE paid €2.43bn to 8.67 million workers, at an average annual award of €280 (Assemblée Nationale 2015f, 15). Those earning up to 1.4x the minimum wage (SMIC) were eligible, with payments maximal at around a full-time minimum wage job. Despite containing means-testing rules, the credit was individualised to the extent that two full-time minimum wage earners could both benefit equally (Allègre and Ducoudré 2018, 2–3; Assemblée Nationale 2001c, 5–6). Administratively, the PPE was calculated from tax returns and paid out in an annual lump sum by the French Treasury. These features gave the policy its particular distributive, employment and institutional logics (Table 5.1).

Protagonists: The Rise of an 'Economistic', Pro-IWB Policy Network

The PPE's origins can be traced to an elite policy network which in the late 1990s advocated for a permanent IWB, preferably in the form of a negative income tax credit (NIT), as a desirable reform. In doing so this loose grouping helped bring about a "cognitive rupture" in

²² Calculated by author based on national statistics See annex 9.2 for list of IWB policy data sources.

how French government and administration thought about social and labour market policy (Colomb 2012, 32).

Members of this informal ‘pro-IWB’ network included civil servants, special ministerial advisers, and academic economists. Together they developed the case within government for an in-work tax credit. Central figures included Pierre-Alain Muet, Jospin’s chief economic adviser and first vice-chair of the Council of Economic Analysis (*Conseil d’Analyse Economique*, CAE), and Jean Bensaïd, another economic adviser to the prime minister. In the Ministry of Economy, Finance and Industry (‘Bercy’, or finance ministry) advisers Jacques Mistral, Gerard Belet and Vincent Mazauric were all involved, as were Jean-Philippe Cotis and Jean-Luc Tavernier, who held senior positions at the ministry’s forecasting department (*Direction de la Prévision*). Another was Gilbert Cette, an economist seconded from the Bank of France to work as an adviser to the Employment and Social Affairs Ministry and subsequently posted to the CAE. Policy entrepreneurs whose intellectual contributions made a key impact included François Bourguignon (an academic and future World Bank chief economist), Roger Godino (a former government adviser who helped create the RMI in 1989) and Jean Pisani-Ferry (an economist who advised the finance ministry and then the CAE from 2000).²³

The members of this network shared professional connections and backgrounds. Many were early-to-mid-career civil servants and academics with training or applied experience in economics whose approach to policy issues was informed by the theories, methods and assumptions increasingly popular internationally (Colomb 2012, 36; Touzet 2019, 217–18). Another common experience was having spent time in the finance ministry’s forecasting department before being posted elsewhere in government (Touzet 2019, 218). Many were also connected to the CAE. This was a new economic advisory body set up by Jospin which gathered together academic economists and civil service directors in order to create a closer link between economic thought and public policy (Jospin 1997; Légifrance 1997).

From 1998 to 2000 this network built the case for a tax credit via a series of reports, articles and presentations made available to relevant government departments and ministers. As reviewed below, their influence can be detected in both the problem-framing and solution-

²³ This list is not exhaustive. It is drawn from those named in research interviews and triangulated with documentary records.

seeking processes through which policymakers became interested in the potentialities of this type of instrument (for similar observations see: Colomb 2012, 37; Touzet 2019, 217).

5.2.2.2 Problem-Framing and the Case for a Permanent IWB

(i) Unemployment: From a Demand- to Supply-Side Problem

A precursor to the proposal for an IWB was a cognitive shift among policy elites to regard unemployment as principally a supply-side rather than a demand-side problem.

In 1990s France structural joblessness was a central policy issue, having risen from low single figures in the 1970s to double-digits in the 1990s (Macrotrends 2021; Malinvaud 1986). At the same time, from the 1980s there had been a growing consensus among policymaking elites that the cost of labour (a factor of supply) rather than only aggregate demand was a cause of unemployment (Concialdi 2020, 154–55). Thus for centre-right prime minister Edouard Balladur, speaking in 1993, the “big mistake” of the 1980s was “the hope that the return to growth alone would ... reverse the general trend of rising unemployment” (cited in: *Les Echos* 1994). Such problem-framing contributed to political reluctance to increase the minimum wage beyond legally-required indexation, and from 1993, to the policy of targeted reductions to employer social security contributions (Concialdi 2020, 154; Morel, Zemmour, and Touzet 2017, 15–17). Despite this, labour costs continued to be a concern among political and administrative elites (Bourguignon and Bureau 1999, 28; ; Erhel and Zajdela 2004, 133 FR-C).

In the 1990s the Socialist Party focused on both demand- and supply-side strategies to tackling unemployment, while problematisation of micro-economic incentives was largely absent. In the 1997 parliamentary elections (which brought the Plural Left government to power) the party proposed to reduce unemployment via productivity improvements, increased domestic consumption, a shorter working week, funding for ‘youth jobs’, and targeted early retirement (Emmanuel 1997; Jarry 1997; Parti Socialiste 1997). Meanwhile, reflecting cost of labour concerns, it was argued that the tax burden on labour should be reduced and that wage moderation was necessary to allow companies to absorb the planned reduction to a 35-hour working week (Delphine Girard 1997; Parti Socialiste 1997; *La Tribune* 1997a).

(ii) Enter ‘Making Work Pay’: Incentive Traps as a Central Issue

However, a few years into Jospin’s administration attention began to switch toward potential micro-economic drivers of unemployment. This was in part due to a changing policy context. Linked to UI retrenchment and the expansion of low-pay and part-time jobs, the caseloads of new means-tested benefits (especially the RMI) had grown throughout the 1990s (Palier 2002, 310–15). Then from 1997-2000 economic growth led unemployment to fall four percentage points to a low of 8.6% (Macrotrends 2021). However ministerial advisers noted that social assistance caseloads remained constant while employers were struggling to fill vacancies in low-skill sectors (FR-B; FR-F; FR-M). According to a finance ministry adviser, a common feeling at the time, was: “[we] had undoubtedly sorted... our labour demand problem...but we hadn’t addressed the question of labour supply” (FR-D).

A second factor was ideational change. Until the late 1990s the notion that financial disincentives were an important cause of unemployment or benefit reciprocity was a minority view in political-administrative circles (c.f. Colomb 2012). However with the introduction of the RMI academic economists had begun to problematise the existence of work disincentives and recommend action in response. One prominent French economist explained:

“In the 1990s, end of the 1980s, people had this view that incentives were not important... Economists started to have more say in public debate, and [focused on] ‘poverty traps’ and increased take-up of the RMI. So politicians started to think it was a concern. It was very gradual that the idea that incentives play a role came into public debates” (FR-H).

The Jospin government’s initial response to such concerns had been to extend time-limited earnings disregards in social assistance and unemployment benefits as part of an anti-poverty law passed in 1998 (*Loi de Lutte Contre l’Exclusion*).²⁴ However the ‘pro-IWB’ network of actors described earlier continued to focus on work incentives and escalated this as a priority issue within government.

According to one of Jospin’s senior economic advisers, the topic of incentive traps was put on the prime minister’s radar by a CAE report entitled *Taxation and Redistribution* (FR-A). Authored by François Bourguignon, this showed that RMI recipients theoretically faced high net marginal effective tax rates (METRs) – in some cases over 100% – when moving into work. These “poverty traps” were argued to be economically inefficient as well as potentially

²⁴ For discussions of extensions to temporary incentives in the 1990s see: (Colomb 2012, 38; Cusset and Vermersch 2019, 29; Palier 2002, 314–15).

encouraging a “voluntary choice” to remain on social assistance and “moonlight” instead (Bourguignon 1998, 39). A number of subsequent academic, CAE and forecasting department studies reinforced this narrative and sought to measure the extent of work disincentives (Bourguignon and Bureau 1999; Laroque and Salanié 1999; Piketty 1998; Pisani-Ferry 2000; FR-C). The picture which emerged was that while most of those out of work would see at least a small income gain if moving to a full-time job, many – especially those with children – faced very little incentive to work part-time (Laroque and Salanié 1999, 16; Pisani-Ferry 2000, 128–29). The focus given to the need to incentivise part-time employment is notable here (Bourguignon 1998, 38; Bourguignon and Bureau 1999, 36; Pisani-Ferry 2000, 128; FR-B; FR-C), and followed reforms in the early 1990s which sought to stimulate demand for part-time jobs (c.f. *Les Echos* 1993a, 1995b). Such moves departed from the ‘Bismarckian’ norm of full-time, permanent employment (Palier 2010b, 43), with greater working time flexibility viewed as necessary to tackling joblessness.

From these analyses, the overall policy message for government, as distilled by Pierre-Alain Muet, was: “work must be made to pay...in an economy that is massively creating jobs it becomes aberrant that the removal of means-tested benefits leads, de facto, to prohibitively ‘taxing’ earned income at the low end of the income scale” (Muet in: Pisani-Ferry 2000, 9). This narrative appears to have quickly gained purchase within departmental administrations, especially among public servants with an economics background. Advisers based in the prime minister’s office, the finance ministry, and the CAE recalled that the notion of a “100% marginal effective tax rate” for RMI recipients was considered unacceptable (FR-A; FR-C; FR-E; FR-F). As one explained: “the younger economists didn’t need long to be convinced. It seemed pretty clear to most people that a 100% tax rate [at low incomes] isn’t optimal” (FR-E). The influence of such arguments in the public policy eco-system can also be seen in a major report on minimum income reform by the government’s planning agency (Belorgey et al. 2000, 198–99).

(iii) ‘Tax Justice’ and In-Work Poverty

In addition to work incentives, distributive issues and in-work poverty led Jospin’s government to examine the social situation of lower-paid workers. In the course of the 1990s Socialist Party figures had become concerned that the growth of the CSG payroll tax had created a dualism between higher earners, who paid a progressive income tax, and lower earners, who only paid

a flat-rate (and thus regressive) tax (Ayrault and Muet 2015, 17–18). In 1997 the PS had thus pledged to reduce taxation and to make it fairer (Parti Socialiste 1997). Seeking to achieve these goals led to what a senior adviser called “the great debate about tax reform” on the left (FR-A).

Regarding the second concern, studies at the time showed that the partial erosion of standard employment norms had led to an expansion of low-paying jobs and a likely increase in the “working poor” (Concialdi 2002, 559). Borrowing from the English term, the notion of the ‘working poor’ was a relatively new category of social analysis. Policy specialists were particularly worried about the intersection between part-time, temporary and minimum wage jobs and what should be done for workers in precarious positions (FR-M). Finance ministry officials were also focused on the fact that part-time work at the minimum wage did not guarantee a poverty-free living standard (FR-C).

Importantly however, dominant analyses of these issues became framed by concerns about work incentives and the need to better support, but not prevent, workers’ labour supply flexibility. According to several interviewees, Bourguignon’s (1998) report was influential in this regard. It found that the higher income deciles were paying a lower METR than the lowest, and that France’s tax-benefit system was thus less redistributive than many of its neighbours (Ibid, 42). Yet as a possible solution, the report counselled against increasing progressive taxation on higher income groups or giving more to the poor in benefits because “these [measures] increase distortive effects on incentives” (Ibid, 47). Instead it was considered advisable to focus on improving redistribution while also tackling the ‘distortive’ effects of high net METRs on low earnings (Ibid, p48).

(iv) The Roots of Incentive-Based Problem-Framing

Beyond the changing policy context that officials were grappling with, at least three ideational trends facilitated the acceptance of incentive-based problem framing within the governmental departments from which the PPE would emerge. Firstly, as noted, was the growing influence of neoclassical economic analyses of unemployment which viewed financial (dis)incentives as dampening potential labour supply (Palier 2002, 317). This view gave greater weight to the concept of rational economic actors who make a work vs leisure trade-off whereas previously it had been assumed that people would intrinsically seek to work if able (FR-H; Bourguignon 1998, 39; Colomb 2012, 48). Secondly, during the 1990s economists and civil servants had

access to new computing technology which allowed them to develop micro-simulation tools and map incentive structures which could then be presented to decision-makers (FR-F; FR-C).

Third was international policy transfer. Here it is worth noting that France had its own tradition of thinking about the interaction between social security and taxation, for example the proposal for a negative income tax developed in the 1970s by former minister Lionel Stoleru (FR-A; FR-I; Koenig 2016). Nonetheless international sources of ideas were particularly important in the late 1990s. The sources of inspiration for the PPE cited by those interviewed were OECD recommendations on supply-side labour market reforms (including the 1994 Jobs Study) and the policy examples of tax credits in the UK and USA (FR-A; FR-B; FR-C; FR-D; FR-E). Underlining this point, while research interviews were held in French, participants often explained the policy rationale for the PPE with reference to English-language terminology such as the “working poor” and “making work pay”, or literal translations of the same (FR-C; FR-D; Palier 2002, 314, note 2). Beyond the consumption of policy literature, the transfer of ideas was facilitated by personal connections and experiences, such as civil servants’ study trips and postings to the United States and discussions with New Labour-era officials in the UK (FR-D; FR-A).²⁵ Advocates of a tax credit positively referenced the examples of the USA and UK to buttress their arguments for a similar measure in France (Bourguignon and Bureau 1999, 40; Pisani-Ferry 2000, 121). Further reflecting this interest, the government’s social research and statistics service (DREES) produced dedicated briefings on these policies around this time (Bontout 2000; Chambaz and Lequet-Slama 2000).

5.2.2.3 Solution-Identification

(i) The Pro-IWB Consensus and Proposal for a Tax Credit

By the late 1990s a consensus was forming within the CAE, finance ministry and prime minister’s office around the need to address the aforementioned issues through some form of incentive-based instrument. Among the ‘pro-IWB’ network three main options were circulated: a further extension of existing earnings disregards, the creation of a separate cash IWB, or the introduction of an NIT. Enthusiasm for the first option appears limited (Belorgey et al. 2000, 199; Pisani-Ferry 2000, 131). The second option was for an Income Compensation Allowance

²⁵ These included Jean-Philippe Cotis, who worked at the IMF from 1986-1988, and Jean Bensaid, who was attaché to the French Embassy in the USA from 1994-1997.

(*allocation compensatrice de revenue*, ACR) which involved creating a smooth withdrawal taper up to a given earned income threshold. Proposed by Roger Godino, a former adviser involved in the creation of the RMI, this was supported by the French planning agency's report (Belorgey et al. 2000) and was cited by several of the PPE's protagonists as influential for them (FR-A, FR-B, FR-D).

However the option favoured by most actors was for an NIT-style policy. This was first proposed publicly by Bourguignon (1998), although a number of advisers in both the prime minister's office and finance ministry had been advocating internally for an American-style tax credit policy since 1997 (FR-B; FR-D). Although an NIT was regarded as functionally equivalent to a cash IWB, it was argued that the former could go some way to integrating taxes and benefits as well as creating a smooth incentive structure for moving into work (Bourguignon and Bureau 1999, 39; Pisani-Ferry 2000, 131). Proponents further argued that such a system would improve income redistribution without causing market distortions, and in the words of Pisani-Ferry, allow the tax system to "play its redistributive role from one end of the income scale to the other" (Muet in: Bourguignon 1998, 9; Bourguignon and Bureau 1999, 40; Pisani-Ferry 2000, 133). In interviews, proponents offered several additional reasons for this preference, such as that the tax system could calculate households' entitlements and then make payments automatically (whereas benefits had to be claimed) and that incentive signals would be more transparent for recipients (FR-A; FR-C; FR-F). For the one adviser, based in the finance ministry, institutional factors were also relevant, as the idea "was born in Bercy... a bit against the Social Affairs Ministry". In addition, "[a tax credit's] permanence would be more assured" because it would not be subject to the same level of departmental and political horse-trading as social spending (FR-D). Finally, both the desire to emulate "the American model" and the economics backgrounds of policy protagonists were factors in a tax credit (rather than a benefit) becoming viewed as the natural choice (FR-D). (FR-D; Touzet 2019, 234)

(ii) Political Receptivity to the Incentives Narrative

On a political level the PPE was ultimately given the go-ahead by Jospin with the backing of his finance minister, Laurent Fabius (FR-A; FR-D; FR-E; Reuters 2001f). In addition to explicitly political reasons (see next section), there is evidence to suggest that these ministers

made this choice after accepting (if not embracing) the incentive-based problem framework promoted by their advisers. As one of the CAE's members recalled:

“One day I gave a presentation to Jospin about the redistributive system in France. I insisted on the fact that the RMI was generating this poverty trap, and Jospin was convinced by that. And because of that he decided to do something, to follow more or less what we were suggesting, which was to go for a negative income tax...” (FR-F).

A senior economic adviser to Jospin also viewed the work of the CAE as key: “I, who knows the story of the *Prime Pour l'Emploi*'s origin, know that within the Council of Economic Analysis we conceived of the *Prime Pour l'Emploi* as a negative income tax, and that's what convinced Jospin – that something must be done [about incentives]” (FR-A). In addition, several interviewees agreed that Jospin's economic advisers, above all Pierre-Alain Muet, were “determining” in convincing the prime minister of the need for a tax credit – in part because this showed him that not only finance ministry officials were pushing the idea (FR-D; FR-E; FR-F). Meanwhile, according to an adviser in Laurent Fabius' team, departmental officials were instrumental to convincing the finance minister of the desirability of a tax credit. This was successful, and as a result “from summer 2000 I would say that the technocracy and the minister were agreed on pushing this forward” (FR-D).

Public statements by both politicians around this time appear to corroborate such accounts. In 1999 Jospin argued that as part of the government's tax reform agenda it was necessary “to eliminate the mechanisms which dissuade benefit recipients from taking up paid employment” (Mabille 1999a; see also: Reuters 1999a). According to *Les Echos* newspaper, internal considerations on how to reform taxation at low earnings were motivated in particular by Bourginon's 1998 report and the view that “marginal tax rates” for low earners “constitute a strong disincentive to work and without doubt contribute to the high level of unemployment” (Mabille 2000d). Likewise Laurent Fabius framed his argument for tax reductions across the income scale in terms of their negative incentive effects: “at the bottom, to avoid ‘inactivity traps’, in the middle, to reduce the burden on the middle classes, and on top, to prevent avoidance or demotivation of the highest-rate contributors” (La Tribune 2000a).

A further indication that incentive traps were taken seriously by ministers is that institutional resources were invested into developing a policy instrument to address them. In the early months of 2000 the finance ministry was sent to engage with the employment and social affairs ministry on how to “make taxes and benefits consistent” and existing incentive mechanisms “permanent” (Mabille 2000d). By summer 2000 the prime minister's office itself was actively

studying ideas “to ensure that the passage from the RMI to activity [i.e. work] leads to a significant increase in income”, including possibilities for a negative income tax credit (Mabille 2000f; quote from: Muet 2019). The undertaking of such work, and ministers’ later resistance to alternative reform options proposed by allies, suggests that a permanent IWB had become the internal first preference of both Bercy and Matignon by the summer of 2000.

(iii) The Employment Bonus

Due to political pressure from within the government’s own coalition, in September 2000 Jospin and Fabius initially decided to propose a rebate to the CSG rather than a tax credit (see politics stream). However as soon as the Constitutional Court ruled against the CSG cut in December 2000 they turned back to the idea of an incentive-based instrument. In a few weeks officials in the finance ministry and prime minister’s office designed a new tax credit, now dubbed the Employment Bonus. In the words of Jospin’s spokesperson, the PPE was motivated by “a double objective...to encourage the return to employment and redistribute the fruits of growth” (Reuters 2001g). Likewise, Laurent Fabius declared the PPE would “favour the return to employment of numerous unemployed people and give purchasing power to the most modest [workers]” (Reuters 2001b). For civil servants, what most drove their thinking was the potential effect on stimulating employment (FR-C; FR-D; FR-E). Nonetheless the second objective was still considered important by both economists and ministers, who saw it as a means to make taxation more progressive and use the tax system as a redistributive vehicle (FR-A; FR-D; FR-M; see also: Touzet 2019, 203–4).

Despite these objectives being described as complementary, the design of the PPE reflected tensions between each rationale. On one hand, micro-simulations had identified that the largest incentive traps concerned part-time work, and so for those involved in policy design it made sense to target payments on part-time hours (FR-C; FR-D). On the other, there was pressure from the left-wing of the PS for the government not to “subsidise” part-time or marginal jobs, which Jospin’s office acceded to (FR-B). Thus in the version put forward by the government, for a single earner the PPE would be phased in at 0.3 SMIC and rise in value to around 1 SMIC (i.e. a full-time minimum wage job), before being phased out at 1.4 SMIC (Assemblée Nationale 2001c). In this sense, the PPE only partially fulfilled proponents’ objectives. Meanwhile in order to incentivise work, payments were calculated on individual earnings, although there was a means-tested household element to prevent those in higher income deciles

from benefitting as much (Ibid). As a tax credit, payments were automatically calculated and paid-out by the tax authority to those who ticked the corresponding box on their tax return – leading to almost universal take-up among eligible groups. However due to the tax system’s administrative limitations, payments had to be made annually based on the previous year’s earnings (Muet 2019).

5.2.2.4 The Role of Cognitive Filtering

As suggested by the above discussion, policymakers’ ideas and cognitive frameworks played a key role in shaping their preferences for an IWB and use of a fiscal instrument. Overall, in elite debate narratives associated with an entitlement framing of social security were pushed out in favour of incentive-based assumptions. This is illuminated when examining the evidentiary uncertainties, counter-arguments and alternative proposals present at the time.

Evidentiary Uncertainty

Despite micro-simulations showing that financial disincentives existed in the transition to (especially part-time) work, policymakers faced considerable uncertainty as to whether such incentive traps actually affected benefit claimants’ work-search behaviour or were a cause of unemployment. Bourguignon and Bureau (1999, 38) conceded that it was necessary to “rely on intuition or direct, possibly anecdotal observation...to judge the dissuasive effects of existing instruments”. Another economist supportive of reforms to tackle incentive traps conceded: “there isn’t true empirical proof that these high marginal tax rates lead to, or feed, unemployment, or cause people to desire, by choice, to remain on benefits” (FR-M). Reflecting this uncertainty, no estimate was made of the potential impact of the PPE on employment before it was implemented (FR-B; Assemblée Nationale 2001c; Prissette 2001b).

Despite this uncertainty, the PPE’s protagonists assumed that financial disincentives were influencing people’s labour market decisions. Pisani-Ferry thus declared that it would be “irresponsible” for policy-makers “to base themselves on the hypothesis that the recipients of these benefits don’t end up taking ...incentive signals into account” (Pisani-Ferry 2000, 130). Similarly, both Colomb and Touzet cite policymakers making references to their own

assumptions and ‘common sense’ when faced with uncertainty or a lack of evidence regarding the PPE’s rationale (Colomb 2012, 43, 46; Touzet 2019, 230).

Counter-Arguments

The PPE’s proponents also faced intellectual challenges from policy actors opposed to permanent wage subsidisation. These included senior figures within the PS and Jospin’s government, and civil servants and academics more sympathetic to structural and entitlement-based framings of social and labour market policy. There was an ideological component to this split, with those favouring a tax credit viewing opposing actors as holding onto an old, outdated or rigid left-wing ideology (FR-B; FR-C; FR-E; FR-D). Meanwhile pro-IWB actors often self-identified as either scientifically-motivated technocrats or as part of a more centrist “modern left” within the PS (Colomb 2012, 49; Riche 1999).

Opponents of a tax credit offered two types of argument. Firstly, they rejected the incentive-based logic and re-affirmed a structural narrative of unemployment and poverty. Henri Emmanuell, as PS secretary and chair of the National Assembly’s finance committee, affirmed: “I don’t think unemployment is due to the cost of labour...if real wages were higher, we would have less problems of poverty traps and encouragement of re-entry into employment” (La Tribune 2000b). Martine Aubrey, employment and social affairs minister, had similarly argued: “there are those who talk of work incentives. We should not imply that the unemployed prefer to live off a benefit rather than accept the jobs they are offered. In any case, I don’t share that point of view” (Assemblée Nationale 1998). A number of civil servants specialising in social security, rather than economics, were also sceptical about the incentive-based rationale driving policy debate at the time (Colomb 2012, 38, 48; Riche 1999).

Secondly, objections were raised about the likely effects of a permanent wage top-up. It was argued that an IWB would undermine the minimum wage, create a low-wage ‘trap’, subsidise atypical employment, and reduce the social insurance rights recipients would accrue (Belorgey et al. 2000, 199; Gautié and Gubian, 2000, cited in: Pisani-Ferry 2000, 133). The general thrust of criticism, as several interviewees recalled, was that a tax credit would facilitate the development of a more casualised, low-wage labour market (FR-B; FR-F; see also: Riche 1999). Proponents of an IWB tended to dismiss these arguments and reinforce the case for their preferred solution. They argued that it was better for people to be in subsidised part-time jobs than wholly ‘trapped’ on social benefits; that part-time jobs existed anyway and so it was

necessary to support workers in that situation; and that employers would not know which workers received top-ups and thus could not lower wages in response (Belorgey et al. 2000, 199–201; Pisani-Ferry 2000, 133–37). In any case, the growing influence of pro-IWB figures progressively marginalised those opposed to a tax credit, leading to the “taking charge” of debate by the more ‘economistic’ policy network (Colomb 2012, 37).

‘Filtering-out’ Alternatives

Incentive-based and neo-classical problem framing was also used to downplay or ‘filter out’ potential alternatives such as a minimum wage increase, benefit increases, a Basic Income, or an alternative tax-cut for low-paid workers.

Regarding the minimum wage, pro-IWB advisers and experts posited that an above-indexation increase would harm employment (Pisani-Ferry 2000, 132; FR-C). This assumption was contested in France at the time (see Clerc 1998, vs; Laroque and Salanié 2000) and even the OECD acknowledged that evidence on the effects of minimum wages on employment were “inconclusive” (OECD 1998, 57). In any case, minimum wages were also argued to be an inefficient means of distribution compared with means-tested wage supplements (Pisani-Ferry 2000, 132). Conversely, a minimum wage viewed as a necessary complement to a tax credit in order to prevent employers from reducing wages and pocketing the difference (Belorgey et al. 2000, 199; Pisani-Ferry 2000, 133).

The dismissal of other reform ideas followed the incentive-based logic. The notion of increasing the generosity of out-of-work benefits to reduce poverty was rejected because “they risk creating barriers to the return to work” (Pisani-Ferry 2000, 132; see also: Bourguignon 1998, p. 47).²⁶ The alternative proposal of a targeted cut to the CSG was viewed more favourably as it fulfilled the goals of boosting ‘modest’ incomes and making taxation fairer. However internally advisers still considered it “the bad choice” and “not the same [as a tax credit]...because there wasn’t the idea that it was also necessary to incentivise work” (FR-E; FR-B). Pisani-Ferry (2000, 132–33) also publicly critiqued this option as creating a potential ‘low wage trap’ without focusing marginal incentives where most needed.

²⁶ The same argument applied to a Universal Basic Income, which had been a demand of the unemployed workers movement in the late 1990s (Vanderborgh 2001).

5.2.3 Politics Stream

5.2.3.1 Introduction

The PPE emerged in the context of Jospin's forward-looking electoral strategy and the political constraints the Plural Left government was operating under at the mid-point of its legislative term. In this sense the PPE became a 'fix' which was intended to allow the government to pursue its chosen political strategy while keeping various social interests satisfied and pre-empting criticisms the administration wished to avoid.

The different facets of the political calculation which led to the PPE's adoption are presented below. A first section discusses Jospin's political strategy and the various constraints associated with this. A second examines how the PPE sought to respond to these constraints, including through both blame-avoidance and credit-claiming tactics. A third part looks at how organised actors and voters reacted, and concludes that the self-defined priorities of political elites, rather than external political demand, ultimately determined the choice of the PPE.

5.2.3.2 Jospin's Political Strategy and Constraints Social Policy Expansion

Electoral Competition for Middle-Class Votes

Mid-way through his parliamentary term Jospin announced what he viewed as the Socialist Party's strategy to remain in power and govern France over the next decade. Core to this was the creation of a "new class alliance" between the "middle classes", the "popular classes" and the "left behind". To achieve this, it was considered necessary to "reconcile" the interests of those who favoured reducing inequality with "those who are rather satisfied with society as it is and don't want to be penalised by the "cost" of an increase in equality" (Jospin 1999). In electoral terms this implied competing with the political right for the loyalties of the middle classes (see Jospin quotes in: Fressoz 1999; Jarry 1999).

Promising to cut taxes became the government's principal means of appealing to middle class interests. In August 1999 Jospin announced his government's intention cut income tax, which was only paid by middle-to-higher-income workers (Gratien 1999a; Jarry 1999). However to keep his core vote onside, he insisted that taxes could be reduced "without sacrificing anything:

not the reduction of public debt, not the financing of our priorities, nor our demand for social justice” (Gratien 1999a). The PS figure most strongly advocating for a tax cut strategy was Laurent Fabius, widely viewed as belonging to the party’s ‘liberal’ wing. Before he became finance minister in March 2000, as National Assembly President from 1997 he repeatedly argued that tax cuts should be implemented for policy and political reasons, claiming that “the left doesn’t run much risk of getting beaten by the right, but it could be by taxes and charges” (Mabille and Fressoz 1999; quote from: Reuters 1999b, 2000c). With Jospin’s backing, in September 2000 Fabius announced a 120bn franc (€18.3bn) tax cut programme over three years, including reductions to all income tax bands, corporation tax, SME tax, vehicle tax, and the CSG rebate for lower earners (Best 2000; Reuters 2000b). Fabius made the political targeting of these cuts clear: “Some accuse us of having neglected the middle classes. However they will benefit [from this package]” (Assemblée Nationale 2000).

However this strategy put a constraint on social policy. Engaging in an arms race to show who would do most for the middle classes left less room to make expansive policy gestures to the unemployed and low-income workers. It also meant the government risked being out-gunned by the political right. This vulnerability was highlighted by the ‘tax jackpot’ (*cagnotte fiscale*) episode in 1999, when Jospin’s administration was forced to recognise the existence of higher-than-projected tax receipts worth some €3.7bn. Rather than claiming this as an opportunity for extra spending, ministers were criticised for opaque accounting and came under pressure by right-wing parties to introduce further tax cuts (Reuters, 1999b).

The Policy of Spending Restraint

The government’s commitment to fiscal restraint was a second limitation on social spending. This commitment translated into a focus on deficit reduction, spending controls and tax cuts where possible, while eschewing the pre-1983 policy of demand stimulation via wage and benefit increases (Girard 2001; Reuters 1997a; Le Temps 1999; La Tribune 1997b).

Several factors explain this choice. First was the acceptance of economic internationalisation and a desire to manage, rather than resist, the transition to a more globalised economy. This stance responded to a process of ideological moderation underway in the party since the 1980s (Willerton and Carrier 2005, 46). While consciously remaining to the left of Blairism in the UK, the PS described this strategy as a “new economic logic” by which globalisation would be

managed humanely, providing an equitable distribution of wealth “without growing the public deficit or re-launching inflation” (Parti Socialiste 1997; c.f. Lionel Jospin in Reuters 1997b).

Secondly, Jospin’s government was keen to portray itself as fiscally responsible. This linked to the electoral strategy discussed above and the external pressure of EU fiscal rules. As a signatory to the 1992 Maastricht Treaty, which prepared participating economies for monetary union, France was committed to limiting public debt and its budgetary deficit. The Stability and Growth Pact created to monitor these targets encouraged fiscal discipline as rule-breaking could lead to fines or reputational loss (Eichengreen and Wyplosz 1998). Jospin himself made reference to these rules, stating the need for European countries to maintain “a serious budgetary and monetary policy favouring growth and price stability” (Mabille 1999b). Press reports often noted the heed paid by officials to ensure their budgets met with European approval (see: Best 1999c; Debauche 1999; Girard 1999; Reuters 2000f). Internally, a finance ministry adviser recalled that “at the time we were trying to qualify France for Maastricht...we were under tight budgetary constraint” (FR-D). This matches with briefing notes from Jospin’s advisers which argued that spending increases should be avoided even when the fiscal margin existed in order to maintain the government’s image of fiscal credibility (Touzet 2019, 215).

Left Pressure for Social Policy Expansion

However Jospin’s government faced counter-pressure for social policy expansion from within his own political coalition. In particular the Greens, Communist Party, and Citizens Movement, as well as the PS left, were uncomfortable with strict limits on spending and the proposal of income tax cuts for higher earners (Mabille 2000e; Mabille and Fressoz 1999). Instead this diverse caucus sought to pull policy leftwards by demanding benefit increases, stronger minimum wage rises, and redistributive tax changes (Best 1998; Cécile Cornudet 1999; Fressoz 1999; Girard 2001; Prissette 2000). These demands were sometimes shared by government ministers, such as Martine Aubrey’s call to “open up margins of manoeuvre” for additional spending and her successor Elisabeth Guigou’s support for a generous minimum wage increase (Best 1999a; Mabille 2001c). Jospin’s ‘new alliance’ electoral strategy was also questioned by several senior PS figures as risking alienating traditional blue-collar voters and more precarious workers (Girard 2000; Jarry 2001; see also: Prissette 2001a).

