

# New Labour's Policy Style: A Mix of Policy Approaches

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## **Abstract**

This article reviews the policy process behind recent welfare reforms and considers the policy styles used in a broad range of social policy areas on the basis of interviews with leading policy actors. It argues that a mix of policy-making methods is currently being used, ranging from the classic top-down approach, through the use of external commissions to a more bottom-up approach, where policy is to a large degree designed by external groups. The type of policy and the power relations between key actors and the government determine the approach. Indeed, this shows a different perception of British policy-making, as the inclusive approach contrasts sharply with the traditional directive Westminster model.

## **Introduction**

The British political system is often characterised by a highly majoritarian system of government that enables the party in office to implement radical reforms relatively swiftly (Lijphart, 1999: 10; Taylor-Gooby, 2001: 148). The ruling party has the ability largely to ignore opposition and implement new reforms without consultation. However, New Labour has relied on a mix of policy-making styles since gaining power in 1997. This article reviews the policy processes behind recent welfare reforms and considers the policy styles used in the areas of long-term care, family policy, labour market policy and pensions. It argues that a mix of policy-making methods is currently being used, ranging from the classic top-down approach, through the use of external commissions to a more bottom-up approach, where external groups substantially design policy.

The mode of policy-making style depends on the type of policy and the power relations between key actors and the government. External commissions and bottom-up approaches are primarily used when New Labour attempts to intervene in the private or voluntary sector (especially where there is a strong independent power base) and, when reforms are service-oriented, extend

government authority in terms of developing new policy directions or where cross-departmental collaboration or changes in the current administration are required. The emphasis on inclusive methods in such reforms is partly because the reforms concern practical matters, and partly because New Labour is unable to control the independent sector. The government needs the support of these groups to implement and legitimise the new policies. By contrast, the classic top-down approach is more prevalent when new policies involve dramatic increases in public expenditure, are more politically or ideologically driven and affect relatively weaker groups. Indeed, New Labour can more easily ignore weaker interest groups, but powerful groups tend also to be excluded when reforms are cost-intensive, political or ideological, as such reforms are typically central to government policy.

In this article, we first briefly discuss contemporary theory on British policy-making, the methodology and the data set used. We then review the main characteristics of New Labour's policy style, before examining the policy processes behind recent welfare reforms. The different reforms offer a broad range of policies, contrasting cash spending and the provision of services as well as high- and low-profile policy areas.

### **The British policy-making process**

Rhodes (2000a) distinguishes between three types of mechanisms behind public policy-making: hierarchies or bureaucracies, markets and networks (each with different characteristics, strongly influencing the involvement of interest groups in the political process). Commentators argue that there has been a shift from hierarchical towards market and network approaches within British government (see Rhodes, 2000a: 358; Scharpf, 1993: 7–8; Newman, 2002). One reason for this is that 'co-governance is becoming a prerequisite for welfare states to supply them with the wholeness, coherence and effectiveness that they can no longer obtain by directly commanding and exercising control over their members and the environments' (Bang, 2004: 159). Governments also tend to rely on 'softer' policy instruments rather than regulation, and private and voluntary entities are increasingly used as service providers, making the participation of interest organisations crucial for a successful implementation (Jørgensen, 2000: 5). New modes of governance that empower service providers and local actors are therefore necessary to promote cooperation and the delivery of policies (Bang, 2004: 159).

British policy-making is in fact characterised by a mix of styles, rather than a shift from one approach to the other (Richards and Smith, 2002: 238). The policy type and the power relations between interest groups and government may determine the government's choice of implementation mechanism and style of policy-making (Rhodes and Marsh, 1992; Winther, 1994: 30). Rhodes and Marsh's (1992) policy-network approach demonstrates that the power relations between

key stakeholders and government determine the policy style of government. The government relies to a varying degree on key stakeholders to implement policy and therefore uses different policy styles in different policy areas. However, the resource dependency argument cannot entirely explain why New Labour relies on a mix of policy-making styles, as different approaches are used even within the same reform that affects the same group of stakeholders. The type of policy seems crucial in this respect. The hierarchical, market and network approaches have different strengths, more relevant to specific policy areas (Rhodes, 2000b: 270).

The fact that a reform often includes different types of policies may explain why New Labour relies on a mix of styles. Certain policy types may be more inclusive than other policy types in terms of involving outsiders either through public consultations or invitations to design policy. In this context, the inclusive approach can be pursued in two directions: first, ensuring that all affected groups are consulted; and, secondly, actively engaging stakeholders in the implementation and design of policy. In contrast, the directive method refers to the traditional top-down Westminster approach, which leaves little room for interest groups, including implementers, to influence the policy formation and the decision-making stages, due to the hierarchical discipline and the strengthening of the executive (Rhodes, 2000a: 358). Indeed, external groups hardly have any influence on drafting and finalising the reforms.

We here distinguish between four policy types: service-orientated, the extension of government authority, more politically or ideologically driven reforms, and cost-intensive public spending reforms. Ideologically driven reforms refer to the overall party political ideas behind New Labour's policies, while political reforms are defined as a minister's rather than civil servants' response to ongoing problems. Reforms that extend government authority concern the development of relatively controversial new policy directions, cross-departmental collaboration or changes in current administration. The different policy types are