In addition, public opinion put pressure on Jospin’s government to do something for low-income workers. After pivoting to appeal to the middle classes, the government began to see a

drop in support among core voters. In early 2000 the CSA Institute detected a 10% fall in support for Jospin as a future presidential candidate among those earning under 1.4x the SMIC. According to the pollster's director, this was because lower-income groups felt "orphaned" by discourse focused on the "tax jackpot" and "tax cuts" which "they probably don't feel concerned by" (Couvrat 2000b). PS deputies reported the same feeling in their constituencies that year (Fressoz 2000a). An underlying reason for growing discontent may also have been that despite growth, over half of citizens felt that their purchasing power was shrinking in 2000, including 62% of manual workers (Couvrat 2000a).

Balancing spending demands from the left with fiscal restraint and electoral appeals to the middle classes became a 'narrow path' which the government sought to tread (Elise and Romain 2001; Willerton and Carrier 2005, 45, 52). To make this possible Jospin often gave concessions to his left-wing bloc (Best 1999b; Fressoz 2000b). Small above-inflation spending increases were also routinely approved as part of a policy of 'controlled progression of spending' (Jospin 1998; Mabile 1999b). Such moves were facilitated by propitious economic conditions, which meant the government could afford to increase spending while staying within Maastricht boundaries (Girard 1999; Willerton and Carrier 2005, 59; FR-C).

The Solution: Tax Cuts for All

In response to the strategic dilemma detailed above, during 2000 ministers identified some form of fiscal measure—a tax cut or tax credit—for low-income workers as an attractive option. Along with responding to the long-standing theme of 'tax justice', this also increased the government's room for manoeuvre to pursue tax cuts for the middle classes (FR-B; FR-C; FR-D). At this same time, a fiscal measure for low income workers could act as an alternative to hiking the minimum wage, which the administration had ruled out due to cost of labour concerns (Prissette 2000; Seux 2001). Finally, a tax measure would not involve additional direct spending, aiding Maastrich compliance and the image of fiscal responsibility (see: Touzet 2019, 206–7). Like New Labour's tax credits, a tax cut thus followed a political logic of "taking less" rather than "giving more" to low-income groups (Ibid, 1).

As discussed previously, in early-to-mid 2000 Matignon and Bercy's preferred option was for a tax *credit*, rather than a *cut*, as these departments were also motivated by the objective of tackling work disincentives. Yet they faced an internal political obstacle as a significant bloc of the Plural Left coalition preferred the option of a CSG rebate. While not entirely new, the

idea of a CSG reduction was put onto the agenda at this time by François Hollande (as PS secretary) with the backing of Henri Emmanuelli (Cecile Cornudet 2000; Muet 2019; Reuters 2000a). On the surface the proposal met the government's main political objectives: it favoured low-income workers, was institutionally straightforward, promised political consensus, and avoided overt spending increases. However it was reportedly not supported by Jospin or Fabius because of "the massive cost of such a reduction for almost zero visibility for contributors" (Mabille 2000d). This concern with 'visibility' arguably related to both a political credit-claiming motive (see below) and the incentive-based policy logic.

Meanwhile the notion of a tax credit provoked strong opposition from the PS left, who associated it with Milton Friedman and neoliberalism (FR-A; FR-B; Muet 2019). The idea that "the state accepted that wages were not enough to live on" was also "ideologically difficult" for trade unions and some ministers, including Martine Aubry (FR-B). Internal opposition peaked in July 2000 when PS parliamentary deputies "almost unanimously" backed Emmanuelli's proposals for a tax reduction rather than "the negative [income] tax being studied in Bercy" (Mabille 2000c). Jospin ceded, and in August Fabius announced a CSG reduction, and not a tax credit, as the government's choice. Fabius himself later confirmed that the choice of the CSG was due to such lobbying, as did Pierre-Alain Muet (Mabille 2000a; Muet 2019). When the CSG was judicially blocked in December 2000, left opposition to a tax credit continued, this time in the form of widespread demands for a minimum wage rise instead (Best 2001; Fressoz 2001b; Mabille 2001c). This time Jospin and Fabius resisted, however this battle formed the backdrop against which the PPE was announced.

5.2.3.3 The PPE: Between Blame Avoidance and Credit-Claiming

Initial Blame Avoidance

Upon announcing its choice for the PPE in January 2001, the Jospin administration's discourse betrayed a defensive stance which sought to diffuse left-wing opposition to a tax credit. Firstly, internally the term 'tax credit' was replaced by the phrase 'CSG rebate' to avoid arousing further criticism (FR-A). Likewise, the branding of the policy as an 'employment bonus' was meant to give the notion of a tax credit "a 'Plural Left' touch" (Prissette 2001b). Such discursive distancing was even more necessary because the political right, including president Jacques Chirac himself, had been advocating for a tax credit in the period prior to the PPE's

announcement (Pecresse 2000; Reuters 2001a).²⁷ Secondly, Jospin's government sought to play down accusations that wage supplements were replacing minimum wage hikes, with Laurent Fabius declaring: "the SMIC's status is absolutely not being questioned...we don't intend to pay salaries instead of companies" (Prissette 2001b). Thirdly, in line with its wider political strategy, the PPE was used to defend against the accusation that the government was not (only) cutting taxes for high-income groups (FR-B; FR-C; FR-D). Fourthly, and very similar to New Labour in the UK, it was important to the government that the PPE was not cast as additional spending. To this end Fabius met with the director of the government's statistical institute (Insee) to ensure this would not be the case (Touzet 2019, 223–24).

As a result of all these factors, Jospin appeared reluctant to credit-claim for the PPE. As a journalist observed of the policy's announcement: "the prime minister...passed quickly over the "employment bonus" that the government is going to introduce... Jospin visibly did not want to dwell on bothersome subjects" (Fressoz 2001a). Likewise, one of Jospin's economic advisers claimed: "he [Jospin] accepted [the PPE] hesitantly (*du bout des lèvres*), because politically he felt that there wasn't great support for the proposition [within the government's support base]." (FR-B).

Initial political communication of the PPE was also marked by ambiguity, as the government struggled to explain the new instrument and its objectives without alluding to the notion of a tax credit. In his initial announcement, Jospin described it as "a tax rebate" which would "help to better remunerate work and redistribute the fruits of growth in favour of those who most need it" (Reuters 2001d). However Fabius invoked the incentive logic, stating the PPE would "favour the return to work of many unemployed people" (Reuters 2001b). The overall result, according to later observers (including one of Jospin's former advisers), was that the PPE "suffered from an insufficient effort of explanation and a lack of political ownership on the left...and without doubt was poorly explained because it was poorly assumed" (Bensaid et al. 2004, 9).

Shift to Credit Claiming

Once the PPE had been approved in parliament and was ready for implementation the government made greater efforts to actively credit-claim. Part of the motivation for this may

²⁷ When the PPE was announced, the Gaullist RPR party (later UMP) claimed credit for the policy, jubilantly hailing it as a "victory" for the right and a "capitulation" by Jospin (Perucca 2001a).

have been the Socialist Party's poor result in the March 2001 municipal elections (c.f. Grunberg 2001). Ahead of the first round of PPE pay-outs in mid-September 2001, Laurent Fabius and budget minister Florence Parly made a mediatised visit to Lille to publicly launch the policy. The finance ministry had also arranged for a 'bank cheque' to be sent to all recipients together with a signed letter from Fabius and Parly wishing a "welcome reception" of the new payment (Mabille 2001d). Coinciding with this effort, the PPE was increasingly discussed as an instrument to boost consumption and household buying power rather than to incentivise benefit recipients to work. As an academic adviser to several French governments on tax-benefit reform recalled: "the *Prime Pour L'Emploi* was presented foremost as a purchasing power support measure for the working poor...it wasn't presented as an incentive" (FR-M). Following this logic, the government even considered paying the PPE out a second time in March 2002 ahead of the presidential elections, before for technical reasons opting to double the next annual payment instead (Janin 2001). Interestingly, this move also responded to a demand from Plural Left coalition partners, suggesting that these had shifted their initially critical position to viewing the PPE as a new opportunity to push for welfare expansion (Reuters 2001c). As one journalist observed: "It didn't take long for the *Prime Pour L'Emploi* to lose its originality: initially designed as a fiscal instrument to encourage work ... it is on the way to becoming a much more classic instrument of mere consumption support" (Mabille 2001b).

5.2.3.4 Political Demand for a Tax Credit

Voter Demand

An investigation into public opinion around the time of the PPE's announcement finds that the Jospin administration's tax-benefit policies in 2000-2001 cannot be directly attributed to voter preferences. This is especially the case with respect to a tax credit.

Firstly, clear public support did exist in favour of tax cuts. A series of polls in 2000 showed that reducing taxes was a top priority for citizens, often ahead of more social issues such as tackling job precarity, promoting employment, or increasing minimum income benefits (Les Echos 2000b; Reuters 2000e, 2000d). *La Tribune* reported that according to the CSA Institute's annual time series, "never have tax cuts been so far ahead in [public] preferences" (Couvrat 2000a). Importantly, voters classed as 'moderate right', a potential proxy for the middle-class electoral target, were more likely as a group to support tax cuts than left-minded voters (Reuters

2000d). In light of such trends, Fabius appeared to be politically vindicated when internal polling showed 88% of people supported the CSG rebate and 83% were in favour of cutting income tax across all bands (Les Echos 2000a).

However public opinion was also in favour of greater redistribution and opposed tax cuts for the wealthy. Around this time 57% of the population supported an *increase* in capital gains tax while 63% were *opposed* to reducing income tax for the highest income bands (Maurin 2001). Similarly, when asked to choose which taxes to cut, a large majority of the population (62%) preferred reducing VAT – a regressive tax paid by all consumers – to income tax (37%), which was only paid by middle-to-high income workers (Reuters 2000e). Large majorities of French opinion were also worried about inequality and in favour of greater redistribution (Les Echos 2000b; Maurin 2001). Such sentiments had been increasing over time, with one polling series finding that support for the state to reduce income inequality “as far as possible” (*au maximum*) had grown from 50% in 1984 to 67% in 1998 (Maurin 2001). And while voters were lukewarm about general increases in public spending, surveys by the social statistical service (DREES) showed that 72% were in favour of increasing the RMI (Forsé and Parodi 2001, 4).

Furthermore, due to a lack of available data it is difficult to argue that public opinion created political demand for the Employment Bonus directly (see also: Touzet 2019, 254). However the available evidence suggests that the introduction of an in-work tax credit was not demanded or strongly supported by the public at the time. Interviewees who were involved in conceiving the PPE made no reference to a desire among voters as a factor in the adoption of the measure. Conversely, one of Jospin’s advisers indicated his general sense that recipients of such policies were not happy with the idea that their wages required topping-up (FR-A). Furthermore, an observer of debates at the time, economics journalist Paul Fabra, claimed that “in France, the [idea of a] negative income tax is frowned upon to the (small) extent that public opinion knows what it is” (Fabra 2000). PS deputies also complained of low public interest or understanding of the PPE in the months after it was announced (Couvrat 2001; Jarry 2001).

Actor Positions

Similarly, a review of actor positions towards the PPE suggests that Jospin’s government did not adopt the policy in response to organised political demand. Supportive actors were instead consenters to a course of action already decided by leading ministers. Furthermore, while the

PPE was backed by a fairly wide array of interests, it proved divisive among the political left and trade union movement (Table 5.2).

Table 5.2. Actor Positions Towards the Employment Bonus, January 2001

Actor Positions Towards the Employment Bonus c. January 2001			
	Supporting Actors	<i>Non-Committal</i>	Opposing Actors
Political Parties	Jospin Cabinet (protagonist) Socialist Party [PS] <u>Right Parties</u> : Rally for the Republic, [RPR], Union for French Democracy [UDF], Liberal Democracy [DL].		Dissident Socialist Party MPs <u>Plural Left Parties</u> : Communist Party [PC], Greens [LV], Citizens Movement [MNC].
Trade Unions	CFDT (French Democratic Confederation of Labour) CFTC (French Confederation of Christian Workers)	CFE-CGC (French Confederation of Management – General Confederation of Executives)	CGT (General Confederation of Labour) FO (Workers Force)
Employers	MEDEF (Movement of French Enterprises)		

As per Table 5.1, the PPE’s initial support coalition can be characterised as an ‘ambiguous agreement’ between normally divergent interests. On the political left, Jospin’s cabinet was ultimately backed by most PS parliamentary deputies (Reuters 2001e). From the trade union movement, the CFDT and CFTC confederations (often considered the more ‘reformist’ union groupings) gave their welcome (La Tribune 2001b). The positioning of these two unions reflected a partial acceptance of the ‘incentive trap’ problem-framing, as evinced by their submissions to the French state’s planning agency report (Belorgey et al. 2000, 226, 230). The other organised actors supportive of the policy were associated with the right pole of welfare politics: the main opposition conservative and liberal parties and the main employers’ federation, Medef. Right-leaning parties supported the PPE on the basis that it would encourage work and reduce net taxation rather than emphasising the consumption support logic (Mabille 2001a; Pecresse 2000). Meanwhile Medef welcomed the measure principally because it was preferred to either increasing the minimum wage or the CSG rebate (Reuters 2001h). Nonetheless, one of Jospin’s advisers recalled that employer groups did not actively push for the policy (FR-B).

In contrast, most opposition came from the socio-political left. These included PS left figures such as Henri Emmanuelli, who called the policy “public charity” for companies. All other parties in the government’s coalition criticised the PPE as ‘liberal’, with the Communist Party and the Greens making clear their alternative preferences for minimum wage and minimum income benefit increases (Perucca 2001a). They were joined in their opposition by the CGT and FO unions (often considered the more ‘radical’ union confederations) who attacked the policy as subsidising low wages and instead advocated a minimum wage increase and strengthening of collective bargaining (Les Echos 2001a; La Tribune 2001b). This position was underpinned by these unions’ rejection of work incentives as a cause of, or solution to, unemployment (Belorgey et al. 2000, 237, 241). Interestingly, the white-collar CFE-CGC federation shared a similar critique, although ultimately called the PPE the “least bad choice” available (Les Echos 2001a). As such a split seemed to exist on the left between those seeking to manage the opening towards greater labour market flexibility and those defending the norms and structures of the post-war social insurance model.

5.2.4 Opportunity Stream

5.2.4.1 Enabling Factors

In addition to the motives driving the PPE’s creation, a series of enabling factors helped the idea of a tax credit to win out over potential alternatives. As such, circumstances aligned to open a window of opportunity for the pro-IWB network to (partially) achieve its preferred reform.

Position of Protagonists

An important enabling factor was the relative power of the PPE’s protagonists within the government and civil service. This is particularly relevant given that the main opposition to the policy existed within the government’s own coalition. Jospin and Fabius were the two most powerful ministers in government and it appears that their conviction that the PPE was the way to go was enough to override the concerns of PS colleagues in cabinet and parliament. A former adviser to the CAE claimed that as a leader Jospin enjoyed “very strong authority, in the

positive sense of the word...from the moment he turned towards a policy, he was followed” (FR-E). Likewise Fabius, a former prime minister himself, was viewed as a political heavyweight and the ‘number two’ minister in ranking after Jospin (FR-D; Mabile 2000b). Added to this, the finance ministry was the most powerful government department, and as the PPE was a fiscal measure, it was possible to design and approve the policy without rival ministries exercising a veto (FR-E; FR-D). Finally, pro-IWB technocrats were influential within the civil service, and were able to use their direct links with high-ranking ministers and the CAE to marginalise the actors who had previously been the pre-eminent sources of social and employment policy expertise (Colomb 2012, 37, 50). Such factors were particularly important in the French context, as a former finance ministry adviser explained:

“In France, once the Bercy technocrats agree on something, especially at the time, it passes quite easily. We have a parliament that is much weaker than in the United Kingdom or Germany. The techno-structure of the state has much greater capacity to put reforms into place” (FR-D).

Partisan and Parliamentary Dynamics

Parliamentary dynamics also favoured the smooth passage of the PPE. Among pro-government benches critics came to reluctantly accept the policy, with all PS deputies and most representatives of the other Plural Left parties voting in favour. This was arguably because with income tax cuts for higher earners already approved in the budget for 2001, to not agree a measure for lower-income workers would be politically problematic. Left-wing opponents of the PPE were thus concerned about their position being “wrongly understood” if they abstained (Perucca 2001b). Some discontent was expressed however, with Green deputies abstaining in the first National Assembly debate stage and Communist Party senators later doing likewise (Assemblée Nationale 2001b, 1200; La Tribune 2001a). Conversely, opposition parties did not oppose the legislation, although they did abstain on the first National Assembly vote on the grounds that the PPE was ‘electoralist’ and due to disagreements on policy design (Perucca 2001b). Once the legislation reached the Senate, these same parties voted in favour. Likewise, no political party opposed the PPE’s passage in the final National Assembly debate (Assemblée Nationale 2001a, 2893). Overall, it appears that few parties wanted to be seen to be opposing additional support for low-income workers regardless of their alternative preferences or views on the PPE’s logic and design.

Context, Timing and Chance

The PPE's protagonists also benefitted from contextual factors. The growth of the means-tested tier of social protection in France and the international rise of a 'making work pay' policy narrative during the 1990s can be understood as important background conditions. There were also the demonstrative examples of 'modern left' governments in the USA and UK doing the same thing. Together these factors created what was potentially a unique historical moment. A civil servant closely involved in the PPE mused that: "I think that [it if were] today, I'm not sure we would create it again...the movement [in favour] would undoubtedly be less strong" (FR-D).

Finally, the crucial contingent factor opening up the window of opportunity for a tax credit was the Constitutional Court's decision to strike down the CSG rebate. In this sense, the PPE is commonly viewed as the government's 'second best' option and the product of historical accident – indeed several of those involved understood events that way (FR-C; FR-E; Touzet 2019, 206). Yet it may be more accurate to suggest that a tax credit had become the government's first preference however was only made politically possible after the CSG option was blocked. A senior adviser close to Jospin even claimed that this course of action was less of a surprise than is generally assumed, explaining: "in the [briefing] note I prepared for Jospin at the time, I said: "Emmanuelli's instrument [the CSG rebate] is fine, but it won't be constitutional"...and that's exactly what happened" (FR-A). This suggests that Jospin and his advisers were prepared for the scenario of putting the tax credit plan into action if need be.

5.2.4.2 Constraints

While the above factors interacted and operated in favour of the PPE, two constraints – one technical and the other political – put a brake on the implementation of a full negative income tax as favoured by several advisers. Administratively France lacked a system of taxation at source, while direct taxation itself was fragmented between the CSG and income tax. This meant that even if it had been politically possible, a fuller integration of taxes and benefits with regular, timely fiscal payments to those on low-incomes was impractical (FR-A). As a result (and similarly to New Labour's tax credits), rather than simplifying the tax-benefit system, the PPE added a new instrument and delivery agency to France's social protection infrastructure.

Politically, the left bloc of opposition had several constraining effects on plans for a tax credit. Given the lack of support in principle, the first of these was to probably rule out *a priori* a larger ‘big bang’ reform necessary to create something closer to a bona fide NIT. Secondly, it led to plans for a tax credit in summer 2000 being shelved in favour of the CSG rebate. This meant that rather than having time to carefully design and implement a new instrument, this was later done at lightning speed over Christmas 2000 in order to fit into the wider tax cut plan already approved (FR-B; FR-C). Thirdly, lobbying by internal opponents led to concessions on policy design to avoid ‘subsidising’ part-time work. As a result of this and the use of the PPE as a replacement for a broader tax cut, the scheme ended up with its logics of broad income support and encouragement of standard employment norms.

5.3 Part II: The Active Solidarity Income

5.3.1 Introduction

The Active Solidarity Income (RSA) was a major minimum income reform passed in 2008 by the centre-right administration of President Nicolas Sarkozy (UMP). The RSA was composed of a social assistance benefit (RSA *socle*) and a connected in-work benefit (RSA *activité*). The main innovation was the RSA *activité*, a new IWB paid from the first hour worked and withdrawn at a smooth rate as earnings rose. This was separate to the PPE tax credit.²⁸ Meanwhile the RSA *socle* combined the pre-existing social assistance benefit (RMI) with lone parent benefit (API), maintaining the generosity of each. The RSA *socle* was accompanied by enhanced employment support and stricter conditionality.

The RSA *activité* thus brought several changes to IWB provision. Due to its incentive structure and close link with the RSA *socle* it fostered atypical employment and an institutional logic of integration. As an income support tool it was closely targeted on poverty alleviation, with workers on very low earnings and atypical hours becoming eligible for permanent in-work support for the first time. Indeed as part of its creation an additional €1.5bn p.a. was made available to an estimated 1.7 million low-income workers (Assemblée Nationale 2008a, 28). Furthermore, compared with the PPE the RSA *activité* marked a return to using social security

²⁸ The RSA and PPE interacted, with recipients eligible for both receiving whichever payment was highest, and RSA payments deducted from PPE awards.

as the preferred vehicle of IWB provision. It also continued the expansion of means-tested income protection *vis a vis* social insurance (Palier 2010c, 97). In comparative perspective this period saw France and the UK adopt similar goals for IWB and minimum income reform: making work pay, activation and simplification (D. Clegg 2014).²⁹

The RSA offers a puzzle from several angles. Firstly, following on from the PPE, the instruments and logics of the reform deepened the departure from France's post-war social insurance model (c.f. Ch. 2.2). Secondly, from a partisan perspective, the RSA saw a right-wing UMP government embrace a Third-wayist anti-poverty policy whose main proponent was linked to centre-left circles. Furthermore, as will be seen, previous UMP governments had rejected the additional spending commitments to 'make work pay' that the RSA entailed. Indeed, in electoral terms the adoption of the RSA meant increasing financial support to groups which did not form a part of the UMP's main support base. Notably, Sarkozy's decision to finance IWB expansion by increasing taxation on capital cut against his administration's goals of fiscal restraint and tax reductions (c.f. Bezes and Le Lidec 2015). Thirdly, the logic of 'making work pay' had more impact on minimum income reform than in other areas of French social policy during the same period (Clegg 2014, 160), raising the question of which factors may account for developments in this area.

Several arguments have been put forward to explain the RSA. On an ideational level it has been suggested that a 'making work pay' paradigm, concerns about 'welfare dependency' and the influence of international examples – especially from the UK – shaped an elite preference for the policy (D. Clegg 2014; Duvoux 2008; Milner 2012, 291). Political factors cited in the literature include Sarkozy's desire to credit-claim for 'rewarding work' and a broad ambiguous agreement among the main political parties and organised interests (D. Clegg 2014, 160; Palier 2005, 2010c, 87–89; Touzet 2019, 246; Vlandas 2013). Additionally, opponents of the RSA purportedly lacked the strength or institutional position to mount resistance to the reform (Duvoux in Bagault 2011; D. Clegg 2014, 160; Vlandas 2013, 137). Lastly, an institutional argument sees the RSA as the product of the incremental evolution of new pro-activation policy logics first seeded in earlier reform waves (Palier 2010d, 366–67; c.f. PPE chapter section above).

²⁹ Clegg (2014) finds that while the RSA and UC embedded very similar instruments to incentivise work, the UK reform went further in terms of conditionality requirements and the extent of benefit integration.

This chapter section re-interrogates the processes leading to the RSA's introduction in order to reach a deeper understanding of which factors interacted to produce further IWB expansion in France. It finds that the RSA was the output of an ideas-led and multi-causal process in which the convictions and sustained advocacy of the policy's architects once again provided an original and independent impulse for change. The success of these policy entrepreneurs was in part due to their ability to shape elite debate as well as to carefully frame their proposals in relation to popular assumptions about poverty and welfare. Subsequently, the adoption of the RSA by Sarkozy was driven by ideological and strategic reasons. Timing and context were also important to the policy's adoption and approval. On the other hand, the roles of problem pressure, path-dependent effects and pre-existing political demand appear less useful to explaining the choice of the RSA and its specific design features. These arguments are developed in the policy, politics and opportunity stream sections below.

Timeline and Protagonists

The RSA was first proposed by the Commission on Families, Vulnerability and Poverty (2005), hereafter referred to as 'the Commission' or 'Hirsch Commission'. Requested by the Villepin government (UMP), the commission was set up to examine child poverty and brought together a wide range of policy actors and interests. It was led by Martin Hirsch, who was president of anti-poverty association Emmaüs, a graduate of the elite National Administration School (ENA), and an adviser to a PS health minister in the 1990s. The commission's final report laid out an anti-poverty strategy comprising fifteen recommendations, of which the idea for an 'Active Solidarity Income' garnered the greatest attention (Commission 2005; Damon 2005, 619). When the RSA was not adopted by Villepin, Hirsch continued to agitate, setting up the New Agency of Active Solidarity to run local RSA pilot experiments. These advocacy efforts paid off and in the run-up to the 2007 presidential election both main candidates, Ségolène Royal of the PS and Nicolas Sarkozy of the UMP, included the policy in their programmes.

After Sarkozy's election, Hirsch was invited to join his government as High Commissioner of Active Solidarity Against Poverty with an explicit mission to create the RSA (Élysée 2007). It would be Hirsch's small team – many of whom were civil servants and social security experts involved in the 2005 Commission or the New Active Solidarity Agency – who would design the reform and coordinate its implementation (Hirsch 2010, 92–93). In October 2007 a law was passed to allow some local authorities (*departments*) to pilot the RSA. A Green Book

consultation was published in February 2008 and a wider consultation on employment support (*Grenelle de l'Insertion*) was conducted in May 2008. Finally, in August 2008 Sarkozy announced plans to roll-out the RSA nationally (Sarkozy 2008). By December 2008 the RSA's legislation had been passed, and the new benefit came into effect in June 2009.

5.3.2 Policy Stream

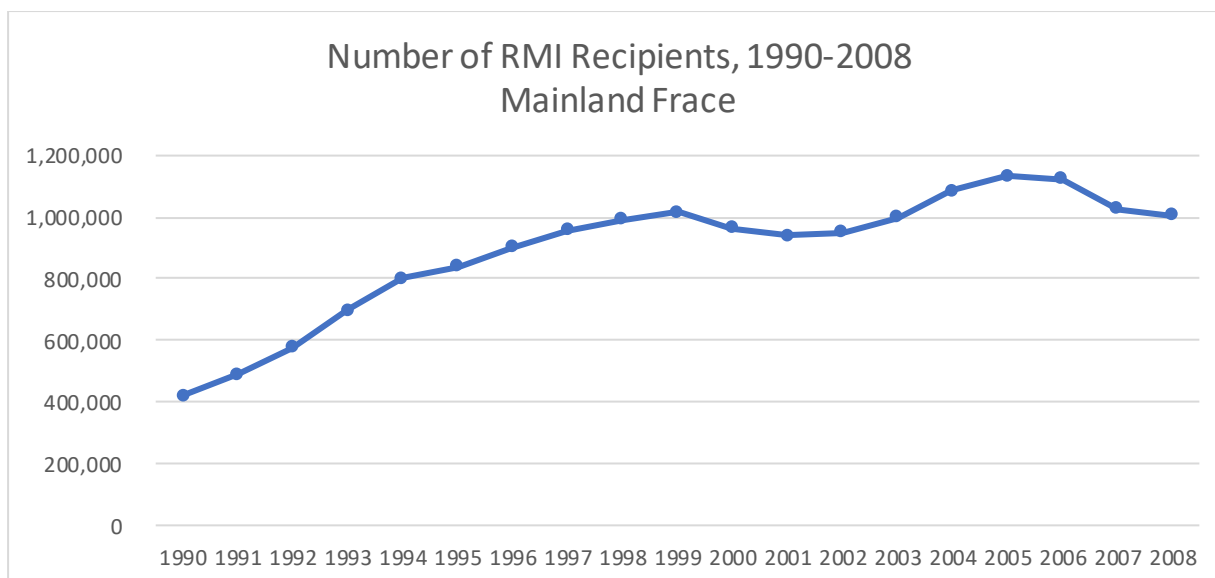
5.3.2.1 Problem-Framing: A Work-Focused Approach to Poverty Alleviation

The Starting Point: Work as the Solution to Poverty

In the mid-2000s both child- and in-work poverty became prominent issues in French social debate. In 2004 a landmark report by a government-linked think tank estimated that one million children lived in poverty (CERC 2004). This generated an immediate political reaction (c.f. Sénat 2004) in part because until this point “child poverty wasn’t thought of as a French problem” (FR-L). The polemic led social affairs minister Philippe Douste-Blazy (UMP) to invite Martin Hirsch to form a commission to develop solutions (Hirsch 2010, 83–86).

In-work poverty was also rediscovered around this time, with data from 2001 showing that one million people classed as living in poverty worked at least part of the year (Commission 2005, 26). This was a small decrease from 1996, and about the same number in poverty as those counted as economically inactive and long-term unemployed (Clerc 2005, 8). Meanwhile the number of workless households at risk of poverty was rising, as the expansion in RMI caseloads resumed following the end of the late-1990s growth spurt (Clerc 2005, 7; Concialdi 2005).

Figure 5.3. Number of RMI Recipients in Mainland France, 1990-2008



Source : Minima Sociaux, Données Nationales par Dispositif (Data.gouv.fr 2022).

Amid these different facets of poverty the Hirsch Commission focused on the ‘working poor’ as the primary problem. A cognitive leap seems to have taken place whereby it was felt that other forms of poverty could only be tackled through eliminating in-work poverty. As a leading member of the commission explained: “The starting point was child poverty: to say that *there are poor children because they are children of people who don’t earn enough money. What can be done so that there are less poor workers?*” [emphasis added] (FR-I). A civil servant involved likewise recalled: “[In] the spirit of the times, the situation of poor workers was new. It was also a source of indignation. The [workless] poor were already known about” (FR-J). The commission’s report itself reflected this, arguing: “we think that it’s essential that work allows [people] not to be poor...without needing [benefit] income” (Commission 2005, 23).

The message, similar to the political consensus in the UK at the time, was that increasing people’s labour market attachment and earnings should be the only sustainable route to reducing poverty. This arguably represented a shift from the ‘needs-based’ framing which underlay the introduction of the RMI in 1989 (Palier 2002, 300). Conversely, and implicitly, poverty could not (or should not) be tackled by increasing out-of-work benefits. Instead, according to the Hirsch Commission, the goals of reform should be: (i) to ensure that work paid more than benefits for every hour worked; (ii) that working – even at part time – guaranteed an escape from poverty; and (iii) that the benefits system was clear and understandable for recipients (Commission 2005, 24).

At least four ideational strands informed these goals and the conception of the RSA as a solution: making work pay, enabling activation, behavioural dependency, and discrete national and international policy ideas. The sections below unpack these perspectives and their influence on problem-framing and solution-formulation.

Making Work Pay and Benefit Complexity

The primary problem-framing lens which motivated the RSA focused on how means-tested benefits (especially the RMI) were held to discourage work. According to several of those involved in the Hirsch Commission, the existence of “poverty traps” created by social assistance was *the* core problem to be tackled (FR-J; FR-L; FR-M). Incentive traps were viewed as both an economic and moral problem, as they restricted potential labour supply and stopped low-income workers from being adequately rewarded for their efforts (FR-J; FR-L; Hirsch 2008a). In terms of detail, the commission presented microsimulations which showed very low or negative incentives when moving to quarter or half-time hours at minimum wage, and argued that “[the] social minima have become impassable maxima” (Commission 2005, 23–26). Like the PPE’s protagonists, the focus on part-time incentives is notable. This may also have related to the labour market context. As RMI rates rose and unemployment stalled (hovering around 8.5% from 2001 to 2006), part-time employment as a proportion of jobs was shrinking. From a peak of 14.8% in 1997 this fell to around 13% between 2003 and 2008 (OECD 2022d). As such, it seems that encouraging part-time work may have been viewed as a route to increasing employment and reducing social assistance caseloads.

The Commission’s focus on work incentives also involved a critique of existing IWBs shared by economists and like-minded social policy actors. On one hand, the PPE was criticised as poorly targeted on the lowest earnings and working hours (see previous chapter section) and because the system of annual payments did not provide a timely incentive signal (Cahuc, Cette, and Zylberberg 2008, 77–78; FR-G; FR-K; FR-M; Clerc 2005, 26). On the other, temporary earnings disregards in minimum income benefits were considered insufficient, especially when reducing in-work poverty had also become a policy goal (FR-J; Assemblée Nationale 2008c, 5).

In addition, the structure of the means-tested benefits system was problematised. The Hirsch Commission noted that due to the interaction of various benefits “social transfers create numerous discontinuities in the financial progression of income”, which was one reason why

it was necessary “to return coherence to our benefit system” (Commission 2005, 26, 28). This narrative linked to a growing expert consensus on the need for greater simplification, with a prominent CAE report on the topic similarly criticising “a [benefit] system that is difficult to understand and has very high marginal tax rates that therefore weakly incentivise [work]” (Cahuc, Cette, and Zylberberg 2008, 75).

Enabling Activation

Members of the Hirsch Commission were also motivated by an ‘enabling activation’ approach (c.f. Gilbert 2002, 45). The commission argued that: “the first demand of poor families is not benefit dependency: it is to gain a useful place in society with an income that enables decent living standards” (Commission 2005, 107). In this view, low-income individuals actively strove to improve their lives but were held back by labour market and social barriers (c.f. Clerc 2005, 10). In particular, existing benefits and services meant to promote ‘social inclusion’ were seen as overly bureaucratic and restrictive (Hirsch 2010, 103–4). Instead, the commission advocated for reforms to enable people to pursue their own personal ‘projects’ and help them build their confidence and skills (Ibid; also: FR-F).

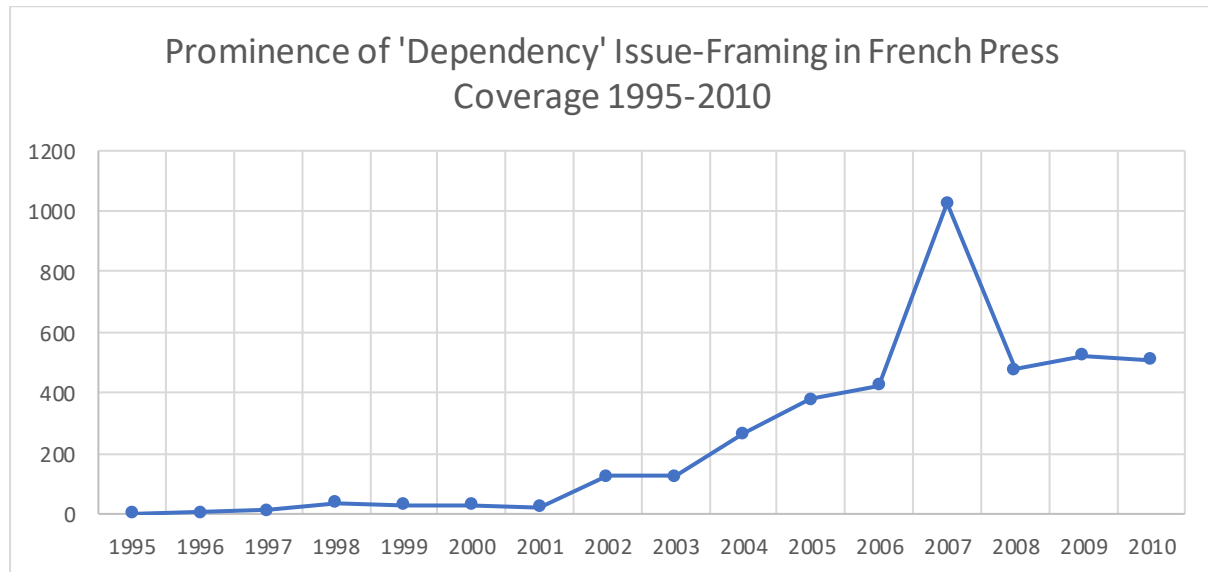
‘Dependency’ and Personal Responsibility

In apparent contrast with the enabling activation approach, a third lens of problem-framing focused on claimants’ purported lack of effort or motivation in seeking work and the need to encourage personal responsibility. This sentiment was not reflected by the Hirsch Commission, which explicitly avoided questioning the motivation of benefit recipients to seek work and did not discuss claimants’ ‘responsibilities’ (D. Clegg 2014, 151; Clerc 2005, 11; FR-K; Commission 2005, 24, 107). However such discourse formed part of the political backdrop to the commission’s work and later acted as an influence on the RSA *socle*’s conditionality rules.

From the mid-1990s an increasingly common theme of welfare discourse on the political right was that means-tested benefits were creating a culture of ‘dependency’ (*assistanat*) and a ‘lack of responsibility’ (Damon 2009, 3; see also: Duvoux 2012, 49). In the early 2000s ‘welfare dependency’ also became more prominent in media and wider political discourse (see figure below and Duvoux in: Bagault 2011). Such views motivated efforts by UMP administrations

to ‘activate passive spending’ such as the introduction of subsidised ‘minimum activity income’ (RMA) work placements in 2004 (Damon 2016).

Figure 5.4. Frequency of the Term ‘Dependency’ in French Newspapers and Press Agencies



Data source: Factiva search. See annex 9.2, Chapter 5 for details.

Note: The chart shows the number of articles each year which mention the word ‘*assistanat*’ (‘dependency’) in c. 100 French press agencies, and national and regional newspapers. The first mention of the word in the context of social policy appeared in 1994 (search period 1980-2020). The 2007 peak coincided with a presidential election

There is substantial evidence that the RSA’s protagonists were influenced by this media and political environment. One recalled a climate of “mounting criticisms” of the RMI including a popular view that social assistance was simply “giving money to people who do nothing” (FR-L). The Hirsch Commission itself noted that while a comparatively high proportion of people in France still explained poverty with reference to non-individual causes, “this rather positive conception of poverty is crumbling” (Commission 2005, 106). As such, in addition to the technical argument for ‘making work pay’, Hirsch’s team were motivated by the perceived need to find ways to “de-stigmatise” the RMI and its recipients (FR-I; FR-J).

Domestic and International Policy Ideas

The above problem-framing processes were also fed by various policy ideas which had become influential in elite policy debates. Within France, proposals for a permanent IWB had been around since the 1990s (see PPE section). Martin Hirsch himself had written a proposal for an initial version of the RSA while an adviser at the social affairs ministry in 1997 (Hirsch 2010,

81–82). Other proposals for a permanent IWB swirling around specialist debate included Roger Godino’s Income Compensation Allowance (ACR) and a ‘guaranteed income’ designed by economist Denis Clerc, another Hirsh Commission member (Clerc 2005, 25–28). The commission’s report showed awareness of these proposals, although argued that the RSA was novel in both its scope and poverty-reduction focus (Commission 2005, 9).

Internationally, as with the PPE, the RSA’s architects regarded policies from English-speaking countries as examples to emulate (FR-G; FR-I; Commission 2005, 29). Yet while the primary inspiration for the PPE was the EITC in the USA, Hirsch’s circle was most greatly taken by New Labour’s policies in the UK. A civil servant involved in the Hirsch Commission made this clear, writing: “philosophically and technically the [Commission’s] proposals are largely, and often explicitly, inspired by measures developed by the government of Tony Blair” (Damon 2005, 3). Regarding the RSA, according to another civil servant involved in the reform throughout, the UK’s WFTC was viewed as “a model for us” (FR-J). Nicolas Sarkozy was also very interested in New Labour’s welfare and activation policies, such as Job Centre reform and benefit sanctions (Les Echos 1998; Le Figaro 2004; Sarkozy 2008). The influence of New Labour could later be seen in a number of reforms made during Sarkozy’s government, such as the setting of an official poverty-reduction target, the creation of a new ‘back to work’ benefit, the attempt to create personalised job-search ‘contracts’, and the formation of the Pole Emploi employment agency.

Several reasons explain the receptivity to New Labour among Hirsch’s circle. Firstly, most read English and engaged in policy literature from English-speaking countries and international organisations. Secondly, New Labour’s policies impressed as they appeared technically “hyper-sophisticated” (FR-J). In this vein, it is worth noting that the UK’s buoyant labour market performance in the 2000s contributed to strong interest in New Labour’s policies across the French political spectrum (Les Echos 2007b). Thirdly, the figures involved in the RSA – for the most part young ‘up and coming’ policy professionals – found the ‘Third Way’ ideologically “very seductive” and representative of a “modern left” wave they wanted to follow (FR-L; FR-J).

Despite this enthusiasm to import ‘best practice’ from the UK, the RSA’s actual design differed significantly from New Labour’s tax credits. In this sense, Hirsch’s team sought to emulate the logic and discourse of New Labour, while their own proposals responded more closely to the domestic debates and considerations reviewed above.

5.3.2.2 The RSA as a Solution: Rationale and Design

Policy Goals and Design Issues

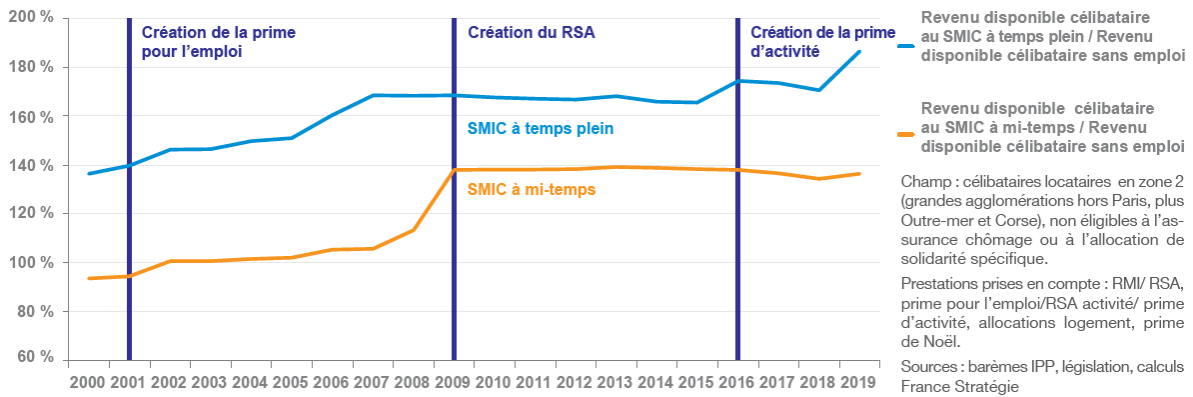
Reflecting the aforementioned problem-framing processes, the RSA was presented by its protagonists as a “new social equation” which would achieve several main goals: poverty reduction, work incentivisation, benefit simplification, and improved employability support (Assemblée Nationale 2008b; Commission 2005, 24; Damon 2005, 5–6). These goals were articulated within an overall activation rationale. Improved incentives and simplified benefits would lead to more people entering work and would increase in-work incomes. This in turn would reduce poverty. Enhanced employment support would facilitate this process, especially for those ‘furthest from the labour market’ (Commission 2005, 30). These goals can be appreciated in the different aspects of the RSA’s design and active support measures.

Making Work Pay and Poverty Reduction

The main goals— incentivising work and reducing in-work poverty – were pursued by the new permanent in-work benefit, the RSA *activité*. In-work support was phased in from the first hour worked, with a maximal amount at around 0.4 SMIC and a generous withdrawal rate of 38% (Allègre and Ducoudré 2018, 3; Damon 2016, 3). The jobless received only RSA *socle*, while claimants who worked very few hours received a combination of RSA *socle* and *activité*. Beyond set income and earnings thresholds, typically equating to half-time hours, working claimants received only the RSA *activité* (DREES 2009, 35, 39). Unlike the PPE, incentive targeting was thus squarely focused on reducing the ‘poverty trap’ on part-time working (FR-J). As a result, the RSA *activité* created a substantial gap between the incomes of part-time workers compared with out-of-work minimum income recipients for the first time (Fig. 5.6). At the same time, payments were tightly means-tested on household income, making the policy far more redistributive than the PPE (Allègre and Ducoudré 2018, 2). The RSA’s budget provided an additional €1.5bn for low-income workers, which was hoped to bring 700,000 people out of poverty immediately (Assemblée Nationale 2008b). No additional money was provided for out-of-work recipients, with the RSA *socle* set at the same rate as the RMI.

Figure 5.5. The impact of French IWB policies on the income gap when earning at the minimum wage (full- and part-time) versus social assistance receipt.

Graphique 5 – Comparaison du revenu disponible d'un célibataire rémunéré au SMIC à mi-temps et à temps plein avec celui d'un célibataire sans emploi, 2000-2019



Source: reproduced from: (Cusset, Maigne, and Vermersch 2019, 4). **Note:** the horizontal lines represent the income of a single minimum wage earner at part-time (orange) and full-time (blue) compared with income available from out-of-work minimum income support (100% on Y axis). The jump in the orange line in 2009 illustrates how the RSA *activité* substantially boosted the income gained from part-time working.

Linked to the ‘enabling activation’ lens, another New Labour policy was also imported into Sarkozy’s government: a ‘return to work’ benefit (*Aide personnalisée de retour à l’emploi*, APRE) with a €150m budget to help with costs associated with starting a new job (Les Echos 2007c; Hirsch 2010, 102, 105; Sarkozy 2008).

Administration and Integration

A key design decision taken by the RSA’s architects was that the new IWB would be managed by the main social benefit agency (*Caisse Nationale des Allocations Familiales*, CNAF) rather than the tax system. Hirsch’s team were aware of the potential drawbacks of this, such as the need for benefit claimants to apply rather than automatically receive support, and the ‘symbol’ that use of the tax system had provided (FR-J). However, for numerous reasons the fiscal option was quickly discarded. As the RSA was primarily an institutional evolution of the RMI, continuing to use the same administrative system was the most straightforward option (FR-I; FR-K, FR-L). The social benefit system offered numerous additional advantages: (i) the CNAF already had the institutional knowledge, staff expertise and administrative processes to be able to assess payments and provide support to the benefit’s target groups (FR-J; Hirsch 2008b, 42); (ii) the CNAF’s network of offices was already present in localities throughout France (Hirsch 2008b, 42); and (iii) assessments and payments could be made quarterly (and not annually like the PPE), and thus be more responsive in terms of both poverty alleviation and work incentivisation (FR-H; Touzet 2019, 247). An additional factor was the professional

backgrounds of the RSA's protagonists, as several held civil service roles within, or experience of working with, the CNAF (FR-L; FR-J). This underlines a shift in ownership of minimum income policy from professional economists during the PPE era back to social security experts (see: Touzet 2019, 250), although both groups now shared the same incentive-based outlook.

The RSA's architects also wanted to fuse minimum income benefits together in order to simplify the existing system, break down administrative differences between recipient categories, and reduce disincentive effects created by multiple overlapping benefits. It was hoped that this would lead a simpler system which delivered similar employment support (and conditionality) to groups which had hitherto been treated under different regimes (Commission 2005, 9; Hirsch 2008b, 45). In the original conception of the RSA, this integration would fuse the RMI with lone parent benefit (API), unemployment assistance (ASS), the Employment Bonus (PPE), and potentially housing benefit (Commission 2005, 30). Subsequently this vision was substantially watered down (see opportunity section). In the end the final version of the RSA only fused the RMI and API, along with temporary earnings disregards in social assistance and a pre-existing 'return to work bonus' (Assemblée Nationale 2008c, 5).

'De-Stigmatisation' of Social Assistance

A further, implicit goal of the RSA was to 'de-stigmatise' social assistance in view of political criticism that the RMI created 'benefit dependency'. This was to be done by creating a benefit that was received by both the unemployed *and* low-income workers, giving the RSA a status similar to more broadly accepted programmes like housing or family benefits (FR-I). Further proposals in this vein – many echoing New Labour's thinking although they did not translate into final policy design – included making benefit payments via payslips, getting employers to pay the RSA, or making the new benefit taxable to "symbolically mark the shift from a stigmatising assistance logic to a new logic oriented towards work and activity" (Commission, 2005, p. 36). Notable here is that unlike New Labour, the RSA's protagonists arrived at the conclusion that only the *integration* of IWBs with social assistance could shield means-tested welfare from political de-legitimisation.

Activation and Conditionality

The RSA was introduced as part of a legislative package which also reformed local employability support (*politiques d'insertion*) and strengthened conditionality requirements for RSA *socle* recipients. In doing so, reformers wished to address a cluttered institutional landscape (especially the division between the CNAF, which paid the RMI, and the public employment service, where few RMI recipients were registered), the limited employability support available to RMI recipients, and weak conditionality (D. Clegg 2014, 155; Haut Commissaire 2008, 24). Also relevant to this picture was the responsibility of mid-level local authorities (*departements*) and a multiplicity of local actors in the delivery of employability and social support to RMI recipients (Sautory and Avenel 2007).

As a solution, the RSA's legislation created a single activation process for previously different categories of benefit recipients. Borrowing from Anglosphere policy discourse, measures were framed by the language of 'rights and responsibilities' – language which had been absent from the Hirsh Commission report (D. Clegg 2014, 151). Concretely, RSA recipients were meant to be given individualised support through a single caseworker (*référént unique*), with their support and obligations set out in a personalised contract. Refusal to comply could result in the partial or total suspension of benefit (Assemblée Nationale 2008c, 14). Interestingly, these requirements were also meant to be applied to recipients of the RSA who worked few hours and earned less than a certain threshold: in 2009, €500 per month, a little under half-time at minimum wage (Assemblée Nationale 2008c, Art. L. 262-27; DREES 2009, 39). RSA *activité* recipients who worked above this limit could get optional employability support but were not subject to conditionality (Assemblée Nationale 2008c, art. 2). Thus similar divisions between the 'underemployed' and 'fully-employed' were established by both the RSA and UC.

However, as noted by Clegg (2014, p155-156), the practical experience of these activation reforms fell somewhat short of the policy vision, with only a marginal increase in the proportion of RMI/RSA recipients registered with the new public employment agency. Several expert interviewees also felt that the application of conditionality had remained patchy, while the disjuncture between agencies responsible for paying benefits and providing employment support continued (FR-F; FR-J; FR-M; FR-U; FR- δ). Likewise, the *departements* retained their local role in policy delivery, and so a UK-style integration of employability support, conditionality and benefit payment was not achieved.

5.3.2.3 Cognitive Filtering Processes

In addition to the preceding discussion, the role of cognitive filtering in shaping the RSA is underlined by the treatment of reform alternatives and policy evidence.

Rejection of Alternatives

As was the case with the PPE, the technocratic consensus favouring IWB expansion was mirrored by a rejection of minimum wage or out-of-work benefit increases as the main potential alternatives. The RSA's advocates deployed orthodox arguments that increasing the SMIC would harm employment, tighten labour market 'rigidities' and reduce competitiveness (FR-G; Cahuc, Cette, and Zylberberg 2008, 12; Hirsch 2008a). It was also felt that the SMIC was an ineffective instrument to tackle in-work poverty (Clerc 2005, 15–16). Conversely, in common with the PPE, the RSA's protagonists viewed the minimum wage and IWBs as complementary. On one hand the RSA would "increase the incomes of low-productivity individuals without increasing the cost of labour" (FR-I). On the other, the SMIC would prevent IWBs from creating downward pressure on wages (FR-I; Sarkozy 2008). Furthermore, in the employment ministry earnings supplements were considered a component of a strategy to gradually stretch out the salary scale and reduce numbers on the minimum wage (FR-G). Meanwhile, the preference to not increase out-of-work support was a consequence of the goal of 'making work pay' (FR-I). A civil servant closely involved in the RSA also alluded to an awareness that any reform which proposed an increase in the value (and cost) of social assistance would be politically unacceptable, especially for the political right (FR-J). This became even more important when Sarkozy became the policy's political sponsor. Interestingly there was little public explanation of this prioritisation by the RSA's architects. Neither the Hirsh Commission report nor the RSA's Green Book provided an explicit justification for this decision (c.f. Commission 2005, 30; Hirsch 2008b, 12). In another article Hirsch provided a brief and vague explanation that: "as long as the social minima are conceived as means-tested benefits, any significant increase risks being difficult and not having the expected favourable effects" (Hirsch 2008a). Such statements appear to indicate discomfort in openly arguing that in order to tackle poverty, out-of-work support should not be increased.

The Treatment of Evidence

The RSA's protagonists claimed their proposal was evidence-based and had drawn on input from a broad range of actors (Hirsch 2008a). This evidence mainly rested on micro-simulations of incentive traps, international examples, and estimations of poverty reduction. Meanwhile 'real-world' evidence for the RSA as an activation instrument was provided by the localised 'experimentation' process from December 2007. By the time the RSA's legislation was put to parliament, the first five months of data from these experiments were claimed to show that areas where the RSA had been put in place experienced a 30% higher return-to-work rate among RMI claimants (Assemblée Nationale 2008c, 3–4).

In hindsight the RSA's evidence base appears to have been more limited than was acknowledged. The policy's main documents did not present evidence on the extent to which incentive traps actually affected employment decisions or were a cause of benefit reciprocity, or whether previous incentive-based reforms had made a difference to these phenomena. Instead the incentive argument was guided by a mixture of conviction and theory, as one of those involved explained: "at the time it was believable, [but] I don't know if it's much documented scientifically" (FR-J). A senior member of the RSA's evaluation committee expressed similar doubt, stating: "really, we knew to some extent that the impact on employment would not be very high" (FR-F). Nonetheless, as noted previously, other convictions underpinned the case for the RSA, including the moral argument that working should pay more than benefit receipt (FR-J; Hirsch 2008a).

Significant uncertainty also existed around the results of the piloting process. In contrast to claims that local experimentation had showed that the RSA 'worked', the interim report produced by the RSA's evaluation committee (which contained the "30%" figure) expressed caution regarding the veracity of its finding due to various methodological pitfalls (Comité d'Evaluation 2008, 7). As a senior member of the committee explained: "we were really saying that for the moment we don't think it [the result] is significant, and we have to wait...but political issues [intervened]" (FR-F). Other members of the committee interviewed expressed similar sentiments (FR-H; FR-M).

In addition, counter-veiling evidence and arguments were largely ignored. Arguments from a more 'rights-based' paradigmatic perspective cited evidence to suggest that both incentive signals and behavioural 'dependency' effects were absent or relatively unimportant for RMI claimants' decisions to seek work or ability to find a job (FR-U; Duvoux 2008; Meda 2008). Research by Hirsch's own ministerial department appeared to support this view, with a survey

of RMI recipients finding that a large majority desired to seek work but faced a range of barriers to doing so, of which financial disincentives was only cited by 8% (Gadrey 2007). Meanwhile, the RSA's critics instead cited low benefit generosity and job precarity as causes of poverty, and pointed to UI retrenchment – rather than incentive traps – as a reason for RMI caseload growth (Concialdi 2005; Duvoux 2008; Meda 2008).

5.3.3 Politics Stream

The RSA achieved its political breakthrough during the 2007 presidential election campaign. Both main candidates – Nicolas Sarkozy (UMP) and Ségolène Royal (PS) – included the policy in their manifestos (Les Echos 2007a). Given that Sarkozy became president and implemented the RSA, it is essential to understand why he decided to adopt it. The sections below explore Sarkozy's ideological and strategic motives, as well as the roles of public opinion and socio-political demand as factors motivating his preference.

5.3.3.1 Sarkozy's Motives for Adopting the RSA

As alluded to, Nicolas Sarkozy appears to have been convinced of the merits of the RSA for both ideational and strategic reasons. Ideologically Sarkozy shared the conservative moral view which emphasised people's responsibility to seek work rather than rely on the state, and for people who did the 'right thing' by working to be adequately rewarded. In common with many on the right, Sarkozy had long feared that the RMI encouraged 'dependency' and argued that benefit payments should be withdrawn upon refusal of job offers (Les Echos 1998; Gratien 1999b). In addition, he considered the 'dependency trap' as "one of the causes of the devaluing of work and the demoralisation of those who get up early and work hard" (Sarkozy 2006b). As UMP party president, Sarkozy had also exhorted that "the return to work must bring a true pay surplus" and argued for a reform of the PPE on this basis (Cecile Cornudet 2005). For the same reasons he viewed in-work poverty as unacceptable, stating as a prospective presidential candidate: "I don't accept France as a country where one is impoverished when working" (Sarkozy 2006b). The RSA's twin goals of 'making work pay' and tackling in-work poverty fit perfectly with these views, as Sarkozy indicated in a private meeting with Hirsch before he publicly endorsed the policy (Hirsch 2010, 26).

A multi-faceted strategic rationale also motivated the RSA's adoption. As a presidential candidate Sarkozy sought to unite what he felt was a social majority for right-wing values (Mandonnet 2016). He appealed to at least three, partially overlapping groups: traditional voters through vocal support for conservative values; the far-right by adopting a hard line on immigration and identity; and 'swing' groups of moderate and economically-vulnerable voters by a combination of targeted tax cuts and social policy expansions (see: Chombeau and Ridet 2007; Halimi 2007; Mandonnet 2016; Sarkozy 2007b). This proved successful, with Sarkozy winning a sizeable victory whose voting coalition included a significant portion of the far-right National Front's electoral base and increases in support amongst almost every occupational category compared with his UMP predecessor, Jacques Chirac (Strudel 2007).

The RSA fit well with this strategy. An overarching theme of Sarkozy's presidential campaign was to "rehabilitate work" and "effort" as moral values (Sarkozy 2007b, 7), something which appealed to traditionalists and welfare-sceptic voters. In response to the purported scourge of 'dependency' the RSA was offered as a principal means to ensure that work would be properly rewarded over benefits (L'Indépendant 2007; Sarkozy 2007b, 7, 2008). More indirectly, such discourse was tinged with authoritarian and identarian undertones which appealed to far-right voters. The connection between 'dependency' and immigration was made explicit in a 2006 speech, which reportedly won Sarkozy his "longest ever [public] ovation" (Halimi 2007). During this, the candidate-to-be declared that "those who have deliberately chosen to live from others' work" and "don't love France" were "not obliged to remain in the national territory" (Sarkozy 2006a). Such discourse – combining themes of law and order, immigration and work – was essential to drawing so-called "integrated authoritarians" into Sarkozy's electoral coalition (Strudel 2007, 467).

IWB expansion was also used to curry support among potential beneficiaries themselves. As a prospective candidate Sarkozy had declared his desire "to give more help to those who really want to do something for themselves, and less to those who don't" (Sarkozy 2006b). According to several interviewees, adopting the RSA thus provided the UMP leader with a means to do something for the working poor, filling a "hole" in his campaign promise to help people "work more to earn more" and show he was "president of all the French people" (FR-I; FR-J). Sarkozy continued this theme when announcing the national roll-out of the RSA, declaring: "to all those who work [and fear poverty]...I've made commitments and I will fulfil them" (Sarkozy 2008). This dynamic appears similar to that of the PPE, with wage supplements used to weave together

a cross-class coalition in a context where other planned measures like tax cuts would only benefit higher earners.

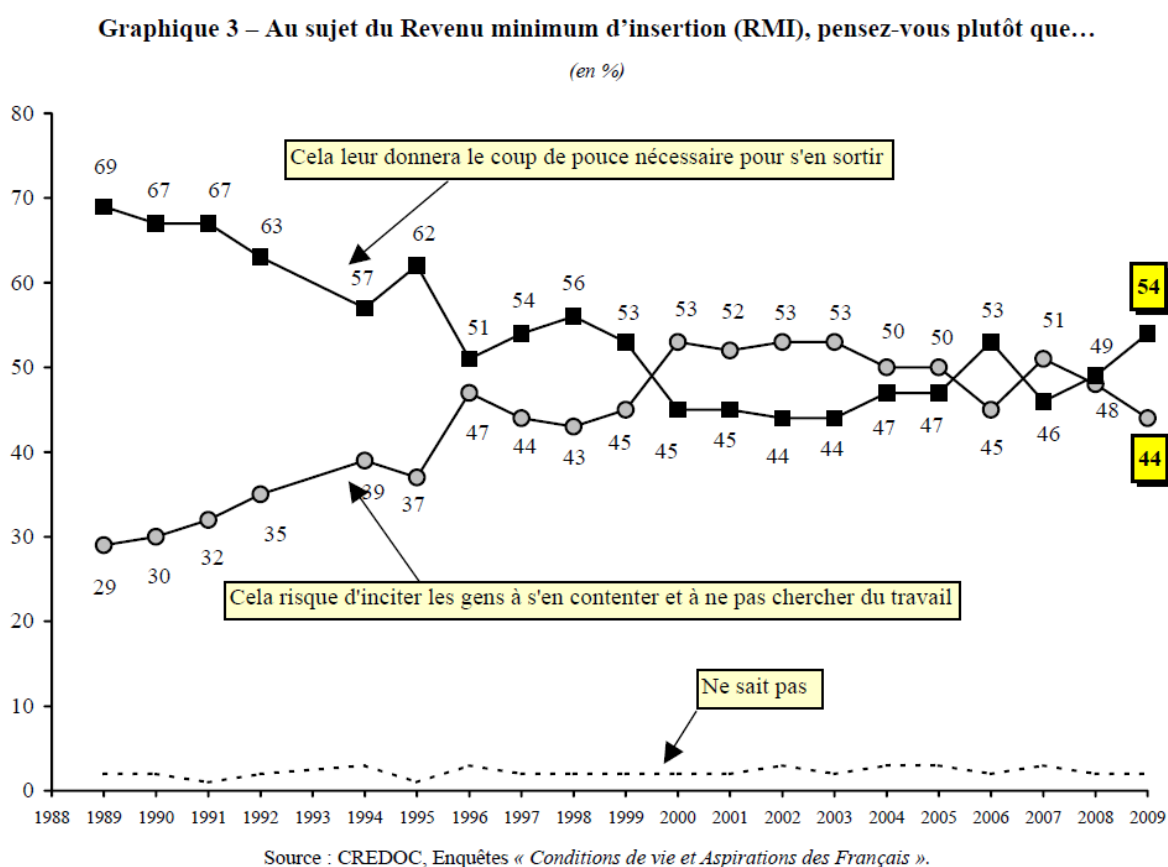
Finally, adoption of the RSA formed part of a triangulation strategy which simultaneously sought to credit-claim for selective policy expansion and to neutralise the attack line that Sarkozy was radical and divisive (d'Allonnes 2007; Sarkozy 2007b, 9). This involved seizing ownership of the 'poverty' issue from the left, with the candidate-to-be planning to cause "surprise" by adopting the RSA and a child poverty pledge (Hirsch 2010, 26). In this vein, according to one of those involved in the RSA's conception, Sarkozy was very keen "to be able to say that he, the president, had lifted two million people out of poverty" (FR-K). The UMP president likewise boasted that: "it is...the first time in France that a government has set such a poverty reduction target...I want to be judged by the results" (Sarkozy 2008). Likewise, the appointment of Martin Hirsch and other figures not associated with the right to Sarkozy's cabinet (*l'ouverture* strategy) served to wrong-foot the PS as well as keep the more radical fringe of the UMP in check (d'Allonnes 2007).

5.3.3.2 Public Opinion

While the above review suggests that the promise of IWB expansion was used as a versatile political instrument appealing to a range of audiences, it is less clear whether the RSA responded to concrete voter demand.

On one hand, it has been suggested that the RSA was a response to a prior hardening in public attitudes towards minimum income benefits and a widespread view that public policies to tackle poverty and unemployment were ineffective (Vlandas 2013, 128). Indeed, time series data shows that from the late 1980s to the mid-2000s the view that the RMI risked "encouraging people...not to search for work" increased from under a third to around half of the public (Fig. 5.7 and Croutte and Hatchuel 2009, 19). Furthermore, when people were asked which benefits were a priority for increased spending, the same survey found that net support for increasing the RMI had reduced from +13 in 1999 to -15 in 2009 (Ibid, p34). As a connected issue, a large majority of the French public supported conditionality requirements being attached to the RMI, rising from 76% to 86% from 2000 to 2007 (DREES 2008, 7). Nonetheless, given the prominence of dependency discourse in political and media debate over the same period, it is unclear whether changing attitudes were a cause or a product of subsequent policy change.

Figure 5.6: Public Opinion Towards the Role of Social Assistance, 1989-2009



Source: reproduced from CREDOC: (Croutte and Hatchuel 2009, 19). **Question translation:** “regarding the Minimum Insertion Income (RMI), do you think that: (i) it gives the necessary support to get by [black squares]; (ii) it risks encouraging people to be satisfied and not look for work [grey circles]; (iii) don’t know [dotted line]”.

However other trends cast doubt upon the argument that public opinion was becoming inexorably welfare-sceptic or directly demanded an RSA-style reform. Firstly, the perception that poverty was caused by structural factors remained more prevalent during the 2000s than the view that poverty was caused by a lack of willingness to work, although the latter slowly gained ground (BVA 2007, 35). Secondly, there was equal or greater public support for policy alternatives which policy elites had dismissed. Huge public support remained for the ongoing existence of the RMI, and a large majority favoured increasing the generosity of social assistance, albeit falling from 72% in 2000 to 65% in 2007 (DREES 2008, 5, 2022b Q. PE9_AB). Concurrently, there was overwhelming support for significantly increasing the minimum wage, with 82% backing the Socialist Party’s proposal for sustained increases from 2007 to 2012 (Associated Press 2006). Thirdly, IWB expansion itself did not appear to respond

to voter demand. In a survey where people were asked to rank five options to ‘encourage minimum income beneficiaries to find work’, the second-least popular was the notion of a permanent wage supplement (BVA 2007, 25). Meanwhile after the RSA had been publicly floated as a legislative proposal, another poll found that only 27% of people viewed it as a ‘priority’, compared with those who felt the policy was ‘important but not a priority’ (54%) or ‘unimportant’ (16%) (AFP 2008c).

In light of the mixed signals available in opinion polling, it would perhaps be more accurate to say that *perceptions* of public attitudes were a motivating factor for the RSA’s protagonists. In this sense, it was likely hoped by both technocrats and politicians that a policy promising to promote work and cut poverty would be popular. In this regard, the RSA appears to have been marketed successfully. After plans to implement the policy were announced, polls suggested that around 70% of the public had a favourable view (Eveno 2008; Presse 2007), with half considering it an effective instrument to reduce unemployment as well as tackle poverty (AFP 2008d). However in light of the polls cited above, this reception could perhaps be characterised as benign acceptance rather than enthusiastic endorsement.

As such, while public opinion may have helped to increase the political feasibility of the RSA, it would be too strong to argue that voters’ attitudes provided prior demand for IWB expansion or obligated Sarkozy to consider a reform he was otherwise resistant to. Indeed public support existed for other measures which were discarded because these did not fit with decisionmakers’ own view of what needed to be done. This suggests that while policy elites were sensitive to public opinion, their own ideas acted as the primordial driving force in this area.

5.3.3.3 Actor Positions and Socio-Political Demand

An Ambiguous, Fragile Consensus

While the RSA was a multi-faceted reform, as far as possible the review of actor positions below focuses on attitudes towards the RSA *activité* and issue of IWB expansion specifically. As with public opinion, it is also relevant to distinguish between potential actor *support* for the RSA and pre-existing *demand* for this reform direction.

Regarding the first point, over the key period of the RSA’s public debate and legislative approval a diverse support coalition emerged (Table 5.3). This informal grouping comprised

most of the partisan right and centre-left, the largest employers' federation, the two large 'reformist' union confederations, and most national anti-poverty organisations. On the other side, opposing actors included the Communist Party and small numbers of left-wing PS and right-wing UMP deputies [Table 5.4]. Outside parliament, organised opposition came from the more 'radical' union confederations and several organisations representing the unemployed. A few interests – including the small business federation – appeared to be non-committal overall.

Table 5.3: Actor Positions and Coalitions Towards the RSA, 2007-2009

Actor Positions Towards the RSA, mid-2007 – mid-2009*					
	Support		Non-Committal	Opposition	
Actor Type	<i>Full</i>	<i>Qualified</i>		<i>Qualified</i>	<i>Strong</i>
Political Parties	Some UMP NC	Most UMP PS EELV (Greens)		UMP minority PS minority	PC
Employers		MEDEF	CGPME		
Unions		CFDT CFTC		CGT CFE–CGC MNCP	CGT unemployed FO
Third Sector		ATDQM FNAS (FNARS) UNAF Secours Catholique Emmaüs	Secours Populaire		
*in addition to primary research, actor positions are informed by classifications in: Vlandas 2013, p136, Table 3.					
Legend (acronyms from French terms)					
Parties UMP = Union for a People's Movement NC = New Centre PS = Socialist Party PC = Communist Party EELV / Les Verts = The Greens Third Sector ('Associations') ATDQM = ATD Fourth World FNAS = Federation of Solidarity Actors UNAF = National Union of Family Associations Secours Catholique = Catholic Aid Secours Populaire = People's Aid MNCP – National Movement of Unemployed and Precarious Workers			Employers MEDEF = Movement of French Enterprises CGPME = General Confederation of Small and Medium Businesses PRISME = a association of enterprises with workforces on temporary contracts Unions CFDT = French Democratic Confederation of Labour CFTC = French Confederation of Christian Workers CFC-CGC = French Confederation of Management – General Confederation of Executives CGT = General Confederation of Labour FO = Workers Force		

As with other cases of IWB expansion, the RSA thus brought diverse interests together in favour of a pro-outsider social reform. As Vlandas (2013, 137) observes, this apparent

convergence was partly due to the multiple rationales of the policy: incentivising work, reducing poverty, and guaranteeing a minimum living standard (c.f. Palier 2004, 118 on the concept of “polysemic” reforms). Despite differences of discourse and emphasis, the political centre-left and centre-right ultimately coincided on the dual rationale of ‘making work pay’ and reducing in-work poverty (Assemblée Nationale 2008d). Among the social partners, employer federations generally favoured improved incentives and the RSA’s wider activation rationale (Associated Press 2008; Vlandas 2013, 130–31). On the other hand, ‘reformist’ unions and anti-poverty associations mainly supported the policy as an anti-poverty instrument (AFP 2007a; FR-ε).

However support for the RSA remained both “fragile” and incomplete (FR-I). Most supportive actors had reservations over aspects of the policy, while the proposed financing arrangements eroded the potential for more broad-based agreement. These dynamics were highlighted during parliamentary votes to pass the RSA’s legislation (Table 5.4). Employers’ federations and many right-leaning deputies criticised Sarkozy’s plan to finance the RSA through a new tax on capital (Reuters 2008).³⁰ Dissatisfaction on this issue, combined with some opposition to the RSA in principle, saw almost 40 deputies from the right-leaning party blocs abstaining or missing the main National Assembly vote (AFP 2008f). The only UMP deputy to openly rebel, Lionel Lucca, did so on the grounds that an expanded IWB would create “a new category of worker dependent [on benefits] for life” (AFP 2008a). Meanwhile left parties and anti-poverty groups were unhappy that the new tax on capital would not be counted outside of the government’s ‘tax lock’ (*bouclier fiscal*), in effect exempting the very wealthy. This led the PS and Greens to abstain (AFP 2008b; Assemblée Nationale 2008d, 5442–45). Going further, the Communist Party criticised the RSA’s underlying logic, arguing that it would cheapen labour and facilitate precarious employment. Instead, in common with many other pro-redistributive and left actors, it favoured increases to the minimum wage and minimum income benefits (FR-K; MNCP in: AFP 2008e; M. Roland Muzeau (PC) in: Assemblée Nationale 2008d, 5444).³¹

Table 5.4: National Assembly Vote on Generalising the RSA, 8 October 2008

National Assembly Vote Generalising the RSA and Reforming Active Support Measures
Session: 8 October 2008

³⁰ This may have been motivated by a desire to repeat François Mitterand’s gesture, who financed the creation of the RMI by the (re)imposition of a wealth tax in 1989 (Politique.net 2022).

³¹ In addition to public statements regarding the RSA, union confederations’ preferences were revealed during a vote of the administrative council of the national benefits agency (CNAF) on the rollout of local RSA pilots. The FO voted against, the CGT and CFE-CGC abstained, and the CFDT and CFTC voted in favour (AFP 2007a).

	Ideology	For	Against	Abstention
Parliamentary Group				
Union for a People’s Movement	Right, Conservative	279	1	11
New Centre	Centre-Right, Liberal	21	0	1
Socialist, Radical and Citizen (Socialist Party and allies)	Centre-Left, Social-Democratic	3	3	177
Democratic and Republican Left (Community Party, Greens and allies)	Left, Green, Anti-Capitalist	0	16	4
Total		306	20	197
Source : (Assemblée Nationale 2008e)				
Note : party bloc voting patterns were similar in both National Assembly and Senate votes.				

Organised Actors as ‘Consenters’

On several counts the available evidence indicates that supportive actors were consenters and not protagonists or sources of pre-existing demand for the RSA. Firstly, as process tracing has shown, initial models for an RSA-style IWB were conceived by technocratic elites in the late 1990s and early 2000s, ideas which later inspired the Hirsch Commission. Secondly, all evidentiary sources point to the fact that Martin Hirsch and his team were the principal protagonists of the RSA’s development, with other actors later giving their support. Meanwhile, organisations representing low-income groups tended to have alternative first preferences which were only partially met by the offer of IWB expansion. For example unions and anti-poverty associations also wanted out-of-work support to be more generous and extended to all under-25s (not only those with children), and they generally opposed benefit sanctions (FR-I; FR-K; FR-R; FR-ε FR-θ; FR-κ.). As one of the RSA’s creators stated: “The associations and sometimes the unions would ask for something that I’d refuse, which was to also increase the RSA’s base rate. [Instead] I said I would put all the money I have available here [on in-work support]” (FR-I). A similar view of these dynamics was reflected by a senior representative of the People’s Aid (*Secours Populaire*) charity: “If an income supplement is your solution: you [policy-makers] are in control... We’ll take everything that’s possible...but don’t ask us to agree” (FR- η). There is also little evidence of explicit employer lobbying for the RSA. While MEDEF was quite positive towards the RSA’s principles, no public statement of approval could be sourced from the small business federation, CGPME, whose non-committal position was evidenced in an interview with Vlandas (2013, 130–31).

Finally, it can be argued that support for the RSA among the socio-political left was partly a consequence of strategic weakness in a context where the ideological and electoral battlefield

favoured the right. This has been noted in the case of the PS, which following partisan attacks associating it with ‘welfare dependency’ felt pressure to reaffirm its commitment to promoting work (see: D. Clegg 2014, 160). Ségolène Royal thus felt it necessary to affirm that “no one should be paid to do nothing” (Le Figaro 2006) and framed her support for the RSA as a measure “to encourage the passage from the RMI to work” (AFP 2007b). Furthermore, as noted by Vlandas (2013, 132–33, 137), left organisations which were actively opposed to the RSA’s policy logic appeared unwilling or unable to actively seek to prevent its passage. This responded in part to a dilemma where, philosophical differences notwithstanding, it was politically difficult to oppose a policy offering additional support for low-income workers (Ibid, p137).

5.3.4 Opportunity Stream

The previous sections identified the policy-based and political motives which drove the RSA’s conception and adoption. These motives interacted with additional enablers and constraints at key temporal moments, opening a unique ‘window of opportunity’ for the reform to take place. The net effect of these processes also shaped the policy’s final design.

5.3.4.1 Constraints: A Bumpy Road to Reform

In seeking to make the RSA a reality, the policy’s protagonists faced numerous obstacles over 2005 to 2009. The most important of these were: (i) political aversion on the right to additional spending on minimum income benefits; (ii) administrative and interest-group resistance to benefit integration; and (iii) post-2007, the relative weakness of Hirsch’s position within Sarkozy’s government, clashing agendas, and a short timeframe for policy approval.

Regarding the first of these factors, when the RSA was initially proposed in 2005, the UMP government which had ordered Hirsch’s commission declined to adopt the policy. According to Hirsch, this was because of the price tag involved (estimated at €6-8bn at the time) and the view – as expressed by a Villepin-era social affairs minister – that it would be preferable to give RMI recipients “a kick up the behind” rather than additional money (Hirsch 2010, 89). This serves to highlight that adoption of the RSA by the UMP was not inevitable despite its packaging as a pro-work measure.

Secondly, a variety of actors – civil service administrations, interest groups, and partisan figures – opposed the integration of many of the benefits which Hirsch’s team had originally intended to include in the RSA. According to several of those involved, sector-specific administrative agencies and non-governmental associations presented strong objections to including housing and family benefits (FR-J; FR-L). In addition, integration of unemployment assistance (ASS) proved problematic because of the latter’s higher generosity, meaning that to subsume it with social assistance would have created a substantial number of losers (D. Clegg 2014, 153). Furthermore, the plan to merge the PPE with the RSA (and potentially create ‘losers’ among low-to-middle income workers) was opposed by the PS, the Democratic Movement (MoDem), some UMP deputies, and the CFDT union confederation (De Longueville 2008). Pierre Méhaignerie, a UMP deputy and president of the National Assembly’s social affairs commission, persistently campaigned against the PPE’s elimination, in part because he felt that replacing a fiscal with a social benefit would ‘stigmatise’ and socially ‘downgrade’ (*declasser*) minimum wage workers (Auguste 2008). Adding to this pressure, the Employment Advisory Council, a government body with social partner representation, flagged concerns about the impact of the replacement of the PPE with the RSA on second-earner incentives (COE, 2008, 19–22). These various objections led to the scaling-back of the RSA to only include the RMI and lone parent benefit (API) in order to secure parliamentary approval (FR-L).

After the 2007 presidential election, various additional constraints to getting the RSA onto the statute book were encountered. As a special High Commissioner in Sarkozy’s cabinet and a figure associated with the left, Hirsch did not possess his own power-base or head a ‘proper’ government department. This meant he depended in large part on Sarkozy’s political patronage and the cooperation of other ministers and administrations (Hirsch 2010, 96). A member of Hirsch’s cabinet team recalled that upon entering government “we were very isolated” and that staff in other departments labelled their group as “the sect” (FR-J). Another adviser had a similar recollection: “in 2007 we were a small team which was applauded by some third sector leaders (*du monde associatif*) but disliked by the [ministerial] administrations” (FR-L).

Furthermore, the RSA clashed with other government priorities such as cutting taxes and fiscal restraint, including the objective to reach balanced national budgets within 5 years (Sarkozy 2007a). While for Sarkozy these different agendas were compatible, they created potential rallying points for those within the governing party who were not enthusiastic about the RSA. In early 2008, Sarkozy’s prime minister, Francois Fillon had sought to make the policy’s

approval conditional on budgetary savings being made elsewhere, while several UMP deputies put out the message that the RSA was “too expensive” to roll-out (Cécile Cornudet and Levebvre 2008). A former adviser to the finance and employment ministry also recalled that a top objective for ministers had been to “contain” the potential cost of the policy which “potentially could be very, very expensive” (FR-G). Sarkozy’s plan to finance the RSA through a new capital tax then generated audible complaints among fiscal hawks in his party as well as the interest groups affected (Ouest France 2008).

A final constraint was timing. Given the political and budgetary effort required, Hirsh and his team felt that if the RSA was not approved during the first half of Sarkozy’s term then the window of opportunity would close (FR-J; Hirsch 2010, 47). Such thinking was to prove prophetic, as the onset of the financial crisis meant that had significant progress not already been made towards implementation via the ‘experimentation’ process, it is easy to imagine the reform being postponed or considered unaffordable.

5.3.4.2 Enablers: Translating Agreement into Action

Despite these constraints, a number of factors facilitated the RSA’s eventual approval. These allowed policy protagonists to translate the general elite consensus around the need for minimum income reform into political momentum in favour of their chosen proposal.

The first of these was the sustained activism of Hirsch and colleagues. This group acted as classic policy entrepreneurs, for example engaging in strategies of issue-framing and ‘venue-shopping’ in order to secure support for their preferred idea (c.f. Baumgartner and Jones 2009; Cairney 2012, 189; Kingdon 2013, 229–30). Examples of this are numerous. Given the political hegemony of the centre-right through this period, Hirsch actively “sold” his reform as a measure to boost employment, encourage responsibility, and increase the economic efficiency of social assistance (FR-L; FR-J). In 2005, when the Villepin government did not commit to the RSA, the policy’s advocates engaged in ‘venue shopping’ by setting up the New Agency of Active Solidarity and convincing regional authorities to create local RSA pilots. According to one of those involved, the idea was “to act like the government had said yes [to the RSA]” until national politicians became more receptive (FR-I). After 2007, the RSA’s pilot programme was used in the same fashion, acting as “a way to talk about the reform” and “enter through the back-door” by creating a reality on the ground which made national roll-out

“irreversible” (FR-L; FR-J). In relation to this, Hirsch’s decision to join Sarkozy’s cabinet was motivated by the conviction that the RSA “would never have been put in place if I hadn’t entered the government” because “[our] constant pressure at the heart of the system would not have worked on the outside” (Hirsch 2010, 47). This view was shared by an economist involved in the PPE reform:

“Martin Hirsch fought an admirable fight. To create the RSA he carried out a campaign of conviction with astonishing energy. It was not a-given. He spent time trying to convince the political class, the media, the [policy] actors...hats off” (FR-E).

A second enabling factor was Sarkozy’s sustained political patronage of the RSA. Given the apparent bi-partisan consensus shown during the presidential election, after Sarkozy took office internal political and administrative resistance became the main potential threat to the reform. Like Hirsch, Sarkozy was evidently aware of the need to manage potential opposition to the RSA among UMP ministers and elected representatives. As such, when the president announced the policy’s roll-out in August 2008, he first emphasised that “I won’t put in one cent to favour dependency”. He also addressed the UMP deputy who had resisted the fusion of the PPE with the RSA, stating: “dear Pierre Mehaignerie...I have been sensitive to your argument” (Sarkozy 2008). Meanwhile within government, the president’s authority and investment of political capital in the reform made it easier to get buy-in from other ministers and administrative departments (Hirsch 2010, 95). When he encountered resistance, Hirsch was able to directly ask Sarkozy for help, which one adviser felt was “determining” to “push something forward in an eco-system where people didn’t want it” (FR-J).

Thirdly, while according to those involved some bureaucratic resistance did exist, this argument should not be exaggerated. Hirsch reported being able to achieve the ostensible buy-in of the relevant ministerial administrations and public agencies soon after his appointment (Hirsch 2010, 97–102). Furthermore, rank-and-file civil servants seconded to work on the RSA were reported to have been enthusiastic and would “battle...intellectually and technically” against concerns in their home departments (FR-J; FR-L).

Another potential veto-point was the mid-level regional authorities (*departements*) due to their role in financing the RMI and coordinating local employment support policies. However according to Hirsch, strong resistance to the RSA was not experienced from this quarter, and indeed more authorities than expected volunteered to participate in the policy’s pilot

programme (Hirsch 2010, 99–100, 116). This lack of opposition may have been because the financing of the RSA *socle* and overall responsibility for local employment support policies remained decentralised, while the central state took charge of financing the RSA *activité* (Assemblée Nationale 2008c, arts. 1 and 2; Hirsch 2008b, 39–40). Although this avoided generating opposition to the RSA from local government, as noted by Clegg (2014, 156), this came at the price of diluting the aim of linking social assistance recipients more closely with the public employment service and conditionality rules.

Finally, it is debateable how necessary the existence of a broad actor consensus was for the RSA's approval. This appears to have been more important to the policy's architects than for Sarkozy. According to one of the key members of the Hirsch Commission, "if there hadn't been the [involvement of] the different stakeholders, we wouldn't have had the idea for the RSA" (FR-I). Likewise, for Hirsch, the support of third sector colleagues and members of the Commission was necessary for him to feel he could join Sarkozy's government (Hirsch 2010, 32–35, 37–38). The existence of a broad consensus was also used as a tool to legitimise the RSA and ward-off potential critics (Hirsch 2008a). Furthermore, when UMP ministers looked to be dragging their feet on internal approval, anti-poverty associations became vocal in calling for the policy's implementation (AP 2008).

On the other hand, Sarkozy actively eschewed the possibility of greater consensus, instead seeking to politically 'own' the RSA. The president refused to accede to the PS' last-minute requests for small changes to the RSA's legislation so that it could vote in favour, reportedly stating privately that "I want them to vote against" (FR-I). In hard political terms, the existence of a UMP majority in parliament and the imposition of party loyalty meant that, even with a small number of abstentions and absences, the RSA's legislation would have passed even if all other parties had voted against. More broadly, Sarkozy had shown willingness to pursue controversial social reforms in the face of trade union opposition (Vlandas 2013, 132). Further, as the RSA *activité* itself was managed and financed at the national level, there were few hard institutional veto points which would have allowed opposition actors to prevent its passage and introduction. This perhaps highlights the distinct institutional and political dynamics of the RSA *activité* compared with social insurance and other minimum income policies in France.

5.4 Part III: The Activity Bonus and the Universal Activity Income

5.4.1 Introduction

During the presidencies of François Hollande (Socialist Party, 2012-2017) and Emmanuel Macron (Republic on the Move, 2017-present) French governments undertook the recalibration and further expansion of IWBs. In 2016 the RSA *activité* and the PPE were merged into a new scheme, the Activity Bonus (*Prime d'Activité*, PA). This is a means-tested cash IWB which is institutionally separate from out-of-work social assistance, the RSA *socle* (hereafter known simply as 'RSA'). Subsequently, in 2018 Emmanuel Macron massively expanded the PA. In the same year the president proposed the fusion of minimum income benefits, including the PA, into a new Universal Activity Income (RUA). This reform idea remains under consultation at the time of writing.

The PA can be characterised as both expansionary and redistributive. Compared with the RSA *activité* it extended means-tested in-work support to all under-25s and led to an increase in take-up. Meanwhile the elimination of the PPE and transfer of its budget into a more strictly means-tested IWB boosted incomes in the lowest deciles. Subsequently, policy expansion in 2018-2019 brought IWB expenditure in France to its highest recorded level (DREES 2022a). The PA also increased incentives to work full-time compared with part-time (Figure 5 in: Cusset, Maigne, and Vermersch 2019, 4). As such, from 2016 the institutional and employment logics of French IWBs differed markedly from those in the UK.

This chapter section explores the causal processes driving governmental preferences and decisions towards the aforementioned IWB reforms. Relatively little explanatory research has been undertaken on these policies, likely due to their relatively recent (or prospective) implementation, as well as their ostensibly technocratic nature (Duvoux 2020, 2). The first two sections examine the policy, political and opportunity dynamics of the PA's proposal and implementation from 2012 to 2016. Following this, a final section examines the key developments since 2017: the expansion of the PA and the proposal for the RUA.

5.4.2 Policy Stream

5.4.2.1 Problem-Framing

Policy Origins: Critique of Existing IWBs and Hollande's Anti-Poverty Drive

In the early 2010s the impulse for further IWB reform came from the confluence of two agendas: technocratic dissatisfaction with the performance of existing IWBs and the development of a new anti-poverty strategy under François Hollande.

Regarding the first issue, by the end of Sarkozy's presidency an elite consensus had formed which viewed the PPE and RSA *activité* as ill-suited to their objectives. Buttressed by institutional reports and academic research which highlighted the operational shortcomings of these policies (Bourguignon et al 2011; Cour des Comptes 2011; Gomel, Meda, and Serverin 2012, 2013), this perspective manifested in a shared narrative which was observable in interviews held with political, administrative, third sector and academic figures involved in the PA reform (FR-M; FR-N; FR-O; FR-P; FR-Q; FR-R). According to this narrative, the PPE was problematic because payments were poorly targeted on lower income groups and were made too long after work was undertaken to act as an incentive.³² In addition, the tax credit was becoming less generous due to the freeze in rates since 2008. On the other hand, the RSA *activité* was considered close to an outright disaster because of its very low take-up rate of 32%, compared to around 65% who claimed the RSA *socle* (Bourguignon et al 2011, 51). Low take-up was attributed to a bureaucratic application procedure, complex means-testing rules, an aversion by workers to claiming a welfare benefit, and a general lack of knowledge and awareness of the policy (Domingo 2012; Okbani 2013a, 2013b).

In response, momentum built for a fusion of the two instruments which could retain the advantages of each (i.e. the PPE's high coverage and work-related image, and the RSA *activité*'s targeting on marginal incentives and low incomes). A senior official in the French Treasury recalled that around the time when Hollande took power: "The dissatisfaction [with the RSA and PPE] was clear in and outside of Bercy [the finance ministry]. I think that everyone said exactly the same on the issue" (FR-P). Likewise, a former civil servant with the social affairs inspectorate (IGAS) recalled: "There was a...consensus among all actors – the administrations, elected representatives, ministerial cabinets, and representatives of associations – to say: "we can't leave these the two [instruments] as they are. It is really necessary to envisage a fusion" (FR-O).

A second strand of activity leading to the PA was François Hollande's initiative to create a new anti-poverty strategy. This work was led by his prime minister, Jean-Marc Ayrault, and

³² The same criticisms had existed since time of the PPE's implementation, however in the early 2010s there appears to have been stronger political and institutional resolve to address these perceived shortcomings.

François Chérèque, former secretary-general of the CFDT union. When the strategy was published in January 2013, it included a pledge to set up a short-life working group to examine a reform of the RSA and PPE (Fragonard 2012, 63–35; Premier Ministre 2013, 24). This initiative was widely viewed as preparing the fusion of both instruments (Leplongeon 2012). According to one of Ayrault’s social policy advisers, at the time the charities (*associations*) involved in the anti-poverty plan were essentially asking for something along the lines of the future PA (FR-R).

It is important to note that as part of its anti-poverty plan the government agreed to raise the rate of the RSA *socle* by 10% above inflation over five years – partially reversing the steady decline in the value of social assistance since the RMI’s creation in 1989 (Premier Ministre 2013, 6, 23). According to a senior social policy adviser to Ayrault, this reflected the strong desire of anti-poverty associations and the successful effort by the prime minister to convince Hollande of the measure (FR-N). Relatedly, in official discourse from 2012 there was a stronger rejection of individual explanations for poverty and unemployment. While ‘dependency’ remained a prevalent theme on the political right, there appeared to be a desire among centre-left politicians and social policy experts to challenge this paradigm (FR-O). Jean-Marc Ayrault made this explicit, declaring in 2014: “For nearly two years, the task for all of us has been to put an end to the discourse of stigmatisation raised at the highest level for ten years. People living in poverty only want one thing: to get on (*s’en sortir*)” (Le Point 2014).

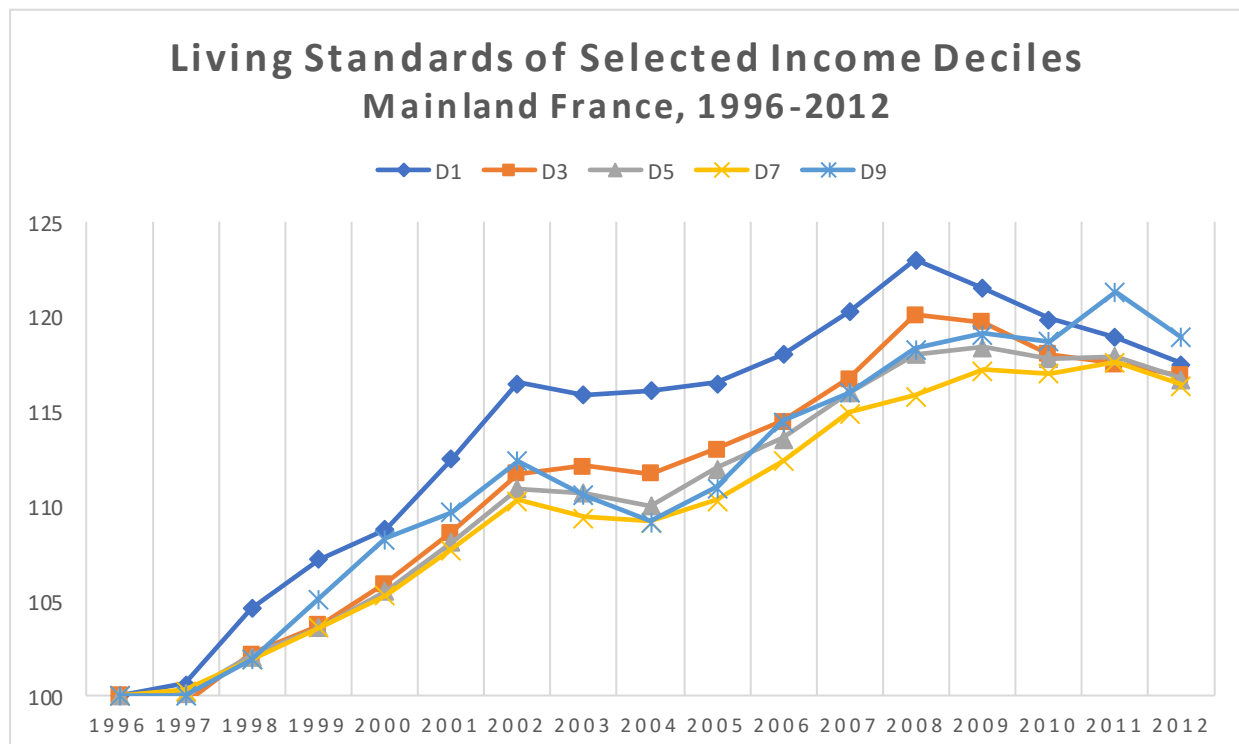
The Sirugue Group

The working group set up to examine IWB reform was led by Cristophe Sirugue, a Socialist Party MP with social security expertise who was trusted by Ayrault’s office (FR-R). Formed in March 2013, the working group (hereafter referred to as the Sirugue group) brought together representatives from relevant administrative and third sector bodies as well as appointed academic experts. A prime ministerial ‘mission letter’ requested that the group propose an “efficient instrument...without delay” which could tackle in-work poverty, support and encourage work, reduce complexity and increase take-up (Sirugue 2013, 83–84). The government also insisted that any reform involve no additional expense compared with the

RSA *activité*'s and PPE's combined budgetary envelope and should create no losers: something viewed by the Sirugue group's members as "impossible" (FR-O; Sirugue 2013, 63).³³

The Sirugue group's analysis of these issues would come to frame the case for the Activity Bonus. Firstly, and linked to the working group's origins in the government's anti-poverty plan, the social situation of precarious workers was a pressing concern. The group viewed the growth of temporary and part-time work as contributing to a rise of in-work poverty (Sirugue 2013, 8–9). Such views were shared within government. In the context of the creation of the new anti-poverty strategy, social affairs minister Marisol Touraine recognised that "work no longer plays the protective role it once did" and "doesn't solve everything" (Leplongeon 2012). Further, living standards among lower income deciles had declined more sharply than others since 2008 (Fig. 5.8). In the words of a civil servant member of the Sirugue group, internal debate thus focused on: "what the social protection system does for modest workers", conceived of as a 'sandwich' group that did not qualify for out-of-work benefits yet whose earnings were insufficient to escape poverty (FR-O).

Figure 5.7. Living Standards of Selected Income Deciles Mainland France, 1996-2012



³³ The budgetary imperative responded to Hollande's policy of fiscal tightening, which sought to make spending reductions (€10bn in 2013/14 alone) in order to meet the terms of the EU Stability and Growth Pact (c.f. Glencross 2018, 125–30).

Source: data based on national statistical sources and extracted from: (Insee 2014, fig. 1).

Note: the graph shows changes in living standards (measured as disposable household income) indexed against 1996. Each decile represents 10% of the population, with D-1 as the poorest and D-9 the second-wealthiest.

Regarding the goal of ‘making work pay’, a subtle shift from previous IWB reform phases took place whereby work incentives were portrayed as about ensuring sufficient support for workers rather than a barrier which affected people’s employment decisions (FR-O). The Sirugue report even argued that based on the prevailing evidence (e.g. Deroyon et al. 2009), the notion that financial (dis)incentives were an important driver of people’s work-search behaviour or employment status was “largely unfounded” (Sirugue 2013, 40).

However while there may have been a desire to depart from the idea that people ‘choose’ to remain unemployed for financial reasons, the need to ensure adequate work incentives retained an influence on policy thinking. Respective senior figures involved in the government’s anti-poverty plan and the Sirugue group recalled the need for any reform to include a “real work incentive” in order that “there can be a real incentive to accept a job” (FR-N; FR-Q). Within the Sirugue group, those members who held a more critical stance towards the importance of financial work incentives found themselves in the minority (FR-S; FR-R; FR-U). As one said:

“Everyone in the group, except maybe someone from the DGCS [Directorate General of Social Cohesion], was in favour of the incentive paradigm – but revised and turned around to say: ‘people mustn’t lose money when they enter work’. The nice version of incentives” (FR-S).

The same viewpoint also held sway in the French Treasury, where it was the “not incredible” findings on the PPE’s employment effects that had led to questioning around “what can we do better?” (FR-P). Further, as with the RSA in the mid-2000s, members of the Sirugue group regarded it as morally and socially unjust that people should lose income when entering work (FR-Q; FR-M).

Two further issues framing the case for reform were benefit complexity and take-up. The existence of and interactions between the two main IWBs, other temporary incentive mechanisms, and out-of-work benefits, was considered to be inefficient, confusing for recipients, and a cause of undesirable incentives (Sirugue 2013, 26, 36, 75–76). Linked to complexity, the problem of low benefit take-up was also a major theme of social security debate at the time. The first point of the government’s anti-poverty plan had called for a “new orientation” in public policy which focused on improving “access to rights” and not only on

combatting benefit fraud (Premier Ministre 2013, 5).³⁴ Similarly, the need to tackle the RSA *activité*'s low take-up rate was widely cited as a major factor motivating the PA's creation (Favrat, Lignon, and Reduron 2015, 29; FR-M; FR-O; FR-T; Leplongeon 2012).

5.4.2.2 The Activity Bonus as an 'Efficient' Solution

As a solution to the aforementioned issues, the Activity Bonus was framed as pursuing largely the same objectives as current IWB policies (work incentivisation, poverty-reduction and income support) but as a technical improvement which would be better-targeted and more effective at achieving these goals (Journal Officiel 2015, Art. L. 841; Sirugue 2013, 80). However as a result of the design choices made, the PA engendered an important shift in the distributive, employment, and institutional logics of French in-work support.

The new benefit retained similar characteristics to the RSA *activité* in that it was means-tested, paid regularly, available from the first hour worked, withdrawn at a 38% taper, and administered by the social benefits agency (CNAF) (Allègre and Ducoudré 2018, 3). But there were also innovations, including the creation of an extra 'individual bonus' payment and the institutional separation of in- and out-of-work benefits.

The new individual bonus kicked-in at 0.5 SMIC, peaked at 0.8 and was phased out from 1.2 SMIC (Favrat, Lignon, and Reduron 2015, 32; Sirugue 2013, 3). This calibrated payments more on individual earnings compared with the RSA *activité* and slowed the rate of benefit withdrawal for those working over half-time hours. The bonus thus increased the level of IWB received around the minimum wage and was intended to counter-balance the RSA's incentivisation of marginal working time (Assemblée Nationale 2015e, 176; Gomel, Méda, and Serverin 2016, 3). As a result, the PA created no additional incentive to work part-time, but increased incentives at full-time hours (Cusset, Maigne, and Vermersch 2019, 4).

The bonus element was also the product of an internal debate over how to prioritise redistribution and cost-containment yet avoid strong second-earner disincentives (FR-O; FR-R). Nonetheless, the PPE's elimination worsened incentives for some second earners (given it was more individualised than the PA or RSA *activité*) and many women in higher-income households were "excluded" from IWB support as a result (Duvoux 2020). Meanwhile, the

³⁴ This is likely a critique of Sarkozy's presidency, where benefit fraud was a prominent theme.

Sirugue group's decision to set the estimated future take-up rate at 50% and the payment withdrawal point at 1.2 SMIC responded to the cost-containment objective (FR-O; FR-Q).³⁵

These parameters gave the PA a distributive profile somewhere between the RSA *activité* and PPE (c.f. Ch. 2, Fig. 2.4). According to an official impact study, the proposed reform would create 1.2 million 'winners' and 0.8 million 'losers' among the 2.45m households affected. The two poorest income deciles were net winners while the fourth decile and above were markedly losers (Assemblée Nationale 2015e, 185). Furthermore, means-tested in-work support was extended to those aged 18 and above rather than 25 as previously. This extension most clearly responded to the anti-poverty objective, with younger people more likely to be in precarious labour market positions. However it also created an anomaly whereby many under-25s could receive state wage top-ups while in work but not social assistance if they lost their jobs.

Other changes were aimed at improving take-up. Compared with the RSA *activité* the PA had less restrictive means-testing rules and a simpler application process, including an online option (c.f. Assemblée Nationale 2015e, 186–87; Sirugue 2015, 18). Meanwhile the institutional separation of the PA from the RSA responded to the concern that continued association of in-work support with social assistance would create stigma and harm take-up (FR-N; FR-O; Sirugue 2013, 55). The message that the new benefit was a 'bonus' which workers had a right to was further reinforced by a publicity campaign which accompanied the policy's launch (Journal Officiel 2015, Art. L. 847-II; Fig. 5.9). As one of the Sirugue group's senior members explained: "the logic isn't fundamentally different [from the RSA *activité*], but the image is radically different...it's really a bonus, it's not a benefit" (FR-Q). Likewise, Sirugue framed the PA as about moving to a "rights logic" (rather than 'social assistance logic') of protection for low-wage workers (Vigoureux 2013). Collectively these changes were successful, as initial take-up reached 70%, more than double that of the RSA *activité* (Allègre and Ducoudré 2018, 4).

Despite the preoccupation with avoiding 'stigma', practical, distributive and incentive-based considerations dictated the choice to use the social benefit rather than tax system for the PA's administration. While fiscal administration offered the possibility of ensuring near-universal coverage, the main drawbacks were that payments could still only be made annually and the finance ministry was not enthusiastic about continuing to administer an IWB (FR-O; FR-R;

³⁵ The PA's architects viewed the 50% take-up estimate as a tactic to ensure finance ministers would accept the reform. However they predicted – correctly – that eventual take-up (and thus costs) would be higher.

Sirugue 2013, 51–52). On the other hand, the CNAF could be more ‘responsive’ in calculating and providing regular payments (FR-O). Also relevant, as with the RSA reform, is that many protagonists had professional linkages with and experience of the social benefit system, which made this appear as the natural administrative choice.³⁶ As one of the policy’s architects explained: “we were dealing with devices which I consider to be part of France’s social and employment policy [i.e. not economic and tax policy]” (FR-Q). An additional potential factor cited by Touzet is that changes to Eurostat accounting rules on refundable tax credits meant that the original political advantage of using a fiscal IWB no longer existed (Touzet 2019, 248).

Figure 5.8. Activity Bonus Marketing Campaign Poster

³⁶ Such figures included the prime minister’s social affairs advisers, civil servants embedded in the Ministry of Social Affairs and Inspectorate General of Social Affairs (IGAS), and members of anti-poverty associations.



Image source: CAF via (MRP 2017). **Note:** the above poster is an example of the information campaign undertaken to promote the PA. Translation: “you are over 18; you work; you earn less than €1 500 (around net per month): Activity Bonus”. Such messaging was aimed at disassociating the PA from minimum income benefits and encouraging take-up.

5.4.2.3 Policy Puzzling and the ‘Filtering Out’ of Alternatives

The Sirugue group’s and the Hollande administration’s cognitive ‘puzzling’ processes not only channelled elite deliberation *towards* the proposal of the PA but also *away* from potential alternatives.

The Hollande administration’s economic assumptions and commitment to fiscal austerity meant that several possible options to support low-income workers were ruled out *a priori*. Regarding the minimum wage, amid sluggish growth and gradually rising unemployment, the government’s economy and labour ministers feared that increasing the SMIC would harm competitiveness and job creation (AFP 2014d; Vignaud 2014).³⁷ As a result the government avoided making any increases above legally-required indexation (Franceinfo 2012; Vignaud 2014).³⁸ In this context, labour minister François Rebsamen described the PA as an alternative means to “support wages and make work more attractive” (AFP 2014d). Meanwhile, Hollande’s administration made only limited moves to address precarious employment, while also introducing reforms which eroded job protections for standard workers (D. Clegg 2021, 59, 61). Finally, given the imperatives of fiscal restraint and ‘making work pay’, more radical tax-benefit proposals (e.g. Basic Income and an NIT) remained outside of the consideration of policymakers (c.f. Coatanlem 2013; Duvoux et al. 2014, 23–24).

Within the Sirugue group, various alternative reform scenarios were studied: improving the PPE, integrating the PPE within a reinforced RSA, creating a fully individualised IWB, or introducing a targeted reduction of SSCs. However these were dismissed as not meeting all of the government’s stated reform goals, leading to the PA as a compromise solution (Sirugue 2013, 61). In this thought process, the imperative of shifting the population’s perception of IWBs and the need to ensure responsiveness in the provision of support appear to have been the key criteria. Such concerns contained underlying ideational dimensions, such as the acceptance that ‘welfare’ is irremediably socially stigmatising and that benefit payments should send clear incentive signals as well as provide timely relief from poverty.

In addition, while the PA was broadly welcomed (see politics stream), it did not enjoy universal consensus among social security experts. For example several academics – including a few

³⁷ Unemployment rose from 8.8% in 2011 to 10.4% in 2015, before beginning to fall thereafter (Macrotrends 2021).

³⁸ As further evidence of cognitive filtering, this stance ignored economic arguments at the time in favour of increasing the SMIC (c.f. Sterdyniak 2014).

who were members of the Sirugue group – criticised the scrapping of the PPE as giving priority to “an entirely theoretical responsiveness” over a fiscal mechanism which could ensure universal take-up (Meda and Gomel in: Duvoux et al. 2014, 7). Meanwhile, Martin Hirsch argued that problems with the RSA *activité* could be solved by reforming the existing instrument, however this view was rejected due to the conviction that in-work support would only be successful if it were not associated with social assistance (Hirsch in: Le Parisien 2014; Sirugue 2013, 55).

Finally, it is notable that policy debates leading to the PA’s conception appear to have been influenced almost entirely by domestic issues rather than international trends. Impulse for further institutional change responded to the perceived deficiencies of existing instruments and the increasing prominence of issues such as take-up rather than a desire to import ‘best practice’ from elsewhere. As such, it could be argued that in this period the logic of ‘making work pay’ and principle of state wage top-ups had become internalised within France’s social security apparatus. An additional sign of this cognitive internalisation is that rather than originating from either new social policy actors (as with the PPE) or ‘policy entrepreneurs’ largely external to government (as with the RSA), the Activity Bonus originated from, and was designed and implemented by, more ‘traditional’ social policy actors such as the government’s social affairs ministry and related agencies.

5.4.3 Politics and Opportunity Streams

Despite the Hollande administration’s request for a reform along the lines of the PA to be designed, fears over the policy’s political and budgetary ramifications led to its initial rejection by ministers when it was proposed by the Sirugue group in July 2013. It was only when political circumstances changed that the government switched its position and decided to adopt the PA a year later.

Understanding how this process played out requires an examination of the political and opportunity process streams together. The discussion finds that the most important factors which shifted the government’s position towards the PA were the Constitutional Court’s ruling in August 2014 which blocked a planned reduction to employee SSCs, combined with growing political pressure to send a positive signal to precarious workers. Lobbying by anti-poverty

organisations also helped keep the PA on the agenda in the period between its initial proposal and its formal adoption by Hollande in August 2014.

5.4.3.1 Hollande's Administration and the Activity Bonus

Events Leading to Formal Policy Adoption

Following the publication of the Sirugue group's report in July 2013 there was much to suggest that the PA would be quickly adopted as official policy. The 'mission letter' setting up Sirugue's working group had been fairly clear on the desired direction of reform and had requested that a solution be found as quickly as possible. Christophe Sirugue himself had been chosen by the prime minister's advisers as "someone very close to us" who could come up with "the right mechanism" to replace the PPE and RSA (FR-R; FR-N). Relevant government agencies and ministerial staff were closely involved throughout, and so according to a civil servant involved the report came as "no surprise" to ministers: "we knew that the government would agree: as it had been written so that it [the PA] could be done" (FR-O). A senior author of the report recalled that "I navigated a rather favourable governmental environment... there wasn't a minister who said it shouldn't be done" (FR-Q). This internal experience was reflected in public statements. Shortly before Sirugue's report was released, Hollande announced that the government "will decide on a new articulation between the *Prime Pour l'Emploi* and the RSA *activité*" (AFP 2013b). After the report came out, a social affairs minister, Marie-Arlette Carlotti, cited the PA as the option "best targeted on supporting workers on low incomes" (AFP 2013a).

Yet after these initially warm noises, the formal adoption of the PA was put on hold. Officially this was attributed to an overly-short timeframe for its inclusion in the 2014 budget law, however media sources reported that the real reason was a fear that the policy would create 'losers' and was thus too "politically sensitive" (AFP 2013c; Mazuir 2013). Another reason was concern about the potential budgetary cost. One of Ayrault's advisers recalled attending a meeting where Emmanuel Macron, then deputy-secretary general in Hollande's cabinet, opposed the PA on these grounds (FR-R).

In early 2014 events further turned against the policy. In March, Jean-Marc Ayrault (a key supporter of the PA) was obligated to resign as prime minister following poor local election results. Around the same time, the finance ministry proposed an alternative idea: to replace the

PPE with an SSC reduction for employees earning between 1 and 1.3 SMIC. The RSA *activité* would be left its current form (Conesa 2014). According to the French Treasury, this option offered the advantage that very few losers would be created and the SSC cut would provide income support and work incentives for the PPE's main target group without the annual lag in payments (Ibid). This logic seems to have been attractive, and the proposal was adopted as government policy in the retroactive budget law for 2014 (Assemblée Nationale 2014, 7 art. 1). Yet in a repeat of events prior to the PPE's creation in 2001, in August 2014 the SSC reduction was blocked by the Constitutional Court, leaving the government to find an alternative vehicle to support this target group.³⁹ In response, a few weeks later Hollande announced that the government would create the Activity Bonus after all (AFP 2014a).

Strategic and Electoral Motives

Beyond the Constitutional Court ruling, a shift in political circumstances by mid-2014 meant that the PA was now viewed by the government as a more acceptable option. Firstly, Hollande's sliding popularity, poor municipal election results in early 2014, and lobbying from the PS left all created pressure to provide additional support for low-income workers (Birchem 2014b; Midi Libre 2015).⁴⁰ Secondly, personnel changes – the entrance of Manuel Valls as prime minister and Macron's appointment as economy minister in August 2014 – ultimately favoured the PA's adoption. Valls became a supporter of the PA (see below), while Macron's attention shifted elsewhere (FR-R). Thirdly, the fear of creating losers among middle-class PPE recipients was partially assuaged by a parallel plan to cut income tax.

Linked to these changing dynamics, two central motives underpinned the government's decision to implement the PA. With unemployment continuing to rise, in 2014 Hollande's administration began to pursue liberalising reforms designed to spur growth and job creation.⁴¹ At the same time, the government ramped-up planned spending reductions to meet EU budget rules (Glencross 2018, 127–28). These moves generated resistance from the PS left, including a bloc of rebel MPs dubbed "*les frondeurs*" (an equivalent to New Labour's 'awkward squad'). To help manage this internal dissent, the PA was framed by Valls as part of a new anti-poverty

³⁹ The council's ruling was made on the same grounds – equality of taxation – that had blocked Jospin's plan to cut the CSG in 2000 (FR-P; Conseil Constitutionnel 2014).

⁴⁰ Hollande's approval had fallen steadily from 63% in June 2012 to 18% in June 2014 (Ipf, in: Infogram 2015).

⁴¹ These resulted in the 'Macron Law' (2015) and 'Khomri Law' (2016), which liberalised economic and labour market regulations.

plan which would ‘rebalance’ policy in the context of liberal economic reforms (AFP 2014f, 2015c; Stephan 2015).

Secondly, the PA was used to counteract growing discontent among the PS electorate with unemployment, austerity and pro-market reforms. As one un-named minister observed around this time: “we have not succeeded in demonstrating that what we are doing is left-wing and that it is change, reform, which makes it possible to reduce inequalities” (Furbury 2014). In this vein, Valls announced that the PA was “above all a social justice measure” for “millions of French people” which would “restore purchasing power each month to workers with the lowest incomes” (AFP 2014e). As with Lionel Jospin’s ‘new class alliance’ strategy, the PA was also employed by Valls as a complement to income tax cuts in order “not to ignore the incomes of households that are not taxable” (Godeluck and Conesa 2014). Further, with tax cuts cushioning the potential losers of the PPE’s elimination, the government became more sanguine about the PA as a redistributive instrument. As a spokesperson declared: “Yes, there will be losers, but they are those who belong to the wealthiest households in our society...this will allow us to give more purchasing power to workers around the minimum wage” (AFP 2014c).

Likewise, Hollande was keen to claim credit for the PA. When Valls announced the policy in parliament, the president’s office let it be known to media that Hollande himself had given the green light (Furbury 2014). Following another poor result in the March 2015 departmental elections, Hollande then announced his intention to “enlarge” the proposed PA, especially to favour young people, because “the most precarious [workers] are often young people, those who accept odd jobs, internships, sometimes contracts that last a month” (AFP 2015d). Such positioning can be understood as an attempt to shore up support among the demographics which had given Hollande his presidential election victory, such as those aged 18-34 as well as blue-collar and intermediate occupational groups (Lenglet 2015; Teinturier 2012).

However, Hollande’s promise to enlarge the prospective PA conflicted with both the government’s current plans for the policy (namely that students and apprentices would not be eligible) and the goal of avoiding additional expenditure. After several weeks of mixed messaging and internal debate, a compromise was reached whereby students and apprentices earning at least 0.8 SMIC per month would be eligible (Gasté 2015). Nonetheless this excluded those in full-time education or training who undertook the type of short-term and ‘odd jobs’ that Hollande had originally referred to.

5.4.3.2 Public and Socio-Political Demand

Public Opinion

Given the Hollande administration's concern about slipping support among core voters over 2014-15, compared with previous IWB reforms there is a stronger case to suggest that the PA's introduction was motivated by electoral pressure. The policy was certainly popular among target voters. Two-thirds of the public welcomed the policy ahead of its parliamentary passage: 85% of left-leaning voters, and 50% of right-leaning voters (Alimi 2015). According to the same poll, an even higher proportion (72%) favoured the extension of help to students and apprentices. Furthermore, aided by the policy's multiple objectives, the editorial line of most major newspapers was judged as positive in a press review (AFP 2015f).

On the other hand, if the government's policy preferences were primarily driven by voter demand, the minimum wage would arguably have been a more recognisable instrument to use. According to the French state's own public opinion monitor, 86% of the public favoured an increase in the minimum wage in 2014 (Q. PE12: DREES 2022b). Yet the government had ruled out this option due to concerns about increasing the cost of labour. In this light, the PA appears to have been a more attractive option because it fulfilled both policy and political objectives, while avoiding the shortcomings attributed to the SMIC.

Actor Positions and the PA's Support Coalition

Like previous French IWB reforms the PA received the backing of a broad range of actors. However where the RSA united the right and divided the left, the opposite occurred in the case of the PA. This was arguably due to the Socialist Party and anti-poverty lobby's ownership of the policy, as well as design features and discourse which cast in-work support as a rights-based measure for low-income workers. This shift had the counter-reaction of alienating some conservatives and liberals who viewed the policy as an unwelcome subsidy or an extension of benefit 'dependency'. Additionally, in the context of debates around the government's Social Dialogue and Employment law (onto which the PA was tagged), some social actors – notably employers – treated the PA as little more than an afterthought.

Table 5.5. Actor Positions Towards the PA, c. 2015

Actor Positions Towards the PA, c. 2015					
	Support		Non-Committal	Opposition	
Actor Type	<i>Full</i>	<i>Qualified</i>		<i>Qualified</i>	<i>Strong</i>
Political Parties	Most PS	PS left RRDP (inc. PRG) EELV (Greens) GDR (inc. PC) Modem UMP moderates		UMP right UDI	FN
Employers		UPA	MEDEF CGPME		
Unions	CFDT UNEF	CFTC	CGT FO		
Third Sector		Collectif Alerte inc: Emmaüs FNAS Secours Catholique Coorace ATDQM MNCP	Secours Populaire		
Legend (acronyms from French terms)					
Parties UMP = Union for a People's Movement NC = New Centre PS = Socialist Party PC = Communist Party PRG = Radical Left Party EELV / Les Verts = The Greens GDR = Democratic and Republic Left Group RRDP = Radical, Republican, Democrat and Progressive Third Sector ('Associations') Collectif Alerte = Alert Collective ATDQM = ATD Fourth World FNAS = Federation of Solidarity Actors UNAF = National Union of Family Associations Secours Catholique = Catholic Aid Secours Populaire = People's Aid			Employers MEDEF = Movement of French Enterprises CGPME = General Confederation of Small and Medium Businesses UPA = Professional Artisanal Union Unions & Associated CFDT = French Democratic Confederation of Labour CFTC = French Confederation of Christian Workers CFC-CGC = French Confederation of Management – General Confederation of Executives CGT = General Confederation of Labour FO = Workers Force UNEF = National Union of Students of France MNCP – National Movement of Unemployed and Precarious Workers		

Political Parties

The classification of partisan positions towards the PA is challenging because the reform was created as one element of a legislative package which included changes to employment law and institutions of worker representation (*dialogue social*) within companies (Table 5.6). The

classification of positions here is based on the close study of parliamentary and media records as well as interviews.

In the National Assembly, parties belonging to the political left generally welcomed the policy. This included the Democrat and Republican Left bloc (whose largest component was the Communist Party), a faction which had previously been more hostile to IWBs. The unifying factor for these parties was the objective of improved income support for ‘modest’ workers and extending this to the under-25s (for party positions see: *Assemblée Nationale* 2015b, 5298–5303, 2015d, 5200–5204). This support was not entirely unqualified, as most non-PS left parties also advocated further expansion of spending or eligibility and a more ambitious take-up target. Reservations about the wider implications of wage supplementation also remained. PS deputy Michel Lieb Gott expressed his hope that the benefit “won’t constitute a windfall for businesses” (*Commission des Affaires Sociales* 2015a, 27), while Green Party deputies Eva Sas and Véronique Massonneau respectively cautioned against the state “subsidising involuntary part-time work” and “compensating the weakness of...wages that aren’t enough to live on decently” (AFP 2014b; *Commission des Affaires Sociales* 2015b, 16).

In contrast, there was no unified line among the right-leaning parties. A figure in the Sirugue group involved in the PA’s legislative approval described the political right as being “cut in two” between a more moderate wing which was open to the reform and those who were more “suspicious” and focused on attacking ‘benefit dependency’ (FR-Q). This division is largely reflected in public record. Some UMP deputies welcomed the work incentive objective while criticising aspects of the policy’s design (*Assemblée Nationale* 2015d, 5201, 5203, 2015c, 4980, 4982; *Commission des Affaires Sociales* 2015b, 14). Likewise, François Bayrou, leader of the centrist Democratic Movement (MoDem), considered the PA as “not necessarily negative” (Furbury and Nedelec 2015). However elsewhere on the right, issues of cost, complexity, ‘dependency’ and the creation of middle-class ‘losers’ from the PPE’s suppression motivated opposition. In the UMP, figures such as party secretary general Laurent Wauquiez, Senate group president Bruno Retailleau, and Nicolas Sarkozy’s adviser Luc Chatel,⁴² attacked the policy on these grounds (AFP 2015b, 2015g; Garat 2015). Francis Vercamer, spokesperson for the centre-right UDI parliamentary grouping, was also strongly critical. For him, the policy would lead to “the government substituting businesses” and risked “making the lowest middle classes bear the cost” due to the PPE’s elimination (*Assemblée Nationale* 2015d, 5201, 2015c,

⁴² Nicolas Sarkozy returned to frontline politics after being elected the UMP’s leader in November 2014.

4970). It is worth noting that journalists associated with economic liberalism such as Agnès Verdier-Molinié and Yves de Kerdrel were also strongly critical of the PA for many of the same reasons (Kerdrel 2015; Prissette 2015). Meanwhile, the single deputy for the far-right National Front took a more economically left angle to the debate, dismissing the PA as a “trivial” response to the problem of low wages (Assemblée Nationale 2015c, 4976).

Table 5.6. National Assembly Vote on the Social Dialogue and Employment Law, 2 June 2015

National Assembly Vote on the Social Dialogue and Employment Law (First Reading)				
Session: 2 June, 2015				
	Ideology	For	Against	Abstention
Parliamentary Group				
Socialist, Republican and Citizen (Socialist Party and allies)	Centre-Left, Social-Democratic	274		1
Radical, Republican, Democrat and Progressive (Radical Left Party and allies)	Centre-Left	17		
Ecologist Group (Green Party)	Green, Centre-Left	8		9
Democratic and Republican Left (Communist Party and allies)	Left, Anti-Capitalist		12	3
The Republicans (formerly Union for a People’s Movement)	Right, Conservative		194	
Union of Democrats and Independents	Centre-Right		28	
Others		2	4	
Total		301	238	13
Source: (Assemblée Nationale 2015a).				
Note: party bloc votes for the overall legislative package do not fully translate into positions towards the PA. The Democratic and Republican Left supported the PA but opposed the social dialogue law, while some UMP deputies were open to the PA but voted against the law overall.				

Organised Interests

The positions of collective actors varied from active support to passive acceptance, with none openly opposing the PA. Among the trade union confederations the CFDT was most enthusiastic, releasing a statement praising the “end of an inequality” for younger workers (CFDT 2015). This generally positive view was confirmed in interviews with senior union representatives (FR-β; FR-γ). The CFTC was also supportive, but privately senior officials were concerned about employers being able to escape responsibility for paying higher wages and reduced social insurance rights conferred to workers whose wages were partially replaced by IWBs (FR-δ; FR-ε Commission des Affaires Sociales 2015a, 20). The other major union confederations were non-committal. The CGT stated its view was “mixed” due to the lack of additional spending on the new policy (Commission des Affaires Sociales 2015a, 17), and

secretary general Philippe Martinez also called for “other solutions” for low-wage and young workers (AFP 2015e). Likewise the FO, while stating it was “not unfavourable”, argued that the real problem was “low wages combined with incomplete working time” and warned against “the principle of institutionalising a wage complement” (AFP 2015e; Commission des Affaires Sociales 2015a, 18). Both confederations advocated a SMIC increase as an alternative.

Employer associations exhibited disinterest. According to a civil servant and member of the Sirugue group, when the main business confederations were invited to give their view of the PA in 2013, “very frankly, they had no idea [what to say]...it’s just not their topic” (FR-O). In 2015, during a parliamentary committee hearing on the social dialogue law only one of the three main employer associations offered any public comment about the PA. This was the UPA, which welcomed the simplification objective (Commission des Affaires Sociales 2015a, 24). Elsewhere, the head of Medef only referred to the PA indirectly in relation to the issue of funding apprenticeships (Cécile Cornudet 2015). No public comment could be sourced from the small business federation, CGPME.

In contrast, anti-poverty organisations were arguably the PA’s strongest supporters. The Alert Collective (*Collectif Alerte*), the umbrella body for most major anti-poverty groups, welcomed the government’s plan for the Activity Bonus as a “true evolution” in social protection that would lead to “an improvement in the incomes of the poorest” (AFP 2015e). At the same time, the collective demanded additional funding for the policy and “full and complete” provision for students and apprentices (La Correspondance Economique 2015; La Gazette Sante Sociale 2015). Interviews with several anti-poverty organisations confirmed these stances, underlining that support for the PA was generally based on a pro-expansion, rights-based standpoint (FR-ζ; FR-η; FR-θ; FR-ι; FR-κ). Among other interest groups, the national student union, UNEF, was also strongly in favour, and sought the widest possible access for students and apprentices (AFP 2015e; Birchem 2014a). Interestingly, the National Movement for Unemployed and Precarious Workers (MNCP), which had been very critical of the RSA, gave its qualified support to the PA. This was on the basis that the new IWB offered more automatic and individual support for precarious workers than the RSA *activité* while eschewing discourse on “responsibilities” and “work incentives” (MNCP 2014).

Protagonism versus Consent

While many political and social actors were supportive of the PA, most were ‘consenters’ which had other priorities or alternative first preferences. IWB reform was not something they strongly pushed for or were strongly concerned with.

The exception to this was the anti-poverty lobby, and to some extent, the CFTD (FR-Q; FR-O). The Alert Collective had been the original instigator of Hollande’s anti-poverty plan and many of its member organisations were involved in the Sirugue group, giving them a sense of ownership of the PA. Indeed the Alert Collective cites its role in work leading to the PA as among the key dates of its history (Collectif Alerte 2022). When Hollande’s administration put the proposal for the PA on ice after July 2013, this organisation repeatedly expressed its dissatisfaction and continued agitating for the reform (François 2014; Le Nouvel Observateur 2014).

In this sense, more than in previous reform waves, anti-poverty organisations can be viewed as a source of political demand for IWB expansion. Nonetheless, the role of this group should not be overplayed. Ultimately electoral concerns and circumstantial dynamics were the determining factors which led the Hollande-Valls government to adopt the Activity Bonus, something it had declined to do previously despite third-sector pressure. Furthermore, ministers resisted meeting associations’ expansionary demands, such as to fully extend eligibility to all students and apprentices.

5.4.4 Post-2017 Reforms

In 2017 Emmanuel Macron, Hollande’s former economy minister, was elected president at the head of the breakaway ‘Republic on the Move’ (LREM) party. Between then and the onset of the Covid-19 pandemic two further IWB reform processes took place. In 2018 the LREM government massively expanded the Activity Bonus. At the same time, policymakers set in motion a plan to create a new integrated minimum income benefit that would also incorporate the PA. If implemented, the Universal Activity Income (RUA) would arguably bring France into closer convergence with UC in the UK. Indeed several academic observers have argued that both PA expansion (Duvoux 2020) and the RUA proposal (Barbier 2019) form part of a wider transformation of French social protection towards a liberal ‘Beveridgean’ model. Combined with the 2019 reform to retrench UI (temporarily suspended due to the pandemic),

such trends may represent a “fork in the road” for France’s hybrid, social-insurance dominated ‘Bismarckian’ welfare state (D. Clegg 2021, 67).

5.4.4.1 PA Expansion: From Targeted Work Incentive to Large-Scale Wage Subsidy

In 2018-19 the PA underwent huge expansion in generosity, coverage and expenditure. As a result the policy arguably metamorphosed from being a more targeted ‘make work pay’ and anti-poverty measure to a generalised wage subsidy. In concrete terms, the policy’s budget more than doubled from €4,6bn in 2016 to €9.6bn in 2020, bringing IWB expenditure in France to a historic high (Fondation IFRAP 2021). Concurrently the number of recipient households increased from 2.7 to 4.6 million, equating to an extension of coverage from 6% to 10% of the population aged between 15 and 69 years old (DREES 2021a, 235).

The main cause of this expansion was a purposeful increase in generosity by policymakers.⁴³ In August 2018 Macron’s administration topped-up the value of the PA’s individual bonus element by €20 per month and planned a further staggered increase worth an additional €70 p/m by 2021 (Assemblée Nationale 2018, 39). However, following the explosion of the *Gilets Jaunes* (‘Yellow Vests’) protest movement in late 2018, Macron instead announced an immediate increase to the individual bonus of €90 per month. Furthermore, the point at which bonus payments were maximal was extended from 0.95 to 1.2 SMIC, in turn making earners of up to 1.5 SMIC, rather than 1.3 SMIC, eligible for the policy (Duvoux 2020, 7). Notably, increased generosity was targeted at those earning nearer to full time, rather than part-time hours or ‘mini-jobs’. A single minimum wage worker without children could now receive €242 each month compared with €152 previously, a boost equivalent to 20% of the SMIC at the time (DREES 2022a, 2; author calculation). This continued the trend seen at the PA’s implementation whereby additional generosity and work incentives were targeted at full-time rather than part-time hours (Fig. 5.6; Cusset, Maigne, and Vermersch 2019, 4).

Policy, political and opportunity dynamics intertwined to produce this expansion. The policy rationale was similar to previous IWB reforms: to incentivise work and support incomes while avoiding above-indexation increases to the minimum wage. As a presidential candidate Macron argued that people transitioning from the RSA into employment “aren’t necessarily encouraged

⁴³ An official impact study found that 80% of the increase in PA reciprocity from 2018 to 2019 was driven by increased policy generosity and 20% by a rise in take-up (DREES 2022a, 8–9).

to work” and pledged to address this (Bulletin Quotidien 2017).⁴⁴ Together with the stagnation in the real value of social assistance from 2017 (DREES 2021b, 84) ‘making work pay’ thus remained a core policy objective (Allègre and Ducoudré 2018, 8). Furthermore, both PA expansion and a pledge to reduce SSCs were explicitly intended to provide lower earners with an income boost “without [labour] becoming more expensive for employers” (En Marche 2017, 7).

At the same time, electoral considerations were relevant. According to numerous polls, ahead of the 2017 presidential election the top priorities for voters were unemployment, social protection and living standards (*pouvoir d'achat*) (Brouard 2016; Godeluck 2017; Jenik 2017). Disposable household incomes had fallen 1.2% on average between 2008 and 2016 (net of taxes and transfers), with the national statistics institute noting that “households with a standard of living below the median have suffered the effects of the deterioration of the labour market” (Insee 2018, 17). During the election campaign, one journalist noted that “so high are the expectations of the French...in terms of [action on] living standards” that candidates of the left and right were intensely competing on this topic (Guinochet 2017; see also: Godeluck 2017). While left candidates promised salary increases (Melenchón) or a Basic Income (Hamon), and the conservative right offered tax cuts (Fillon), Macron alighted on IWB expansion. A pledge to increase the value of the PA by 50% was heralded as providing “the equivalent of a 13th month of pay...€100 net extra each month”, while employee SSC reductions were aimed at a broad swathe of workers and the self-employed (En Marche 2017, 7). As polls pointed to a likely run-off between Macron and Marine Le Pen of the National Front, the former told journalists that the aim of his programme was to “win back” those affected by “economic insecurity” from the far-right, mentioning the PA as one of the measures to achieve this (Gallen, Marot, and Prével 2017).

Subsequently, while Macron had always intended to increase the PA’s generosity, the size and speed of the expansion was accelerated by the intense social pressure from the *Gilets Jaunes* movement. Widely interpreted as a social revolt of blue-collar and provincial France (Algan et al. 2019; Déléaz 2019), in December 2018 Macron reacted to the protests by announcing a €10.3bn cost-of-living package, of which €2.5bn comprised the major PA uplift (Cassel,

⁴⁴ Given this discourse, it is notable that Macron chose to increase IWB support at full-time rather than part-time work. However the French president revisited the issue of marginal work incentives when proposing the RUA.

Denuit, and Lernould 2018). In an act of discursive sleight of hand, Macron framed the increase in IWB provision as a minimum wage rise, a core demand of the *Gilets Jaunes*.

However, notwithstanding the political motives informing decision-making towards the Activity Bonus, a case can be made that cognitive-framing and policy ‘puzzling’ were ultimately the determining factors behind Macron’s preference for using IWBs as a policy lever. Firstly, PA expansion did not respond to overt pre-existing demand. In the period between the introduction of the PA in 2016 and the 2017 presidential election no opinion polls on public attitudes towards the policy could be sourced. As explored previously, over the same period around 85% of the public supported an above-indexation increase in the minimum wage, something Macron opposed. Thus through a purely political prism it is difficult to see why IWB expansion would have been chosen over a direct wage increase as a vote-winning measure. Added to this, it should be noted that in 2017 around two-thirds of the public supported an increase in the RSA, which was not reflected in subsequent government decision-making (DREES 2020, 24).

Secondly, while Macron recognised the political necessity of addressing cost-of-living concerns, the measures chosen to do so primarily responded to policy-based imperatives. Even when faced with strong pressure from the *Gilets Jaunes*, whose key demands included a large increase in the SMIC, the president instead announced an acceleration of the PA’s expansion in order to increase incomes “without costing the employer a single additional euro” (Macron 2018). A few weeks earlier, prime minister Edouard Philippe also defended the decision not to increase the minimum wage by explaining: “our policy is not to boost the SMIC, our policy is to make work pay” (AFP 2018). As such it seems that even when faced with intense social pressure, Macron’s government was not willing to infringe the tenets of economic thinking which suggested that weakened incentives (via an RSA increase) or higher labour costs (via a SMIC increase) would harm employment.

5.4.5 The Universal Activity Income Proposal

From 2018 Macron’s administration also began work on a proposal for minimum income reform that contained potential implications for the role and logics of IWB provision. In September 2018 the French president announced his desire to create a Universal Activity Income “which merges the greatest possible number of benefits, and for which the state will

be entirely responsible” (Élysée 2018). According to a civil servant closely involved in the reform, it is intended that at minimum the RUA will include the RSA, housing benefit (APL), and the PA, thus once again integrating IWBs with out-of-work social assistance (FR-V). Although the final scope of the policy remains subject to consultation, official documents highlight the government’s preference for as wide a fusion as possible, potentially including unemployment assistance (ASS), old-age assistance (ASPA), disability and invalidity benefits (AHH and ASI), and benefits for young adults (DIPLPEJ 2019). While the Covid-19 pandemic suspended consultation, in early 2022 Macron indicated that work on the RUA had re-started and that the policy would be pursued during his second presidential term (Godeluck 2022; Rey-Lefebvre 2022).

Origins and Objectives

The RUA proposal represents a continuation of the dominant cognitive framing of social protection debates over the past two decades. Both statements by Macron and interviews with civil servants suggest that the inspiration for the reform emanates from past initiatives and reports aimed at benefit simplification (Élysée 2018; FR-V; FR-W). These include the Hirsch Commission in 2005 and Christophe Sirugue’s 2016 report entitled “re-thinking social minima” which recommended fusing ten means-tested benefits into one (Sirugue 2016). Externally, the example of UC in the UK is also an influence, although a desire exists to avoid what are perceived as UC’s implementation problems and harsh conditionality (FR-W).

Reflecting these influences, the RUA is motivated by the view that the minimum income system has become overly complex due to the co-existence of too many benefits and means-testing rules. As a result the existing system is considered difficult to manage and understand, leading to lower take-up rates, anomalous incentive effects, obstacles to achieving reform objectives, and an erosion of public trust (MSP 2019; FR-V).

In response, policymakers hope that reducing the number of benefits and harmonising rules between them can achieve several objectives. In making the system simpler and more user-friendly it is argued that the RUA will increase take-up, thus reducing poverty (MSP 2019 FR-V; FR-W). A second, arguably central, objective is to encourage employment through greater incentivisation and activation. In announcing plans for the RUA, Macron decried that there remained “absurd, even shocking situations where it may be financially preferable not to take a job or increase working hours” (Élysée 2018). One civil servant was more nuanced, arguing

that in most cases “the system ensures that work pays”, however that gains from work were not equal across benefit categories and nebulous rules undermined recipients’ confidence to take a job (FR-V). By bringing the main working-age benefits into one instrument it is thus hoped to “better articulate [welfare] with the return to work” (FR-W). A further concern is to better target incentives on those working marginal hours, a group that had not benefitted from PA expansion (Ibid). Linked to improved incentivisation, Macron has also employed a ‘responsibilities’ discourse, putting emphasis on the need for greater employment support and the application of sanctions to those who do not engage (Élysée 2018). Rather than creating a new regime, this is understood internally as “applying the current rules” (FR-V) – something widely viewed as not the case with the RSA (see RSA chapter section).

A third objective is to restore what is viewed as a loss of public trust in means-tested social protection. Statements by Macron, civil servants, and official documents all show a concern that, in the words of one policy document: “the multitude of existing benefits undermines adherence to our solidarity model by suggesting that it is easy to accumulate multiple incomes without working” (MSP 2019). Macron himself has arguably helped to further fuel such discourse by arguing that the state ‘de-responsibilises’ people by spending “crazy money” (*un pognon de dingue*) on welfare “without people getting off [benefits]”, elsewhere commenting that “it is unacceptable that some people who can take a job do not do so” (Élysée 2018; Le Monde 2018). Similarly to both the Hirsch Commission and New Labour-era reforms in the UK, the hope clearly exists that the RUA can neutralise ‘welfare dependency’ discourse by demonstrating that social protection is both ‘fair’ and does not allow for a ‘life on benefits’.

In addition, compared with the expansion of the PA, the RUA proposal seems less motivated by direct political factors. An observation by one civil servant is illuminating in this regard:

“The idea of overhauling the social benefits system was not a central theme of the [2017 presidential election] campaign. I understand that the idea emerged within the team that worked on Emmanuel Macron’s manifesto...But the decision was made not to make it a fundamental campaign issue” (FR-V).

The apparently limited electoral motivation does not mean that political dynamics have played no role. According to government insiders, Macron’s ‘crazy money’ comment was intended to call attention to his anti-poverty strategy amid a crowded news cycle as well as respond to supposedly negative public attitudes towards ‘welfare dependency’ (Auffray 2018). Yet there does not appear to be strong political demand for the RUA. In-depth polling by one research

agency found that a small majority of the public would back a limited fusion of working-age benefits (e.g. social assistance, unemployment assistance and perhaps housing benefit), although this support fell from 59% to 51% between 2018 and 2020 (Berhuet and Hoibian 2020, 87–89). Any wider merger of benefits or any fusion that does not protect differential rights attached to different categories does not enjoy majority support, opening the question as to how genuinely popular the notion of benefit simplification is (Ibid).

Likewise, interest groups representing those potentially affected by the reform appear hesitant. Civil servants involved in the RUA described anti-poverty associations as “rather opposed” or “reticent” (FR-W’ FR-V). This view was reflected by a senior representative of the Alert Collective, who described the organisation’s position as “sceptical” due to concerns that the RUA may create losers or lead to reduced take-up versus popular benefits like the PA (FR-N; see also: Collectif Alerte 2019). A representative of the CFDT expressed worry that the PA would be fused with the RUA, given that the Activity Bonus was viewed as a success (FR-β). The CFTC, while favourable to the notion of universalism, was “rather pessimistic about where this [the RUA] will end up” (FR-ε). Meanwhile, according to a civil servant within the social affairs ministry, employers’ organisations “don’t care” about the reform “because it’s not them who will pay” (FR-W). In light of such concerns and the reactive nature of the positions of interest groups, it seems clear that the RUA is primarily driven by what elite political, administrative and technocratic figures view as a desirable direction of reform, rather than the proposal emerging in reaction to external social or political pressure. Nonetheless, the final shape of the RUA, if it comes into creation, will likely be mediated by interest group pressure as well as political and circumstantial dynamics, as has been the case with previous waves of IWB and minimum income reform in France.

5.5 Conclusion: French In-Work Benefits, 1995-2020

This chapter examined governmental preferences and decisions towards French IWB reforms from the mid-1990s to the early 2020s. Following a multi-streams analytical framework, each main chapter section addressed the sub-questions of RQ1 for each reform studied. Summary conclusions in relation to the findings are provided below.

RQ 1.1 (protagonists) – Elite policy networks were the central actors which first conceived and advocated for each IWB reform. These were the ‘economistic’ network within and external to Jospin’s government (PPE), the circle of social security experts and civil servants around Martin Hirsch (RSA), the civil servants, academics and third sector figures involved in the Sirugue working group (PA), and Macron’s advisors and elite civil servants (RUA). These networks also included, or were able to gain the support of, key political figures with the power to implement IWB reforms. Without the actions of these networks – and the individual policy entrepreneurs within them – each observed reform would not have occurred, or at least not in the form in which it did. Such groupings were also vectors of policy transfer, translating ideas popularised in the USA, UK and international organisations into French policy debates.

RQ 1.2 (policy desirability) – Furthermore, policy ideas, assumptions and paradigms played a dominant role in the conception and adoption of French IWB reforms. Policymakers faced a changing labour market context comprised of stubborn unemployment, the rise of non-standard jobs, increasing social assistance caseloads, and multifaceted dimensions of poverty and precarity. Shared cognitive frameworks, especially those related to orthodox labour market economics and incentive-based assumptions of poverty and welfare, aided policymakers to interpret problem pressures and decide upon courses of action. Decision-makers ultimately prioritised controlling labour costs, ensuring adequate supply-side work incentives (including at part-time hours), tackling *in-work* poverty and support for the consumption of *working* households. Employment-conditional benefits were chosen in response to these goals. The role of cognitive filtering can be seen in the instances where ‘making work pay’ was prioritised even where the evidence for the purportedly negative effects of incentive-traps was thin. Such preferences also responded to moral arguments about valuing work and encouraging personal responsibility. As such, rather than seeking only to maintain the policies, norms and structures of social insurance and the standard employment relationship, new interpretive frameworks as well as problem pressures led policymakers to seek new instruments and strategies. Furthermore, dominant cognitive assumptions often led policy elites to rule out alternative tax, benefit, wage or labour market regulatory options as unfeasible, undesirable or ineffective. Within this broad cognitive approach, the design features of each IWB largely reflected the specificities of problem-framing and the prominent issues within elite debate during each period studied. In addition, more recent policies were shaped by legacy effects and ‘lessons’ of

previous ones. Regarding specific reforms, the PPE and the RSA were both primarily motivated by the assumption that work disincentives were a driver of rising social assistance caseloads and discouraged people from seeking (especially part-time) jobs. However in part due to protagonists' professional and institutional backgrounds, each reform reflected different preferences towards policy administration and the desirable link with social assistance. Meanwhile different political contexts and lobbying patterns largely determined the different distributional logics of each policy (see below and Ch. 6). Subsequently the Activity Bonus emerged from political-administrative dissatisfaction with these two instruments. As a solution, the PA reflected themes prominent in social security debate at the time (take-up, complexity, job precarity) and the 'lessons' learned from the perceived shortcomings of existing policies. Such thinking resulted in a shift in policy logics: combining the distributive logics of the PPE and RSA *activité*; providing greater support for full-time working; and simpler administration which was separate from social assistance. However more recently the Macron administration has returned the focus of IWB reform to marginal incentives, activation and benefit integration. This demonstrates the extent to which incentive-based thinking has become internalised in France's social policy eco-system. What was once a 'cognitive rupture' has become the new 'common sense'.

RQ 1.3 (political factors) – In the political sphere, since the late 1990s governments of the centre-left, centre-right and liberal-centre have adopted preferences for IWBs and none have sought to fundamentally question or directly retrench these policies (although the PPE was left to reduce in value after 2008). However partisan differences can be observed. Under the conservative right (UMP), IWBs encouraged atypical work while coverage and expenditure were cut for middle-income workers. Meanwhile the PS and LREM administrations all engaged in fiscal expansion and targeted incentives on more substantial working hours.

In terms of political drivers, both strategic-electoral motives and the possibility for broad actor support increased the political attractiveness of IWBs and encouraged their adoption. However close study of each period shows that executive actors' preferences seem to have responded primarily to ideational factors and perceptions. There is little evidence that voters or collective actors provided prior socio-political demand for wage supplements specifically, but rather political elites selected these reforms as the best way to meet strategic political goals in a way that aligned with their wider policy objectives. At the same time, anti-poverty charities and

some trade unions actively supported IWBs as often the only vehicle of welfare expansion on offer. Electoral and organised pressure may also have been a factor in the extent of expansion undertaken by more left-leaning and centrist governments.

For example, regarding the PPE, electoral and organised actor pressure pushed Jospin's government towards seeking policy expansion for low-income workers. However rather than meeting the apparent first preferences of voters or collective actors, the search for policy solutions was shaped by the government's own self-defined political strategy and ideational rationales for policy reform. As noted, multiple government departments were working on options for an incentive-based instrument during 2000-01, and it seems likely that a permanent IWB would have emerged eventually regardless of the political incentives Jospin and subsequent leaders faced. Likewise, although Sarkozy identified strategic and electoral benefits in the RSA, the policy was only adopted because it also fit with his wider ideological viewpoint and reform strategy to encourage work. Meanwhile more critical actors on the socio-political left found it difficult to openly militate against the logic of wage supplements and found themselves in a defensive position. Political motives appear to have played a more important role in the PA's creation: both in terms of the Hollande administration's initial refusal to adopt the measure, and then in the strategic logics which drove the policy's implementation. At the same time, the Hollande-Valls government does not seem to have adopted the PA as a direct result of lobbying or specific socio-political demand. Finally, as reviewed, there is little evidence to suggest Macron's proposal for the RUA is a response to electoral imperatives or external political pressure.

RQ 1.4 and 1.5 (opportunity factors and configuration) – Finally, the role of chance and contingency was often crucial to French IWB reforms. Most notably, without the Constitutional Court's rulings in 2000 and 2014 against targeted cuts to the CSG and employee SSCs it is likely that IWBs would have become more minor instruments focused on welfare-to-work transitions rather than providing wage supplements to a large swathe of the workforce. Notably, this legal obstacle presented itself again in Autumn 2015 when Jean Marc Ayrault and Pierre-Alain Muet (as Socialist Party MPs) tried to partially replace the prospective PA with a targeted CSG reduction. However the Constitutional Court once more ruled that the measure breached the principle of equality of taxation (AFP 2015a). Meanwhile timing was crucial to the RSA's

implementation, as if the reform had been delayed, the onset of the financial crisis may have led to it being postponed indefinitely.

These episodes demonstrate that while ideational processes may have provided the initial drive and primary motivation for IWB reform, the subsequent alignment of process streams was necessary for policy change to occur. Regarding the PPE, the policy, political, and opportunity streams aligned to open what was perhaps a unique chance to introduce an in-work tax credit in France. Likewise, the RSA's introduction was multi-causal and highly contingent. Without an elite ideational consensus and protagonists' determined advocacy, the political sphere may have seen inaction instead of reform. And without political sponsorship and a sufficiently broad actor consensus, the idea for the RSA would have gone ignored, remaining within the 'primeval soup' of policy debate (Kingdon 2013, 116–17). In the case of the PA, as noted already, the three streams did not align in 2013, however a change in circumstances made the reform possible just a year later.

As such, French IWB reforms can ultimately be explained by the confluence of the ideational, political and circumstantial factors reviewed above since the 1990s. It is these – with ideational processes as the main drivers – which led policymakers to introduce and expand wage supplements as a core regulatory component of France's income support system and post-industrial labour market.

Chapter 6 – Comparative Drivers of Qualified IWB Convergence

The analyses undertaken in the previous chapters now allow us to answer the comparative research question (RQ2): *what factors account for the convergent and divergent trends observed regarding IWB reforms in France and the United Kingdom from the mid-1990s to 2020?* The findings presented below are the result of cross-referencing the causal factors identified in the policy, political and opportunity streams of each IWB reform period studied in these two countries. Analysis of these suggest that throughout each phase of reform there existed both common factors which drove a shared preference in favour of IWBs and context-specific factors which shaped national differences in policy design and logics (c.f. Ch. 2., sec. 2.3.4).

The main common factors identified which drove a preference for IWBs were: (i) the presence of a social assistance scheme, often combined with the problematisation of social assistance caseloads; (ii) elite cognitive frameworks which were receptive to incentive-based narratives of the causes of unemployment and poverty, and concomitant ‘make work pay’ solutions; and (iii) similar political dynamics, namely diffuse political demand in favour of action to support low-income workers and ambiguous acceptance of in-work benefits among organised interests. Despite the wider differences between the French and British welfare states, the consistent presence of these factors created an institutional, ideational and political environment of which permanent wage supplements were a product.

At the same time, these factors did not lead to wholesale policy emulation or convergence, even where overt attempts were made to import IWB policies from elsewhere. Instead, ongoing differentiation in policy design and logics responded to numerous context-specific factors and processes. While these varied per reform period, they included nationally-specific features of: (i) pre-existing tax, benefit and labour market institutions; (ii) IWB-specific policy legacies and the specificities of elite deliberation towards IWBs; (iii) local political dynamics (executive actor strategies, the role of public opinion, and patterns of actor lobbying); (iv) the impact of popular norms and assumptions towards employment and social security; and (v) the unpredictable effects of circumstances, events and the ‘joining’ of process streams. The effects of these commonalities and differences are discussed below in relation to each main phase of reform.

6.1.1 Reform Period 1: The Left and Tax Credits

In the first reform period studied (late 1990s to early 2000s) centre-left governments undertook expansive, fiscal IWB reforms. In France's case the PPE represented an institutional rupture while UK tax credits were an administrative innovation of a pre-existing instrument. Overall, in addition to the common preference for permanent wage supplementation, these policies shared a *similar* institutional logic, but *different* distributive and employment logics. The two policies both followed an institutional logic of separation, cognitively and administratively distancing in-work support from social assistance via the creation of new fiscal instruments. However in distributional terms UK tax credits remained targeted welfare benefits (covering a peak of 8% of the workforce by 2010) while the PPE was a broad consumption instrument which reached almost a third of all workers. Regarding their employment logics, the UK system provided incentives to work both part and full-time (but not 'mini-jobs'), while the PPE's incentive structure was most generous towards full-time employment at the minimum wage.

Common Driving Forces

Firstly, by the 1990s both France and the UK had a social assistance system in place (RMI in France, non-contributory-JSA and IS in the UK), which helped to seed logics and debates propitious to concerns about 'making work pay' (Palier 2005, 139; Clegg 2014). While this was a longer-standing feature of the UK's benefits system, it was a more recent development at the margins of France's social insurance welfare state.

Secondly, and crucially, dominant policy elites shared similar cognitive frameworks, both in terms of problem-framing (incentive traps as a cause of inactivity, a fear of harming employment through an overly-high minimum wage) and solution-seeking (a tax credit or full NIT targeted on part-time hours as the most efficient and equitable response). The increased involvement of classically-inspired economists in social policymaking and their role as vectors of policy transfer helped to nest a 'make work pay' paradigm and associated policy toolbox in national debates. While in the UK incentive-based thinking had already been present for some time, in France these new actors and modes of thought displaced previously dominant networks including social partners and like-minded actors in the labour and social affairs ministry (c.f.

Colomb 2012). Also important in both countries was the rising authority of finance ministries in social policy, which together with the influence of economists and prevailing international policy fashions, helped to shape the preference for tax credits as a vehicle of IWB provision.

Thirdly, governments in both countries faced political incentives to expand support for low-income workers while also wishing to avoid the perceived ‘blame’ attached to overt social spending increases. While higher wages would also have met these objectives, raising wage floors further was dismissed due to cost-of-labour assumptions and the view that minimum wages were blunt redistributive tools. Together, these issues led to a preference for fiscal IWBs, although the specific motivations were not identical. A concern to avoid being cast as ‘pro-welfare’ was a strong driver of New Labour’s preference for tax credits in the UK, while in France the desire to meet EU spending rules and pursue a cross-class tax cutting strategy seem to have been of greater weight. In addition, in both countries IWBs were accepted by broad (but not universal) interest group coalitions which acted as consenters rather than sources of prior demand.

Factors Driving Differentiation

Beyond these common mechanisms, context-specific factors help account for the differences observed in policy design and logics.

Firstly, the structures of pre-existing benefit and tax systems limited policymakers’ ambitions and prevented them from seriously considering the creation of a full negative income tax. Instead, UK reformers effectively transferred the structure of the existing IWB (Family Credit) to the tax agency while making a few design tweaks and expansions. In France, no similar IWB policy existed at the time which could be converted into a fiscal vehicle. Furthermore, the absence of a payment at source mechanism in the tax system required PPE payments to be calculated and paid annually rather than via regular instalments.

Secondly, patterns of interest-group lobbying were rather different. In the UK, advocacy by gender equality campaigners and employers (for different reasons) led to the watering-down of plans for tax credit payments to be made to the main household earner via the payslip. At the same time, there was little open dissent to tax credits from left-wing parliamentarians or trade unions. Meanwhile in France, opposition by left-wing members of the Socialist Party and their allies to subsidising part-time employment left the PPE’s credits targeted on full-time work,

despite policy protagonists' original intentions. This suggests that the notion of part-time working was more controversial among the French than the British left at the time, perhaps reflecting stronger opposition among the former to labour market flexibilisation and its perceived threat to the norm of full-time, secure employment. Additionally, internal pressure for more action on living standards and the minimum wage led the PPE to having a much broader distributive profile than if it had been focused on poverty alleviation and work incentives alone.

Thirdly, and linked to the above, political discourse towards IWBs evinced normative differences between each government and their respective political contexts. While Jospin's administration portrayed the PPE primarily as a measure to boost living standards and shied away from describing it as a 'tax credit' due to the term's association with economic liberalism, New Labour saw political advantage in the 'tax credit' branding and also framed these policies as a 'reward' which left 'no excuse' for the unemployed not to seek jobs.

Lastly, contingent circumstances played a critical role in France, where the Constitutional Court's blocking of the Jospin government's planned CSG cut opened the window of opportunity for the PPE's implementation. In the UK, historical chance was somewhat less important, however New Labour's electoral hegemony and Tony Blair's 1999 pledge to eradicate child poverty opened the political space for the further expansion of tax credits after their initial introduction.

6.1.2 Reform Period 2: The Right and the Integration Agenda

In the second period studied (mid-2000s to early 2010s) centre-right governments undertook reforms which involved changes in a similar direction regarding the institutional, distributional and employment logics of in-work benefits. In both cases new policies (the RSA *activité* and UC) integrated IWBs with out-of-work social assistance, focused support more tightly on poorer workers, and purposefully shaped incentives to support non-standard working hours. At the same time, both governments made attempts to tighten the conditionality requirements of social assistance. However, while a similar direction of travel was followed, and the employment logic of each policy was markedly similar, the extent of change in the other dimensions varied. Institutionally, policymakers in France were unable to integrate as many benefits into social assistance as their UK counterparts, while the decision to retain the PPE

meant that an institutional separation between IWBs and social assistance was partially maintained. For the same reason, a far broader distributional logic of in-work support was continued in France. On the other hand, during this period UK policymakers arguably went further in tightening conditionality and in developing a system of ‘in-work conditionality’ for those working few hours.

Common Driving Forces

A number of factors explain the similar trajectory of IWB and minimum income reforms over this period. As before, similar sector-specific policy legacies existed. By this point both countries possessed established social assistance schemes and separate fiscal IWBs. Policymaking elites were also influenced by dominant narratives about the perceived inefficiencies of these systems (e.g. regarding the effects of complexity and perverse incentives) and the problematisation of rising minimum income benefit caseloads.

Secondly, policy protagonists shared similar cognitive frameworks with regards to these issues. As in the previous IWB reform wave, elite policy networks problematised incentive traps as causes of inactivity and shared the premise that work should offer the main (or only) route out of poverty. However unlike the previous period, rather than viewing separate fiscal instruments as sending a positive signal to workers (or voters), tax credit schemes were argued to generate administrative complexity and uncertainty for claimants, thus undermining incentive signals. The solutions proposed were almost identical: to integrate tax credits and several minimum income benefits into one system and apply ‘smooth’ incentives from the first hour worked. Ensuring that work paid in all circumstances (at least for the first household earner) was viewed as the most desirable way to reduce poverty and unemployment. Such thinking was influenced by incentive-based and orthodox economic assumptions, which also acted to ‘filter out’ alternative policies on the grounds these would be inefficient or have undesirable effects.

Furthermore, each centre-right government at the time held ideological stances towards welfare which made them receptive towards targeted IWB expansion. Both the Cameron and Sarkozy administrations deployed a responsabilisation narrative which emphasised a moral dichotomy between ‘work’ and ‘welfare’ and suggested that benefit receipt created long-term ‘dependency’. In this sense, *in-work* poverty and incentive traps were viewed as problems because they undermined the superior moral and financial value ‘work’ was meant to embody *vis a vis* ‘welfare’. Political leaders proved receptive to proposals by policy entrepreneurs

which promised to reinforce the work/welfare boundary and reward good behaviour (as also seen in preferences for strengthened benefit conditionality). However while both governments supported limited and highly-targeted IWB expansion, they were otherwise focused on cost-containment and reducing ‘dependency’. As a result they sought to either freeze or cut not only out-of-work social assistance, but also IWB provision for middle-income households. Consequently, while workers on marginal hours or pay stood to benefit from the new policies, the generosity and coverage of the PPE was gradually reduced in France and successive cuts were made to the generosity of tax credits/UC in the UK.

Fourthly, similar political dynamics existed in both cases. In electoral terms the two governments arguably faced weak direct incentives to expand in-work support to the ‘working poor’. However centre-right leaders saw wider political value in policies which, while acceptable to their political bases and ideological sensibilities, demonstrated that they had their own solutions to poverty and ideas about how to ‘fix’ welfare. In this vein, the values associated with each IWB reform –rewarding work, cutting in-work poverty, and encouraging personal responsibility – appeared to align with the attitudes of broad swathes of strategically important voters. The reforms also added meat to conservative parties’ discourse that they were supporting ‘work’ while centre-left opposition parties had become ‘parties of welfare’. Finally, once proposed, diverse actor coalitions and majorities of public opinion supported UC and the RSA. Contrarily, while opponents (and qualified supporters) had alternative preferences, they lacked the power or willingness to mount direct opposition to what were framed as both technocratic fixes to existing instruments and policy expansions in favour of low-income workers.

Finally, both policies were driven by influential policy entrepreneurs and enabled by favourable contingent circumstances. The prior development of policy blueprints, advocacy of well-connected protagonists, and political receptivity to ‘making work pay’ and ‘simplification’ meant that each policy idea was quickly adopted after the election of new centre-right governments. In counter-factual cases, as explored in the country chapters, other agendas and events may have prevented ambitious welfare reform from being carried out at all.

Factors Driving Differentiation

Despite these common trends, several context-specific factors prevented a fuller convergence of the institutional and distributive logics of wage supplementation in each country.

Firstly, notwithstanding the overall institutional logic of integration, French in-work support was less assimilated into the structure of social assistance compared to the UK. In France the in-work component of the RSA possessed its own name (RSA *activité*), was financed differently from the RSA *socle*, and separate statistics were held on its recipients. Conversely, all UC recipients are administratively considered as claimants of the same benefit and only limited statistics are kept on separate 'in-employment' and 'not-in-employment' groups. This differential level of assimilation was mainly driven by institutional legacies. In France, where since 2004 out-of-work social assistance has been managed and financed locally, it was more difficult to fully integrate this into a new national IWB scheme compared with the UK's more centralised welfare system. At the same time, the differences here should not be over-exaggerated. For example both the RSA and UC created a similar administrative division between the 'underemployed' and the 'fully employed', whereby recipients who were considered not to be working enough hours were ostensibly subject to additional conditionality requirements.

Secondly, differential support for tax credit schemes, especially within the political right, was critical to maintaining the distinct institutional and distributive nature of each IWB system. The merger of tax credits with social assistance in the UK but not in France meant that IWBs in the latter retained a far broader distributional and more fragmented institutional logic. Given that policymakers' original intention in both cases was to merge tax credits with social assistance, the different decisions finally taken appear to have responded to political dynamics. In the UK, according to an academic survey of MPs, a majority of Conservative parliamentarians (and many Liberal Democrats) had a negative view of tax credits, considering them overly complex and an unwelcome extension of means-tested welfare to the middle classes (Bochel and Defty 2007, 97–98). The same survey found that there was strong support for the principle of benefit simplification among MPs of all parties (Ibid, p91-92). In addition, in the mid-2000s tax credits suffered a major reputational blow due to the debacle over mis-calculated payments. Due to all of the above, those involved in UC's implementation found no political or administrative resistance to subsuming tax credits into social assistance. The picture was different in France. Here, the political right had celebrated the PPE's creation in 2001 as a 'capitulation' of the left to their agenda. Until 2008 subsequent centre-right governments had then further expanded the PPE. The policy also did not suffer the reputational problems that had beset UK tax credits. Thus while technocrats considered the PPE to be an inefficient instrument, many on the centre-right viewed it positively as fiscal bonus for middle-income workers. As a result some

politicians resented the idea that middle class workers would be penalised by the PPE's elimination or turned into benefit recipients to facilitate welfare expansion for the working poor. A number of other actors also raised concerns about the PPE's elimination, creating a political obstacle that did not exist in the UK and leading Sarkozy's government to U-turn on this aspect of the plans for the RSA.

Thirdly, institutional structures, policy norms and interest group lobbying helped to shape the differential scope of UC and the RSA. These differences were of direct importance for the institutional and employment logics of in-work support as they determined how wide the application of new work incentives and conditionality requirements would be. Put simply, in the UK the push for simplification enjoyed greater political support, and less institutional, normative and interest-group obstacles, than in France.

In the UK policymakers faced little resistance to integrating the main means-tested working-age benefits, including Housing Benefit and a component of disability support (means-tested Employment and Support Allowance). Of the nine benefits that reformers had originally wanted to merge, only three were excluded from real-world UC: Child Benefit, Disability Living Allowance (later Personal Independent Payments), and Council Tax Benefit. The first two, as more universal benefits, were excluded to avoid potential conflict with the middle classes and disability groups. The third benefit was devolved to local government instead.

In France the institutional, political and normative obstacles to integration were higher. A common issue which emerged from research interviews is that administrative actors, charitable associations and beneficiary interest groups viewed 'their' benefit as a 'right' based on distinct social needs which should operate on a different logic to mainstream social assistance (and associated conditionality requirements). The RSA's protagonists reported encountering these views among the main social actors involved in disability, family and housing benefits (FR-J; FR-L). In response, the RSA's Green Book ruled out inclusion of these benefits on the basis that they did not fit the logic of the means-tested and activation-oriented system (Hirsch 2008b, 52–55). Likewise, despite a clear desire to integrate unemployment assistance (ASS), both budgetary, institutional and cognitive obstacles prevailed. These included that integrating the ASS would have been costly and politically tricky due to its higher generosity and link with contributory unemployment insurance (D. Clegg 2014, 153; FR-K; FR-H; Hirsch 2008b, 48–49). Finally, as explored in the country chapters and Clegg (2014), the different structures of each country's public employment service and benefit administration made it comparatively

more difficult in France to link RSA recipients with the employment service and fully apply conditionality rules.

6.1.3 Reform Period 3: Political and Policy Divergence?

During the third period studied (mid-2010s to 2020) two distinct phases of reform took place. In the UK, Conservative governments attempted to cut back IWBs, and then from 2017 returned to an expansionist path following a change of leadership. At the same time, UC was fully rolled out for new claimants. Overall, these reforms followed a dual distributive logic of poverty-relief and more broad support, an atypical employment logic and continued institutional integration. In France, the creation and expansion of the PA saw French IWBs characterised by a dual logic of targeted and broad income support, a (semi-) standard employment logic, and an institutional separation of in-work and out-of-work support. Comparatively, each country followed a *different* institutional logic, a *somewhat different* employment logic, and a *somewhat similar* (but not identical) distributive logic.

Common Driving Forces

During this period, despite the election of governments of different partisan traditions and which held distinct preferences toward IWB design, no administration sought to eliminate wage supplements. The ongoing common commitment to in-work benefits was underpinned by the common institutional, ideational and political factors cited in this chapter's introduction.

Firstly, policymakers were subject to similar sector-specific feedback effects, whereby social assistance and means-tested wage supplements had come to play a core role in social protection and low-wage labour market management. This created significant obstacles to policy reversal (as UK Conservatives discovered in 2015), while elite debate focused mainly on addressing perceived shortcomings of prior reform waves rather than seeking a sharp change in direction. As part of this, there was an ongoing ideational commitment to incentive-based thinking and the goal of 'making work pay'. However differences in elite attitudes to other goals and instruments led to divergence in respective policy logics, as explored below.

Finally, political dynamics continued to favour IWB expansion, especially in the wake of political events (the *Gilets Jaunes* movement in France and the Brexit vote in the UK) which

focused attention on ‘left behind’ groups of the population and the need to address social discontent to reap electoral reward or ensure social stability. As a result, despite cost-containment also being a goal for governments during this time, IWBs continued to be favoured as both technically and politically desirable instruments.

Factors Driving Differentiation

Despite these commonalities, as noted, in this period differences emerged in the institutional, employment and distributive logics of IWB design in each country. The factors which may explain these divergences are discussed through the lenses of (i) different distributive politics, (ii) context-specific elite deliberation (linked to sector-specific policy legacies), and (iii) distinct employment and working-time norms.

Different Distributive Politics

Firstly, it is worth noting that the different distributional stances towards IWBs observed during this period did not seem to respond directly to partisan differences. In the UK, different leaders of the same centre-right governing party adopted different stances towards IWBs, whereas in France a centrist administration engaged in large-scale policy expansion while the preceding centre-left (Hollande) government was more focused on cost-containment (albeit undertaking limited expansion despite this). Rather, governments’ attitudes towards expansion or retrenchment appear to reflect the particular political strategies of decisionmakers combined with the changing political contexts in which they operated. These are best understood via two distinct phases.

Phase 1: Mid-2010s

In 2015, a new majority Conservative government in the UK proposed both IWB retrenchment and a higher minimum wage, showing a preference for austerity rather than spending to ‘make work pay’ or reduce poverty. This preference was driven by budgetary reasons and an anti-welfarist stance, as well as the political calculation that cutting in-work benefits (as a form of ‘welfare’) would be popular. Yet the ensuing backlash taught politicians that public and political opinion was far less tolerant of cuts which affected ‘hard-working families’ compared with the unemployed.

In France, the Hollande administration adopted a more pro-redistributive stance. IWB reform was examined as part of the creation of an anti-poverty strategy in which charitable associations had a prominent role. The policy solutions chosen reflected a ‘needs-based’ approach: increasing the real-terms value of social assistance as well as targeting in-work support on the bottom half of the income distribution at the expense of higher earners. While cost-containment was a key policy goal, unlike in the UK this did not translate into attempted minimum income or IWB retrenchment. Electoral politics also played an important role, as Hollande’s government was more politically dependent on younger and precarious workers compared with the British Conservatives. Indeed the introduction of the PA was used as a credit claiming tool at the same time as UK Chancellor George Osborne was trying to frame cuts to in-work support as saving money on a wasteful subsidy.

Phase 2: 2017-2020

Distributive stances became more similar from 2017. In France Emmanuel Macron continued Hollande’s credit-claiming strategy by promising additional PA expansion. However the new president was pushed further and faster in this direction than intended by the need to manage the *Gilets Jaunes* movement and its demand for a significant minimum wage increase. At the same time, Macron ended the trend of real-terms increases to social assistance, signalling a return to ‘less eligibility’ as a means to contain costs and increase work incentives. Meanwhile in the UK, a series of political events from 2016 (c.f. Ch. 4, sec. 4.4.4.) created pressure to return to IWB expansion to support low-income workers. At the same time, ‘less eligibility’ continued to be a core principle, and unemployed recipients of UC saw no concomitant increases in support. As such in both France and the UK, after divergence in the mid-2010s, similar political events and incentives, coupled with similar welfare stances, brought policymakers towards common dynamics of IWB expansion.

Specificities of Elite Deliberation Towards IWBs in France

Secondly, the decision to restore a hard institutional division between in-work and out-of-work support in France emerged from the specificities of elite deliberation and national IWB policy legacies. The Sirugue working group in 2013 was influenced by the perception that low take-up of the RSA *activité* was partly due to its cognitive and institutional link with the RSA *socle*. In this sense, the subsequent decision to create an IWB which was institutionally and discursively distanced from social assistance can be understood as a form of policy learning

based on past experience. However this ‘lesson’ may have been short-lived. In France there continues to be political and technocratic support for benefit simplification, which may lead to the creation of the Universal Activity Income in the near future. If this occurs, it will be possible to speak of a long-term trend of institutional convergence between the IWBs of both countries. This suggests that, despite the different institutional logics which have occurred in practice, policy elites in both countries continue to share similar cognitive approaches to minimum income reform and the goals of activation, integration and making work pay (c.f. D. Clegg 2014).

Distinct Employment Logics

Finally, distinct norms and debates towards working hours shaped national differentiation in IWBs’ employment logics. In France, the creation of the PA purposefully increased incentives and support at full-time over part-time working hours. The policy’s conception was accompanied by a problematisation of job precarity and atypical employment by the left, as was evident in both the Sirugue group’s report and the Hollande administration’s anti-poverty plan. Further, around the time the Activity Bonus was first being designed, a new Employment Security Law prohibited working time of less than 24 hours per week (with exceptions) unless demanded by the employee (Légifrance 2013). Even Macron, who pursued a ‘flexicurity’ approach to labour market reform in his first term, centred further PA expansion on those working at around the minimum wage: thus targeting “modest” workers with “proper jobs” rather than the “poorest workers” who only “work a little” (FR-N). Together these trends suggest an ongoing discomfort with the notion of the state subsidising very marginal working time or ‘mini-jobs’.

In the UK, the cognitive logic and incentive structure of UC continues to focus on incentivising any number of hours and flexible working time. However a hardening of attitudes has also occurred within government towards atypical and ‘gig economy’ work and the “one way flexibility” this creates in favour of employers (HM Government 2018, 18). Linked to this, the implementation of ‘in-work conditionality’ has become accompanied by increased problematisation of very low working time as an undesirable feature of the labour market: as seen in the increase of UC’s in-work conditionality threshold from 9 to 12 (and potentially 15) hours per week in 2022 (BBC News 2022; DWP 2022a). By requiring claimants working under a given threshold to try to increase their working hours, in-work conditionality is thus re-

establishing a boundary of what is considered an ‘acceptable’ employment norm from a policy perspective (DWP 2021b). The employment orientation of UK in-work support is thus currently caught between a logic promoting flexible work on the one hand, while problematising elements of marginal or atypical work on the other.

6.2 Summary on the Qualified Convergence of French and British IWBs

As the preceding review suggests, comparative IWB trajectories between the UK and France can be explained by the interplay between common factors driving convergence, and context-specific factors which have defined the distinct policy designs and logics of each country’s system of wage supplementation. To complete this study’s response to RQ2, the overall operation of these factors across the period studied is summarised here.

6.2.1 The Common Dynamics Driving In-Work Benefits

As mentioned, the main common factors leading to similar outcomes in the area of IWBs were the sector-specific policy legacy in the area of social assistance; similar elite ideational frameworks; and similar political dynamics regarding support for low-income workers. These factors laid the institutional, ideational and political bases for IWBs in each country. In addition, once implemented, wage supplements have created policy feedback effects which present barriers for any government seeking to eliminate or cut back IWBs.

The presence of a means-tested tier of social assistance preceded, and was essential to, IWB reforms. While the existence of such a scheme was more recent in France than in the UK, in both countries a combination of reforms to unemployment insurance and changing labour market conditions led to the expansion of means-tested assistance as a form of unemployment support during the 1980s and 1990s. Despite other policy reforms being a cause of social assistance expansion, these caseloads nonetheless became a somewhat perennial source of concern for policymakers, in part because the ‘collision’ of low-wages, non-standard employment, and means-tested benefits risked exacerbating structural unemployment (Clasen and Clegg 2011, 5). As such the presence of social assistance, while not a pre-determinant of

IWBs (there are countries which have social assistance schemes and no in-work benefit, and vice versa), could be understood as creating propitious conditions for the types of policy debates which lend themselves to IWBs being identified as a desirable policy solution.

Indeed the second, and most crucial, factor has been the similar cognitive frameworks of policy elites in charge of, or with great influence over, reforms to social protection. The influence of incentive-based thinking led the issue of work incentives to become an overriding concern in policy debates and reform processes in both countries. This was one ideational component of the rise of classical economic thinking in social policymaking in the late 20th century, which on occasion also fused with behaviouralist and ‘dependency’ narratives of poverty (c.f. Berman 2022; Colomb 2012; Peck and Theodore 2001). Processes of policy transfer and exchange among elite networks also helped to forge common understandings and cognitive logics in each polity. At times this led to attempts at direct policy emulation, but more often involved the embedding of the principles of utilitarian economics and rationalist behavioural assumptions in elite debate. As a consequence of all this, in every reform period studied the identification of, and perceived need to address, incentive traps provided a central rationale and *independent* motivation for reform. This does not mean that ‘making work pay’ has been the only goal or issue: but rather it has been a key concern balanced against, and sometimes overriding, other objectives such as poverty-reduction, gender equality, and cost-containment. Different governments have given different weight to these goals, as discussed in preceding chapters. Yet the pre-eminence of incentive-based thinking has been observed in practice, given that no welfare reform proposal has been considered admissible by most policy elites if it would cut against the need to ensure adequate work incentives for working-age adults.

Incentive-based cognitive frameworks have also exercised an influence via the policies and problem-narratives they have ‘filtered out’ as well as the ones they have privileged. In this sense, concern with addressing work incentives has often gone beyond ‘the evidence’ and has shaped decision-making even where the empirical effects of incentive traps are questionable or unknown. This frame of thinking has arguably generated its own feedback effect whereby no matter how many reforms to ‘make work pay’ are undertaken, the problem of incentive traps seems never to be fully solved, nor does the focus of problem-framing shift elsewhere. This can be readily observed in current governmental discourse towards working-age social security in both France and the UK.

Thirdly, similar political dynamics have led politicians to favour IWBs over alternatives. In each period studied, governments have faced what could be termed diffuse political demand. Low-to-middle income workers and associated organised interests (unions, charities etc.) wanted action in favour of this social constituency, but *what* that action should be was not always fully clear or agreed-upon. Further, even where clear demands were made (such as for minimum wage increases), governments possessed room for manoeuvre in deciding how to respond. In doing so, political leaders considered the implications of potential actions as part of their wider political and policy strategies and concomitant constraints. In early 21st century Britain and France, most of the alternatives to in-work benefits have not fitted with these considerations: whether due to perceptions of anti-welfare public or media attitudes, potential patterns of opposition, institutional constraints, fiscal pressures, or (as above) policymakers' own cognitive frameworks and biases. As a result, alternative forms of social security expansion, tax cuts, or wage increases have usually been dubbed unattractive or unfeasible. Conversely, IWBs have been adopted as politically-convenient devices which can meet recipients' material needs and appeal to public-sphere sentiments whilst avoiding the perceived political and economic pitfalls of alternative courses of action. In this sense IWBs have acted as classic 'affordable credit claiming' devices (c.f. Bonoli 2012) which ostensibly go with the grain of prevailing elite and public attitudes towards the roles of 'welfare' and 'work' in post-industrial society.

In addition, in both countries coalitional politics and social power equilibria facilitated political calculations in favour of IWBs. In proposing or reforming wage supplements, governments of different partisan stripes were able to count upon relatively broad, if ambiguous, coalitions of support. While organised interests, opposition parties and internal actors lobbied for design changes, little opposition was mounted to the principle or expansion of wage supplements themselves. On the socio-political right, unalloyed welfare residualism or 'pure' free-market opposition to wage subsidies have been minority positions. Instead most conservatives, liberals and employers have conceded the desirability of state intervention to shape labour supply, uphold less eligibility, and ensure social stability. On the socio-political left, the majority view has been to welcome IWBs as a form of needs-based social protection for low-income workers, while sometimes exhibiting discomfort with stronger forms of incentive-based thinking or moral responsibility discourses of work and poverty. Only the more radical or 'workerist' elements of the left have expressed full-throated rejection of the state 'subsidising poverty

wages’: yet such voices have lacked the social and institutional power to block this reform path or dictate an alternative agenda.

6.2.2 Factors Driving Ongoing Differentiation

Alongside the common forces (and associated constraints) driving the adoption and secular expansion of IWBs in both countries, it has been demonstrated that context-specific factors shaped distinct policy design and logics. These differences are summarised here as: (i) national policy legacies, (ii) political-normative factors, and (iii) differences in elite policy deliberation.

(i) National policy legacies helped to shape the distinct designs of each country’s IWB system in various ways. In the first period studied, while policymakers in both countries took inspiration from the EITC in the United States, national tax and welfare structures led to fiscal IWBs taking on quite different institutional and distributive logics (see preceding analysis). The same occurred in the second reform period. Despite a common desire for benefit integration, the extent of IWB assimilation into social assistance, and the number of benefits fused together overall, were constrained by different pre-existing structures of social protection. Unique national experiences also influenced the ‘lessons’ policymakers drew regarding desirable policy design. In the UK, the ‘lesson’ drawn from tax credits was that maintaining separate fiscal IWBs was complicated and inefficient. Meanwhile in France the difficult experience of the RSA *activité* meant that a more recent ‘lesson’ for policymakers was that IWBs should be kept separate to out-of-work support.

(ii) Distinct patterns of political lobbying, linked to different welfare and employment norms, also shaped the employment and institutional logics of IWBs in each country. Compared to their UK counterparts, elements of the French socio-political left have more strongly lobbied against aspects of IWB reforms which promote or encourage atypical working time. This may be rooted in a stronger attachment to standard (full-time) employment and the relationship between work and insurance-based social rights. More widely, centrist and even centre-right politicians in France have at times problematised labour market precarity and in-work poverty. With the exception of the introduction of the RSA *activité*, policymakers have thus chosen to favour substantial part-time or full-time work in the incentive structures and generosity of in-work support. In the UK, the incidence and political acceptability of part-time employment has

long been higher than in France. While the socio-political left (and at times other partisan traditions) has problematised labour market precarity, during the creation of UC protagonists emphasised the benefits of working time flexibility and that any amount of working is preferable to full-time benefit receipt. Nonetheless, atypical work and marginal hours have been problematised by government more recently.

Further political-normative differences can be observed between the two countries. French interest groups (including civil servants and politicians embedded in certain administrative agencies) have been comparatively more opposed to benefit integration and successful in reducing the scope and speed of fusing different claimant categories. As noted, there was also greater political support in France for the maintenance of separate tax credits, including on the political right. Conversely, UK political debate has been more accepting of an integrationist institutional logic. Meanwhile, the gender dimension of IWB reforms has been more prominent in UK debates, perhaps reflecting the systematic focus given to this by organisations like the Women's Budget Group.

(iii) Thirdly, despite a common commitment to 'making work pay', differences can be appreciated in elite policy thinking. These relate to national dilemmas and issues and are reflected in the particular distributive logics of IWBs. In the UK, thinking towards wage supplements has been most strongly associated with maintaining less eligibility and alleviating poverty among low-income working households. The idea that IWBs should boost living standards and consumption across a swathe of the working population is less prominent, and much of the political right is opposed to middle-income households receiving means-tested benefits. Likewise, concerns about the cost of labour have become comparatively less prominent in the UK, as seen in changed attitudes towards the minimum wage on the left and right. Meanwhile in France, a constant concern of policymakers has been the idea that the cost of labour is a factor in structural unemployment, and that alternatives need to be found to the minimum wage to maintain living standards and work incentives. Given that targeted employee tax and social contribution reductions have often been blocked by the country's Constitutional Court, in-work benefits have become part of France's 'fix' to this dilemma. This difference also helps to explain the generally broader distributive profile of French IWBs.

Finally, the unpredictable effects of historical contingency cannot be dismissed as accounting for some of the IWB policy variation observed. Instances of this have been extensively explored in the country chapters as well as in the discussions above.

Conclusion – Thesis Reflections and Implications

Drawing together the preceding chapters, this thesis makes at least three main contributions to scholarship. Firstly, the research produces new empirical material and knowledge about IWB policy reforms in France and the UK and offers an ideas-based and multi-causal argument to explain qualified policy convergence in this area since the 1990s. Secondly, it provides insights into the potentially unique dynamics of IWBs as a policy field, and how these may differ compared with other spheres of post-industrial welfare state change. Thirdly, it contributes to wider policy studies literature and concepts. After exploring these contributions, a final section discusses potential limitations and avenues for further research.

7.1 An Ideas-Driven Account of Change

This thesis has made the case that in both France and the United Kingdom governmental decisions towards IWBs were primarily driven by the shared cognitive frameworks of policymakers and associated policy elites. Core to this process were the ways in which different theories, assumptions and biases framed debates about how best to regulate social protection and low-wage work in post-industrial labour markets. In both countries studied the embedding of an incentive-based social security paradigm among relevant policy elites, neo-classical economic theories, and certain attitudinal and utilitarian assumptions of human behaviour, interacted to create an *independent* intellectual motivation in favour of IWB policies. At the same time, these frameworks ‘filtered out’ potential alternatives as inefficient, undesirable, or unfeasible. Zooming-in further, the rationale for each IWB reform studied was determined by idiosyncratic influences which also drew on elements from other paradigms and issues specific to policy debates in a given time and place. These reform rationales were closely mirrored by the design and logic of each subsequent real-world IWB policy.

In both countries the growing dominance of incentive-based thinking can be located in a particular socio-historical context. While concern with work incentives was a prominent issue in UK debates from at least the 1970s, the use of means-tested wage supplements only achieved cross-party consensus in the mid-1990s. In France the ‘make work pay’ paradigm became dominant at the turn of the century, however remained contested by dissident policy experts and some political actors. More widely, the shift towards incentive-based thinking responded

to the rising influence of neo-classical economics, the emergence of micro-simulation technologies, the entrance of new actors into social and labour market policymaking, and the spread of new modes of thinking by international examples and organisations. The net effect of these sociological trends was to replace ‘equality’ with ‘efficiency’ as the primary goal of social policy (Berman 2022; c.f. Colomb 2012) and generate a paradigmatic consensus about the desirable strategies and instruments of support for low-income workers. This consensus was sufficiently shared by figures among political party leaderships, public administrations, academia, think tanks, the media and interest groups that while the design and generosity of IWBs was subject to dispute, the desirability of wage top-ups as an instrument was rarely questioned or seriously contested in mainstream debate.

Other Factors as Drivers of IWB Reforms

The case for policy ideas as the primary driver of IWB reforms also rests on the empirical findings related to other potential factors. It is the more limited impact of these on decision-making that arguably created the conditions for ideational frameworks to have a more direct role than might otherwise have been the case.

Firstly, the close study of processes of cognitive filtering suggests that decision-making towards IWBs was not purely functional. The framing of the causes of problems, the treatment of policy-relevant information, and consideration of solutions were all heavily shaped by personal and shared ideational frameworks. If ultimately policymaking and politics are about making choices, then policy paradigms acted as indispensable ‘intellectual maps’ (Béland 2010, 148) to help decisionmakers arrive at their own preferences about these choices. Furthermore, the operation of political and institutional factors also constrained the possibility for decision-making in this area to be fully functional to different levels of problem pressure. These insights align with the earlier observation that problem pressures alone do not appear to account for cross-national variation in IWB presence and design (c.f. Ch. 1, sec 1.2.1).

Secondly, the country chapters have shown that political motives were certainly important to governments’ preferences and decisions towards wage supplements. In both cases policymakers faced diffuse political demand to address the material needs of low-income workers, as well as constraints on other policy options generated by external fiscal rules or the logic of their own political strategies. Conversely, governments tended not to be subject to clearly articulated demand or direct electoral signals to pursue IWBs as a policy instrument.

As a consequence ministers had scope to choose which tax, benefit or wage-based policies to use in order to meet their political goals. As such, the choice of an instrument that is *conditional upon employment* responded not only to political imperatives, but the policy-based objectives and preferences of decisionmakers. Reinforcing this, even when governments were faced with direct pressure or lobbying to use alternative policy levers, they were often unwilling to breach certain tenets of their own policy rationales and turned to IWBs as their chosen preference.

In addition, neither partisanship nor collective actor positions appeared to be strong predictors of governmental preferences for wage supplements. Since the mid-1990s, both centre-left, centre-right, and liberal parties promoted IWBs in government, and did not oppose these policies in principle when in opposition. However cleavages existed along the different design features and policy logics. In the countries studied, centre-right governments implemented wage supplements which pursued logics of institutional integration and fostered atypical employment, while centre-left governments favoured institutionally-separate IWBs which more greatly rewarded semi-standard or standard working hours. Likewise, as previously noted, left-leaning governments were behind the most expansionary reforms (along with the centrist Macron administration), while the only instances of retrenchment were observed under the centre-right (PPE freezes, tax credit/UC cuts). Interestingly, the experience of these cases does not appear to conform with research which statistically associates greater IWB generosity with right-wing governments (Pedersen and Abbas 2022). Furthermore, these observations suggest that while different partisan traditions may converge in support of IWBs as an instrument, conflict lines continue to exist along their micro-institutional features. In this sense, IWBs strongly resemble the logics of ‘multi-tool’ policy instruments as theorised in the case of ALMPs by Cronert (2022).

Meanwhile, the existence of broad ‘ambiguous agreements’ among collective actors certainly facilitated IWB reforms by increasing political incentives to pursue these versus policy instruments marked by greater conflicts of interest. Yet as shown, given that such coalitions did not provide prior socio-political demand, and collective actors generally did not act as policy protagonists, overall interest groups did not play a primary causal role in the conception, proposal and approval of these policies.

Thirdly, institutional features shaped IWB reforms in numerous ways. Perhaps most important was the presence of means-tested social assistance schemes, which as discussed previously, were conducive to the types of problem-framing which lend themselves to IWBs as potential

solutions. Once wage supplements had become embedded, these created new logics and feedback effects on their own – much in line with the ‘virus’ concept outlined by Palier (2010c, 89, 95). In this sense, each successive IWB reform was in part a result of policy learning and policy legacies from previous reform waves. Furthermore, national institutions, patterns of conflict and policy legacies prevented fuller convergence in the use and design of IWBs. Nonetheless, institutional structures did not oblige policymakers to introduce or expand wage supplements, nor do they explain their intrinsic motivations for doing so. Rather, governments undertook path-breaking reforms and engaged in constant experimentation and innovation in this field, over time manipulating and reorientating the micro-institutional logics of IWBs. Indeed the sheer number of major reforms and minor adjustments made over the period studied paints a picture of institutional volatility which closely responded to the shifting preferences of policymakers rather than the effects of institutional ‘stickiness’.

Lastly, as demonstrated previously, the role of historical contingency as an explanatory factor cannot be discounted. However contingency is perhaps more important to explaining the specific timing and form that IWB reforms took, rather than the use of these instruments *per se*. The dominance of incentive-based thinking produced an intellectual momentum for a certain direction of travel that would likely have found expression in real-world policies in one way or another.

Consequently, the remaining common and constant factor through each reform period studied is policymakers’ own disposition towards wage supplements as a desirable instrument to regulate social security and low-wage work. Within the constraints of their socio-economic, political and institutional contexts, elite policy actors created and reformed IWBs because *they wished to*. This wish responded primarily to their shared perceptions and assumptions, rather than reform choices being forced upon them against their own preferences by external structural, institutional, or political imperatives. Amid the dilemmas and challenges which policymakers faced in regulating household income security, economic behaviours, and the operation of labour markets, these tools were viewed as the most appropriate, effective or feasible available. By implication, only a major paradigmatic shift, whether through the displacement of existing elite policy networks, or as the result of wider political or structural change, might call into question the current pro-IWB consensus in France and the UK.

7.2 Wider Implications and Contributions

The conclusions above provide further potential contributions to the study of IWBs, of welfare state change, and in the field of policy studies.

The Semi-Unique Characteristics of IWB Policymaking?

The findings of this study link to observations made by several authors about the common dynamics of IWB reforms (c.f. Ch. 1, sec. 1.2). Most of all, the findings of this thesis lead to a portrayal of IWBs as a sub-sector in which policy paradigms, elite politico-technocratic networks, and policy entrepreneurs all play a strong role in engendering policy change. The political and institutional conditions discussed above likely facilitate the strong role of ideational processes in this field. These observations also provide grounds to speculate that this policy sub-sector may be subject to semi-unique change dynamics compared with other welfare state spheres. On the one hand, IWB policymaking shares features observed within other ‘new social risk’ policy areas (the weak power resources of social assistance recipients, and political incentives for ‘affordable credit claiming’ towards ALMPs, childcare and parental leave). On the other, the combination of factors which empowers policy elites to implement reforms based closely on their own ideational preferences may set this area apart from fields which are either marked by more intense interest-based conflict or are more strongly institutionalised and veto-dense. Three of these potentially unique features of IWB policymaking are highlighted here.

Firstly, in the cases studied, the central state generally controlled the financing and administration of IWB policies, and governments faced few institutional veto points to policy implementation and approval. These political and institutional factors may have been reasons why ideas played a more determining role towards IWBs compared with other policy fields (c.f. D. Clegg 2014, 160) and why policymakers with shared cognitive frameworks were able to spearhead a common direction of change in two otherwise quite different institutional settings. For example, despite the path-dependent expectations of French welfare politics (c.f. Ch. 2, sec. 2.4) IWB proposals were generally not subject to a political veto from local authorities or interest groups, something more likely to occur regarding reforms to social assistance, local employability support or social insurance programmes.

Secondly, as noted, French and British governments faced only diffuse political pressure regarding support for low-paid and atypical workers, and thus had relative scope to decide

which instruments and regulatory strategies to favour. One possible reason for this is that the typical target groups of wage supplements tend to lack a shared socio-political identity or strong electoral and organisational power. In addition, the ill-defined boundaries of IWB beneficiary groups contributes to there being a lack of a structured set of organised interests which consistently advocates on their behalf – although collective actors might adopt such positions in relation to a given reform. In addition, while public opinion clearly influenced welfare politics (and vice versa), the divided nature of opinion and lack of awareness of different reform options available left policymakers with room for manoeuvre to propose instruments based on their own ideational preferences. Finally, IWB policies themselves were marked by low saliency, awareness or attachment among the wider public. This allowed elite policy networks to set the reform agenda and for policymakers to tinker with the micro-institutional features of IWBs without being subject to strong political pushback. Exceptions only occurred when proposed changes attempted overt retrenchment or impinged directly on the interests of more powerful actors.

Thirdly, the implementation and expansion of IWBs occurred in contexts where the political forces of the traditional or radical left were often too weak to impose their own first preferences such as strengthened collective bargaining, tightened employment regulation, higher wage floors and more generous unemployment protection. Instead, wage supplements were accepted defensively as preferable to retrenchment or in the absence of any other feasible form of social security expansion. In this sense the politics of IWBs appear to be the converse of the 20th century dynamics posited by power resource theory; they were driven *from above* by policy elites rather than *from below* by organised labour. Perhaps because of this, they were informed by policy logics usually aimed at greater labour activation rather than decommodification.

Potential Implications for Welfare State Analysis

Following from the previous discussion, the above thoughts also provide insights with regards to the analysis of change dynamics in other policy fields in post-industrial welfare states.

Despite the overlaps and close articulation between IWBs and minimum income schemes, the forces of change in these two areas appear to be somewhat distinct. Where social assistance reforms have been found to be driven by patterns of organised actor competition (Jessoula et al. 2014; Natili 2019) the same does not seem to be the case for IWBs. As noted, this may be because of the ill-defined nature of IWB beneficiaries and corresponding lack of a proactive

advocacy coalition for these groups among organised actors. In addition, as noted in the empirical chapters, few actors support wage supplements as a first preference and so are unlikely to actively lobby for their implementation and expansion. Another reason may be the technocratic nature of debates about incentive traps and labour supply effects, which tend to restrict participation in policy debate to specialists with the expertise to model incentive structures and then design potential solutions.

This distinction with MIS systems is important, as IWBs have in the past been conceptualised as likely to follow similar political dynamics to social assistance whereby the socio-political left is expected to support and the socio-political right is expected to oppose (Häusermann 2012, 115, 120). Findings from this study and others thus allow to more clearly specify the political dynamics of wage supplements. For example, actor positions appear to be highly contingent on context and IWB policies are more likely to draw together cross-cutting, if fragile, ‘ambiguous agreements’ rather than split actors along only left-right lines. Furthermore, as ‘multi-tool’ instruments, actors may align differently along each dimension of IWB design, while their positions can also be determined by which other policy options are on offer.

In addition, the technocratic and ideas-driven nature of IWB policymaking may differ from more established policy areas where social partners, powerful voter blocs and institutional structures act as stronger constraints on action. Examples might include healthcare systems, pensions and strongly embedded social insurance programmes. Here, variegated processes of policy change have instead been explained with reference to multi-dimensional coalitions, veto-points, patterns of electoral competition and institutional path-dependency (Bonoli and Natali 2012; Häusermann 2010; Häusermann 2012; Kersbergen and Vis 2013; Taylor-Gooby 2004). Instead, IWBs could be characterised as a version of what Busemeyer, Garritzmann and Neimanns (2020, 42–46) conceptualise as ‘quiet politics’ in which public opinion plays a low role in directing political parties’ preferences and actions in a given area. However, even where IWBs have found themselves the focus of political and public attention (‘loud politics’), for reasons previously discussed, policymakers have tended to be guided by their own ideas and preferences when shaping responses to external political pressure.

Due to all of the above, this research further adds to scholarship that emphasises the central role of ideational processes in explaining welfare state change. For example, as Fleckenstein (2008) has argued regarding the Hartz reforms in Germany, the prior formation of an elite

consensus about the desirable direction of change can be a primary factor even where programmes are more established and subject to stronger political and institutional vetoes. These and other studies call for increased attention on how ideational factors have motivated and driven policy innovation and path-departures in post-industrial welfare states.

Contribution to Policy Studies

This thesis also makes contributions to the field of policy studies more generally. The research provides a case study of how an adapted MSA framework can account for complex causality, identifying and mapping the interaction of relevant factors to build a robust explanatory story. In addition, this framework demonstrates the utility of tying problem and solution streams together rather than treating these separately, and further specifying the concept of the ‘policy window’ to look at both enablers and constraints to a given direction of reform. Likewise, the research provides an empirical example of how policy entrepreneurs contribute to change in practice, and the conditions under which the ideas and actions of such actors may have greater or lesser influence. This may help clarify a component of social policy analysis which tends to be surrounded by theoretical ambiguity (Mares 2003, 51).

Regarding ideational theories of policy change, this study offers a detailed empirical account of how policy paradigms and cognitive filtering work in practice as independent causal forces which are not only downstream effects of functional pressures, material-political factors or institutional logics. By linking ideational concepts with the chosen MSA framework, it has been possible to show how and why certain policy ideas became translated into policy change while others did not. To use Hecló’s language, it demonstrated not only that policymakers’ ‘puzzled’ as well as ‘powered’, but *how* their puzzling contributed to changes in the ways two welfare states support and regulate low-income workers in post-industrial labour markets.

Limitations and Further Research

As a final note, as with all research strategies, there are also limitations to the analytical approach used for this thesis. As a comparative study of two countries that experienced similar reform outcomes it was not possible to consider counter-cases where IWBs were not present or have been eliminated. Doing so may call into question some of the arguments made, for example the importance of a pre-existing social assistance scheme as an initial condition which makes IWB implementation more likely. In terms of future research, wider cross-national

studies might be able to identify variables associated with IWB presence or generosity which could not be easily detected in a qualitative comparative analysis of this nature. Meanwhile, a potentially fruitful line of analysis would be to further conceptualise the dimensions of in-work benefits and how distinct configurations of these might give rise to different patterns of political support or opposition. Doing so might also help to better integrate IWBs into multi-dimensional theories and accounts of welfare state change.

In light of these thoughts and the literature review in Chapter 1, this study can be considered as a building block in a wider endeavour to better understand the driving forces behind IWB policies and related instruments of support for low-income workers and the unemployed. It is hoped that future qualitative and quantitative cross-national research can test and further refine the factors operating in this field and continue to move towards more robust theorisation of the development of wage supplements in mature welfare states.

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9.2 Statistical Sources and Notes for Selected Figures and Tables

Chapter 2

Figure 2.2. Expenditure on In-Work Benefits in France and the UK – Policies and Data

French IWB policies included

Prime Pour l'Emploi (PPE), Revenu de Solidarite Active - *activité* (RSA *activité*), Prime d'Activité (PA), Revenu Supplémentaire Temporaire d'Activité (RTSA), temp. earning disregards (RMI, ASS, API) and the PRE bonus [see below for full policy names].

Data sources

Temporary earnings disregards and bonuses: This data comprises earnings disregard (*interressement*) spending for the ASS, RMI, API; the RSTA for overseas territories; and the 'return to employment bonus' (Prime de Retour a l'Emploi, PRE). Data is generally unavailable before 2007. Data is sourced from Dares, the French employment ministry's research and statistics service, namely from the following reports: Dares Analyses (2013) N° 007; Dares Resultats (2016) N° 072; Dares Resultats (2019) N° 007. Accessed at: <https://dares.travail-emploi.gouv.fr/publications>.

PPE 2001-2015: Assemblée Nationale (2015). N° 2773 – *Avis Présenté au Nom de la Commission des Finances, de l'Economie Générale et du Contrôle Budgétaire sur Le Projet de Loi, Relatif au Dialogue Social et à l'Emploi* (n° 2739). Section A.1.d. Accessed: http://www.assemblee-nationale.fr/14/rapports/r2773.asp#P154_16046.

RSA 2008-2015. Senat (2015). *Projet de Loi Relatif au Dialogue Social et à L'Emploi: Examen des Articles*. Section C.2. Accessed: <https://www.senat.fr/rap/a14-490/a14-4907.html>.

PA 2016-2020: Fondation Ifrap (2021). *RSA et Prime d'Activité : Plus de 21 Milliards de Dépenses en 2020*. Accessed: <https://www.ifrap.org/emploi-et-politiques-sociales/rsa-et-prime-dactivite-plus-de-21-milliards-de-depenses-en-2020>

French GDP data: Insee (2022), Comptes Nationaux Annuels Base 2014 - Produit Intérieur Brut Approche Produit - Total des Secteurs Institutionnels - Total des Produits - Prix Courant: Accessed: <https://www.insee.fr/fr/statistiques/serie/010548500#Tableau>

UK IWB policies included

Family Income Supplement (FIS), Family Credit (FC), Working Families Tax Credit (WFTC), Working Tax Credit only (WTC), Working Tax Credit + Child Tax Credit (WTC and CTC), Disability Working Allowance (DWA), Disabled Persons Tax Credit (DPTC), In-Work Credit, Job Grant, Return to Work Credit, and Earnings Top-Up (ETU). Disaggregated expenditure on UC in-work awards could not be sourced.

UK data sources: Working Tax Credit: HMRC Annual Report and Accounts Series; Working Families Tax Credit: Inland Revenue Accounts 2002-2003, HM Treasury: Budget 2001; all other benefits: Department for Work and Pensions: Benefit Expenditure and Caseloads Tables [all available upon request].

UK GDP: Office for National Statistics (2022). *Gross Domestic Product at Market Prices. Current Price: Seasonally Adjusted £m*. Accessed: <https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/ybha/qna#othertimeseries>

Figure 2.3 Annual IWB Awards in the United Kingdom and France as a Proportion of the Labour Force – Policies and Data

Note: the coverage rates expressed in this figure may be an under-estimation as some awards are made to couples, while labour force data is fully individualised. Likewise, due to different eligibility calculations between policies, these results should not be read as fully comparable to each other. Nonetheless, the data is considered of sufficient quality to provide a broad-brush picture of reciprocity rates and coverage in each country.

French IWBs included

RMI, ASS, and API (temporary disregards), PPE, RSA activité, and PA [see full policy names in previous figure note or list of abbreviations at the head of this thesis].

French data sources on IWB reciprocity:

ASS + RMI 1990-1999: DREES, cited in Senat (2005). *Minima Sociaux : Mieux Concilier Equité et Reprise d'Activité. Rapport d'Information n° 334. Section B : B. La Problématique du Retour à l'Emploi.* Accessed : <https://www.senat.fr/rap/r04-334/r04-334.htm>*

RMI, ASS & API 2000-2008: CNAF and Unidec, cited in: DREES (2010), *Etudes et Resultats* N° 727.*
ASS 2009-2012. Pole Emploi, cited in IGAS (2014), *Scénarios de Réforme de l'Allocation de Solidarité Spécifique (ASS)*, p100. Accessed :

<http://www.igf.finances.gouv.fr/files/live/sites/igf/files/contributed/IGF%20internet/2.RapportsPublics/2014/2014-M-028.pdf>

ASS 2013 - 2017: Pole Emploi, cited in reports by Dares: *Analyse* (2015, No. 63) and *Resultats* (2016, No. 71; 2019, No. 40; 2020, No. 39). Accessed : <https://dares.travail-emploi.gouv.fr/publications>.

RSA and PA: CNAF, MSA, cited in dataset, “RSA et prime d'activité : Données nationales”. Available via data.gouv.fr : <https://www.data.gouv.fr/fr/datasets/minima-sociaux-rsa-et-prime-dactivite/>.

PPE 2001-2014: Assemblée Nationale (2015). N° 2773 – *Avis Présenté au Nom de la Commission des Finances, de l'Economie Générale et du Contrôle Budgétaire sur Le Projet de Loi, Relatif au Dialogue Social et à l'Emploi* (n° 2739). Section A.1.d. Accessed : http://www.assemblee-nationale.fr/14/rapports/r2773.asp#P154_16046.

PPE 2015: Ministère des Finances et des Comptes publics. Cited in : Drees (2018), *Minima Sociaux et Prestations Sociales*, p224. Accessed : <https://drees.solidarites-sante.gouv.fr/sites/default/files/2021-04/34-6.pdf>

*Regarding the number of recipients of RMI, ASS and API temporary earned income disregards (*dispositifs d'interressement*), where original figures are unavailable, these are estimates based on the percentages of total benefit caseloads recorded as receiving the earnings disregard component. Calculations are by the author based on data pooled from the publications cited above, and mainly the DREES *Etudes et Resultats* series. Accessed: <https://drees.solidarites-sante.gouv.fr/etudes-et-statistiques/publications/etudes-et-resultats/>.

UK IWBs included

FIS, FC, DWA, DPTC, WFTC, WTC (inc WTW+CTC), UC ‘in-employment’ [see full policy names in previous figure note].

UK data sources on IWB reciprocity [excel sheets and PDF reports available upon request]

FIS: Department of Work and Pensions (2020). Benefit Expenditure and Caseload series, 1948-2018/19.

FC and WFTC: Inland Revenue (2003). FC/WFTC recipients by family type, May 1988 - February 2003.

WTC and CTC: HMRC. Personal Tax Credit statistics series (various years).

UC: Stat Xplore / Department for Work and Pensions

DWA: Department for Work and Pensions (2020). Benefit Expenditure and Caseload series, 1948-2018/19.

DPTC: Inland Revenue, cited in: National Audit Office (2003). Comptroller and Auditor General’s Standard Report on the Accounts of the Inland Revenue 2002-03, p74.

Accessed: <https://www.nao.org.uk/wp-content/uploads/2003/11/02031072.pdf>

Labour force data for both France and the UK: OECD (2022), Labour force dataset. Accessed: <https://data.oecd.org/emp/labour-force.htm>

Figures 2.4 and 2.5. Estimated Distribution of IWB-Recipient Households by Income Decile and Policy Instrument, France and United Kingdom

French data: Direction General du Tresor, Saphir 2015 Microsimulation Model, metropolitan France, ordinary households. Figures cited in: Assemblée Nationale (2015). *N° 2773 – Avis Présenté au Nom de la Commission des Finances, de l’Economie Générale et du Contrôle Budgétaire sur Le Projet de Loi, Relatif au Dialogue Social et à l’Emploi* (n° 2739), p102. Accessed : <https://www.assemblee-nationale.fr/14/rapports/r2773.asp>

UK data: Office for National Statistics (2019). Effects of Taxes and Benefits on Household Income: Historical Household-Level Datasets. Accessed: <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/theeffectoftaxesandbenefitsonhouseholdincomehistoricaldatasets>

Figure 2.11. Unemployment Protection Instruments by Caseload. France, 1991-2020

Unemployment Insurance. UI data is almost entirely composed of receipt of the main unemployment insurance benefit, *l’allocation d’aide au retour à l’emploi* (ARE). Data for 2006–2020 was sourced from the Pôle emploi dataset *Fichier national des allocataires* and excludes state-provided unemployment benefits such as the ASS (see tab: Brut France métropolitaine, column AO). Annual data is taken from January of each year. Dataset available at: <https://www.data.gouv.fr/fr/datasets/allocataires-de-l-assurance-chomage/>.

Data for years previous to 2006 were sourced from Unédic as cited in the following national media sources and research publications: (Dares 2010; Les Echos 1993b, 1995a, 2001b). UI data for 2001 is an estimate based on the total number of UI recipients minus caseloads for ASS that year.

Social and Unemployment Assistance. UA data expresses caseloads of the ASS, while SA data is drawn from caseloads of the RMI (1990-2008) and RSA (2009-2020). See previous figures for full policy names. Data is sourced from the dataset “Minima Sociaux : Données Nationales par Dispositif”, available at: <https://www.data.gouv.fr/fr/datasets/minima-sociaux-rsa-et-prime-dactivite/>.

Figure 2.12. Unemployment Protection Instruments by Caseload. UK, 1991-2018

Policies: UI = Unemployment Benefit / Contributory Jobseekers’ Allowance. UA = Income Support for the Unemployed and Non-Contributory Jobseekers’ Allowance. SA = Universal Credit. UC recipient categories used were: “Searching for work”, “Planning for work”, and “Preparing for work”.

Sources: all caseload information is drawn from the DWP Benefit Caseloads and Expenditure series (DWP 2022b) with the exception of Universal Credit, which was sourced from Stat-Xplore: <https://stat-xplore.dwp.gov.uk/>.

Chapter 4

Figures 4.3, 4.4, and 4.5. – Data from the British Social Attitudes Survey

BSA survey data was sourced in 2019 and 2020 via the British Social Attitudes Information System, which in 2022 appears to be inactive. However this survey data is available via the UK Data Service’s Nesstar catalogue: here: <https://ukdataservice.ac.uk/>

Table 4.7. Actor Positions Towards 2015 Summer Budget In-Work Support Reforms

Additional notes on actor positions not included in main table:

(i) The IoD and EEF - employer federations generally representing higher-value economic activities – were active consenters to the NLW and offered no explicit view on IWB cutbacks.

(ii) Sectoral trade unions confederations including Unison, Unite and GMB issued separate statements expressing a similar view to the TUC as a whole. Usdaw (representing retail workers) was critical of the exclusion of under-25s from the NLW.

(iii) The End Child Poverty Coalition comprises anti-poverty and children's charities as well as trade unions. Several member organisations, including the Child Poverty Action Group and Citizens Advice, issued separate statements expressing a similar stance. View membership: <https://www.endchildpoverty.org.uk/>

(iv) While the CSJ was supportive of the government's vision for a 'higher wage, lower welfare' model, it opposed cutting tax credits before the NLW and UC had been rolled out, and opposed cuts to UC's work allowances as these would harm work incentives.

(v) Representatives of low-wage employers expressing concern or opposition to the NLW included the British Retail Consortium, British Hospitality Association, Association of Convenience Stores and the Country Land and Business Association – as well as large individual employers such as Tesco supermarket and pub chain Weatherspoons. No public comments on IWB cuts by these actors could be identified.

(vi) The ASI and IEA could be classed as pro-status quo or pro-retrenchment, as they preferred continued use of tax credits over higher minimum wages as instruments of in-work support. However their ultimate preference was for a negative income tax where existing social security would be dismantled for one much more focused on employment as criteria of eligibility for support.

Chapter 5

Figure 5.5. Frequency of the Term 'Dependency' in French Newspapers and Press Agencies

Factiva Search Details

Search Summary

Text assistanat

Date 01/01/1980 to 01/01/2020

Source All Sources

Author All Authors

Company All Companies

Subject All Subjects

Industry All Industries

Region France

Language French

Results Found 14,642

Timestamp 1 April 2022 14:31 GMT

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Most Mentioned Sources

Source	Article Count
Ouest France (French Language)	1268
Agence France Presse - All sources	942
Le Progrès (France, French Language)	920
Sud Ouest (Bordeaux, France, French Language)	908
Le Figaro - All sources	821
Les Echos - All sources	544
Midi Libre (Montpellier, France, French Language)	543

La Voix du Nord (Lille, France, French Language)	539
Le Parisien-Aujourd'hui en France (French Language)	379
LePoint.fr (French Language)	378
L'Est Républicain (Lorraine, France, French Language)	371
La Depeche du Midi - All sources	360
La Montagne (France, French Language)	343
L'Humanité (France, French Language)	304
La Nouvelle République du Centre Ouest (France, French Language)	268
Atlantico (French Language)	265
L'Indépendant (Perpignan, France, French Language)	248
Reuters - All sources	186
La Croix (France, French Language)	185
Le Point (French Language)	185
Presse Océan (Nantes, France, French Language)	162
La Provence (Marseilles, French Language)	144
Le Courrier de l'Ouest (Angers, France, French Language)	143
La Charente Libre (France, French Language)	139
News Press (French Language)	120
La Tribune (France, French Language)	118
Le Nouveau Marianne (French Language)	115
L'Express (French Language)	111
Le Berry Républicain (Cher, France, French Language)	108
La Tribune.fr (France, French Language)	107
Bulletin Quotidien (French Language)	106
Nouvelobs.com (French Language)	100
Lejdd.fr (France, French Language)	87
L'Opinion (France, French Language)	87
leParisien.fr (French Language)	85
Le Maine Libre (Le Mans, France, French Language)	80
Nord Eclair (Nord-Pas-de-Calais, France, French Language)	80
Centre Presse (Aveyron, France, French Language)	79
L'Humanité Dimanche (French Language)	77
Lamontagne.fr (France, French Language)	73
Paris Normandie (Rouen, France, French Language)	66
The Associated Press - All sources	66
L'Obs (French Language)	59
La République du Centre (France, French Language)	58
Le Journal du Centre (Nièvre, France, French Language)	56
Marianne2.fr (French Language, Abstracts)	56
All Africa - All sources	55
Le Populaire du Centre (Vienne, France, French Language)	54
L'Yonne Républicaine (France, French Language)	54
Rue89 (French Language)	53
Courrier Picard (Amiens, France, French Language)	52
L'Echo Républicain (Chartres, France, French Language)	52
Le Télégramme (French Language)	51
Le Journal de l'Île de la Réunion (French Language)	43
Lejdc.fr (Nièvre, France, French Language)	41

Lepopulaire.fr (Vienne, France, French Language)	41
La République des Pyrénées (Pau, France, French Language)	41
La Correspondance Economique (French Language)	38
L'Union / L'Ardennais (France, French Language)	37
La Gazette des Communes (French Language)	36
Le Pays Roannais (France, French Language)	35
Le Temps (Geneva, French Language)	35
Le Petit Bleu de Lot-et-Garonne (Agen, France, French Language)	34
L'Eclair des Pyrénées (Pau, France, French Language)	33
LaGazette.fr (French Language)	33
La Nouvelle République des Pyrénées (Tarbes, France, French Language)	33
Var-Matin (France, French Language)	32
Nice-Matin (France, French Language)	31
Challenges.fr (French Language)	30
L'Eclaireur du Gâtinais (Loiret, France, French Language)	30
L'Veuil de la Haute Loire (France, French Language)	30
L'Équipe (France, French Language)	28
Larep.fr (Orléans, France, French Language)	26
Europe1.fr (France, French Language)	25
L'Aisne Nouvelle (Saint Quentin, France, French Language)	25
La Tribune de l'Assurance (French Language)	25
Dordogne Libre (France, French Language)	24
Leberry.fr (Cher, France, French Language)	23
Entreprendre (French Language)	21
L'Expansion (France) - All sources	21
ATS - Agence Télégraphique Suisse (French Language)	20
Lechorepublicain.fr (Eure-et-Loir, France, French Language)	20
Nord Littoral (Calais, France, French Language)	20
La Tribune de Genève (French Language)	20
Le Républicain Lorrain (France, French Language)	19
Lyonne.fr (France, French Language)	18
Alternatives Economiques (French Language)	17
Dimanche Ouest France (French Language)	17
Le Petit Journal (France, French Language)	17
Challenges (French Language)	15
L'Echo (Limoges, France, French Language)	15
Les Suppléments de Sud Ouest (French Language)	15
Corse-Matin (France, French Language)	14
La Nouvelle République Dimanche (Tours, France, French Language)	14
L'Est Eclair (Aube, France, French Language)	13
Le Soir (Belgium, French Language)	13
24 Heures (Switzerland, French Language)	12
L'Entreprise (French Language)	11
Le Nouvel Economiste (French Language)	11
Xinhua - All sources	11

9.3 List of Interviewees and Template Questionnaire

Interviewees: United Kingdom			
Code	Name	Main Reform Period Active	Position(s) Held at Time of Reform Studied
UK - A	Alistair Darling	Tax Credits	Secretary of State for Social Security (1998 – 2002)
UK - B	Paul Gregg	Tax Credits	Member of Council of Economic Advisers, HM Treasury (1997-2006)
UK - C	Ed Balls	Tax Credits	Economic Adviser to the Chancellor (1997-1999) and Chief Economic Adviser to HM Treasury (1999-2004)
UK - D	Nicholas Macpherson (info. provided via Ed Balls)	Tax Credits	Principal Private Secretary to the Chancellor (1993 – 2005) and Director of Welfare Reform (1998-2001), HM Treasury
UK - E	John Monks	Tax Credits	General Secretary of the Trades Union Congress (1993 – 2003)
UK - F	Donald Hirsch	Tax Credits	Poverty Adviser, Joseph Rowntree Foundation (1998-2008)
UK - G	Martin Barnes	Tax Credits	Chief Executive, Child Poverty Action Group (1998-2003)
UK - H	Liz Sewell	Tax Credits	Chief Executive, Gingerbread (1997-2000)
UK - I	John Andrews Robin Williamson	Tax Credits	Former Chair & Founder Technical Director (1997-2018) Low Incomes Tax Reform Group
UK - J	Roy Sainsbury	Universal Credit	Professor of Social Policy, University of York
UK - K	David Freud	Universal Credit	Independent Adviser to the DWP (2006-2009) Minister for Welfare Reform, DWP (2010-2016)
UK - L	Steve Webb	Tax Credits Universal Credit	Liberal Democrat spokesperson on work and pensions (1997-2001). Shadow Secretary for Work and Pensions (2001-2005). Minister for Pensions, DWP (2010-2015)
UK - M	Neil Couling	Universal Credit	Senior Responsible Owner for Universal Credit, DWP (2014-).

Interviewees: France		
Code	Main Reform Period(s) Active	Positions(s) Held at Time of Reform Studied
FR-A	PPE	Senior economic advisor to Prime Minister Lionel Jospin
FR-B	PPE	Economic adviser to Prime Minister Lionel Jospin
FR-C	PPE	Senior civil servant, Forecasting Department, Ministry of Economy and Finance

FR-D	PPE	Adviser to the Ministry of Economy and Finance
FR-E	PPE	Adviser to, and member of, the Council of Economic Analysis
FR-F	PPE RSA	Member of the Council of Economic Analysis Member of the RSA National Evaluation Committee
FR-G	RSA	Adviser to the Ministry of Economy, Finance and Employment
FR-H	RSA PA	Member of the Council of Economic Advisors (RSA and PA) Member of the Expert Group on the Minimum Wage (PA)
FR-I	RSA	Senior member of the Commission on Families, Vulnerability and Poverty (2005) and Cabinet of the High Commissioner of Active Solidarity Against Poverty (2007-2010)
FR-J	RSA	Civil servant in the Social Affairs Ministry and contributor to the Commission on Families, Vulnerability and Poverty (2005). Senior official in the Cabinet of the High Commissioner of Active Solidarity Against Poverty (2007-2010)
FR-K	RSA	Economist and member of the Commission on Families, Vulnerability and Poverty (2005).
FR-L	RSA	Civil servant at the National Family Allowance Fund (CNAF) and contributor to the Commission on Families, Vulnerability and Poverty (2005). Consultant to the Cabinet of the High Commissioner of Active Solidarity Against Poverty (2008)
FR-M	PPE RSA PA	Adviser to the Council of Employment, Income and Social Cohesion Participant, Commission on Families, Vulnerability and Poverty Member of the RSA National Evaluation Committee Member, Sirugue Report Working Group
FR-N	PA RUA	Social affairs adviser to prime minister Jean-Marc Ayrault Senior representative of the Alerte Collective
FR-O	PA	Civil servant, Social Affairs Inspectorate (IGAS) and member of the Sirugue Report Working Group
FR-P	PA	Senior official, Directorate General of the French Treasury
FR-Q	PA	National Assembly MP and Member, Sirugue Report Working Group
FR-R	PA	Social affairs adviser to prime minister Jean-Marc Ayrault
FR-S	PA	Academic and member of the Sirugue Report Working Group
FR-T	PA	Academic and member of the Sirugue Report Working Group
FR-U	PA	Academic and member of the Sirugue Report Working Group
FR-V	RUA	Civil servant, member of RUA policy team, Social Affairs Ministry

FR-W	RUA	Civil servant, ministerial cabinet of the Secretary of State to the Social Affairs Minister
Actor Representatives		
FR- α	Senior representative	Association for the Implementation of a Basic Income (AIRE)
FR- β	Senior representative	French Democratic Confederation of Labour (CFDT)
FR- γ	Senior representative	French Democratic Confederation of Labour (CFDT)
FR- δ	Senior representative	French Confederation of Christian Workers (CFTC)
FR- ϵ	Senior representative	French Confederation of Christian Workers (CFTC)
FR- ζ	Senior representative	National Network of the Social and Solidarity Economy (Coorace)
FR- η	Senior representative	Popular Aid (Secours Populaire)
FR- θ	Three representatives	Catholic Aid (Secours Catholique)
FR- ι	Senior representative	National Movement for Unemployed and Precarious Workers (MNCP)
FR- κ	Senior representative	ATD Fourth World (ATD Quart Monde)

Example Interview Questionnaire

Below is a list of indicative questions provided to interviewees in relation to one of the reforms studied (UC). These were oriented towards RQ1 and its sub-questions (c.f. Chapter 3).

As interviews were semi-structured, these templates were only provisory, subject to participant consent and what participants most wished to highlight. As such the template below does not necessarily reflect the course of each discussion. However the templates provided an initial framework for discussion and let participants learn about the focus of the research in advance.

Indicative Interview Questions

Questions about your role and the origins of Universal Credit

1. Could you describe your own role and any experiences you would like to highlight regarding the conception, design or delivery of Universal Credit?
2. To your recollection, are you aware of where [named policy protagonists] originally picked up the idea of the need to simplify or merge working-age benefits?

3. In the mid-to-late 2000s work was undertaken within the DWP examining options for simplification of the benefits system. In your view, why was radical simplification ultimately undertaken or made possible under the Coalition government rather than under New Labour?

Questions about policy thinking and the design of Universal Credit

4. Compared with tax credits, there are some differences in the way UC supports low-income workers and incentivises work for those economically inactive – for example abolishing the minimum weekly working hours requirement to receive in-work payments and introducing of the concept of ‘in-work conditionality’.

Following your experiences of deliberation leading to the creation of UC, what was the policy thinking which drove these changes in how UC would interact with the labour market? For example, were there any particular target groups or working hour patterns that policy sought to encourage?

5. An institutional change brought by Universal Credit was to once again route in-work payments via the benefits system, scrapping tax credits. To your recollection, why was this decision taken, rather than maintaining tax credits as a separate system?
6. In July 2015, George Osborne announced plans to create the National Living Wage while cutting back on in-work benefits. Only if you wish to comment, what is your understanding of this shift in emphasis from in-work benefits to the minimum wage?

Questions about the political and institutional dynamics enabling Universal Credit

7. To your recollection and only if you wish to address this question, in the early years of the Coalition, to what extent was there a consensus among the relevant ministers regarding Universal Credit, and which figures were key to ensuring that the project was supported and delivered?
8. Likewise, when UC was first proposed and consulted upon externally prior to implementation, can you recall the extent of consensus among the main political parties and social actors (national business bodies, trade unions, and third sector organisations), and whether there was any notable opposition voiced to the proposals?

Final question

9. From the point of view of the present, do you have any further observations about this topic you’d like to make, for example concerning the reasons for introducing Universal Credit, your role and experiences, or the desirability of in-work benefits for British social security in general?

9.4 Methodology for Assigning Actor Positions

In each empirical chapter section the positions of collective actors towards IWB proposals were studied and categorised. Data was drawn from statements made in the public sphere (whether in media or institutional settings such as parliamentary hearings or debates), in response to official consultations, or via research interviews. Data sources included primary interviews, parliamentary archives, and media articles sourced via Factiva.

In assigning actors' stances to IWB proposals, 'qualified' positions indicated where an actor expressed both support and criticism for different aspects of the policy within an overall position of support or opposition. 'Full support' or 'strong opposition' indicated where actors predominantly (dis)agreed with most aspects of the policy, as well as taking into account the expressed strength or actors' support or concerns. The guiding criteria were:

(1) Full Support: support is given to the policy's main rationale and all or most of its design aspects. Actors in this category are likely to be the policy's original advocates and actors which share similar interests and objectives.

(2) Qualified Support: support is expressed for the policy overall, however with reservations expressed about some design aspects or dimensions. Likewise, alternative problem-framing, policy goals or policy preferences may be expressed.

(3) Non-Committal: an actor voices somewhat favourable or negative views on dimensions of the policy but does not express overall agreement or opposition, nor proposes an alternative approach.

(4) Qualified Opposition: an actor voices opposition to the policy overall or several of its dimensions, however calls for design changes rather than abolition. The actor does not actively mobilise to prevent the proposed reform as a whole, although alternative first preferences are clearly expressed. Such actors are likely to become reluctant 'consenters' after the policy in question has been implemented.

(5) Strong Opposition: an actor opposes the policy in its entirety, possibly expressing opposition to the policy's overall rationale, principles or objectives. The actor may actively seek to block policy adoption or seek to abolish an existing policy measure. Such actors are likely to continue to be 'antagonists' even after policy implementation has taken place.

An example of how actor positions were categorised towards different dimensions and design elements of IWB policies is provided in the case of the Working Families Tax Credit below. It is important to note that a formal matrix of this nature was not created for every reform period, however the same basic approach (assigning actor positions towards different policy logics or dimensions, as well as any other prominent policy issues or aspects of design) was used for each reform studied.

Actor Positions on WFTC Debate Dimensions			
Debate Dimension	Actor Positions		
Activation and Incentives	Pro	N/C	Contra
Activation Goal	Labour Cabinet Labour Party Conservative Party	Trade Union Congress Child Poverty Action Group	
Did the actor support increasing financial incentives to promote	Liberal Democrats Low Pay Unit		

(low-wage) labour market participation?	National Council for One Parent Families Confederation of British Industry Institute of Directors		
Activation Effect Did the actor think that WFTC would make a significant impact in encouraging labour market participation?	Labour Cabinet Labour MPs Low Pay Unit National Council for One Parent Families	Institute of Directors	Conservative Party Liberal Democrats
Social Provision			
	Pro	N/C	Contra
Social Needs Goal Did the actor express support for WFTC as a measure to combat poverty or insecurity?	Labour Cabinet Labour MPs Trade Union Congress[+] Child Poverty Action Group[+] Low Pay Unit[+] National Council for One Parent Families	Liberal Democrats	Conservative Party
Generosity Was the actor in favour of increasing/ decreasing generosity (proxy: spending) of wage supplements?	Labour Cabinet Labour MPs Liberal Democrats Trade Union Congress[+] Child Poverty Action Group Low Pay Unit[+]		Conservative Party
Coverage Was the actor in favour of increasing/ decreasing the scope of who receives wage supplements?	Labour Cabinet [+] Labour MPs Trade Union Congress[+] Child Poverty Action Group Low Pay Unit[+]		Conservative Party Liberal Democrats
Gender Roles			
	Pro	N/C	Contra
Female Activation Did the actor show support for the potential activation of lone parents / mothers?	Labour Cabinet Labour MPs Trade Union Congress National Council for One Parent Families	Liberal Democrats	Conservative Party
'Purse to Wallet'	Labour Cabinet	Labour Party	Conservative Party Liberal Democrats Trade Union Congress

What was the actor's position on the potential 'purse to wallet' transfer inherent in WFTC?			
Administration			
	Pro	N/C	Contra
Did the actor support payment of WFTC by employers?	Labour Cabinet Labour Party		Labour Dissidents Conservative Party Liberal Democrats Trade Union Congress Confederation of British Industry Institute of Directors Federation of Small Businesses British Chambers of Commerce Engineering Employers Federation
Macroeconomy			
	Pro	N/C – S/Q	Contra
Did the actor take a positive view of the macro-economic effects (i.e. on wages, employment rate, or productivity?)	Labour Cabinet Labour Party		Labour Dissidents Conservative Party Liberal Democrats Trade Union Congress Low Pay Unit Institute of Directors

9.5 Example Coding Scheme for Multi-Streams Analysis

To illustrate the analytical approach and empirical work undertaken for the main country chapters, the NVivo codebook for one of the reform periods studied (the RSA *activité* in France) is provided below. It demonstrates that the coding structure followed the MSA framework developed for this thesis. Coding began with an original skeleton of categories following the three streams, however was expanded and adapted depending on the nature of the themes which emerged from qualitative content analysis. The version below represents the coding scheme at the end of this process, hence the large number of categories. Along with allowing the research to identify and separate the different issues, events, actors and processes at work which led to the IWB reform of focus, this approach helped to build a picture of where the weight of evidence, issues or debate emphasis existed regarding one or more causal process.

The data alluded to below does not represent the sum total of data or sources consulted for each reform. Coding was used mainly to analyse interviews and primary documentary material, including academic or technical work published at the time of reforms which contributed directly to reform debates. However a wider range of data, including statistical sources and secondary academic work, was also reviewed and incorporated into analysis. Finally, where required, additional sources were consulted and cited on a more ad-hoc basis during the final writing process.

NVivo: Codebook - France RSA

Codes\1, Policy

Code Name	References
1, Context	0
Employment Context	2
Other Sarkozy Reforms	4
Preceding Reforms	10
Protagonists	18
RMI as Origin	2
2, Problem Framing	0
0, Policy Criticisms	0
Activation	4
Policy Barriers	3
Complexity	6

Criticism of RMI	6
PPE Criticism	10
Behavioural	0
Welfare Dependency	18
Economic	0
Cost of Labour	3
Incentives	28
Public + Policy Attitudes	6
Social	2
Poverty	4
Child Poverty	5
Working Poverty	15
Prearity	5
Social Investment	5
Unemployment	3
3, RSA as Solution	10
1, Origins and 'Story'	31
Experimentation Process	8
Implementation	1
International Examples	25
National Influences	4
2, Goals	8
Activation	30
Anti LM Prearity	5
Anti Poverty	9
Destigmatise RMI	7
Incentives	10
3, Design	1
Finance	3
Incentives and Targeting	16
Integration	19
Role of PPE	4
Role of SMIC	18
Use of Benefit System	12
4, Estimation of Impact	6

4, Alternative Solutions	1
Clerc Proposals	13
Increase RMI	5
RMI Activite	1
SMIC Increase	10
Tighter LM Regulation	3
5, Evidence and Assumptions	0
Assumptions and Arguments	5
Expert Criticisms	14
Impact and Legacy	16
Lack and Counter Evidence	22
Pro RSA Evidence	13

Codes\2, Politics

Code Name	References
1, Political Motives	0
Blame Avoidance	6
Credit Claiming	15
Combat Poverty	3
Reward Work and Responsibility	18
Social Investment	3
Tackle Unemployment	1
Electoral Strategy	18
Size of Victory	2
Voter Coalition	14
2, Political Demand	0
Public Opinion	0
Lack of Demand	1
Welfare Attitudes	9
3, Actor Positions	0
Associations	1
ATDQM	1
Coorace	0
FNAS	1
MNCP	2

Secours Catholique	2
Secours Populaire	4
Employers	3
CGPME	2
MEDEF	2
Left Pole Parties	3
PC	2
PS	7
Regions	2
Right Pole Parties	5
Unions	4
CFDT	10
CFTC	7
CGT	5

Codes\3, Opportunity

Code Name	References
Constraints	0
Changes to Initial Design	6
Hirsch Political Weakness	3
Internal Resistance	6
Opposition to Integration	11
Recession	2
Z, Breakdown of Consensus	4
Enablers	1
Ambiguous Agreement	14
Parliamentary Approval	4
Policy Entrepreneur Tactics	3
Child Poverty Commission	2
'Experimentation' Tactic	7
Hirsch Role	4
'MWP' as Tactic	3
Sarkozy Support	6
Pre 2007 Circumstances	4
Technocratic Support	3

Weak Resistance	2
X, Paradigm Shift	7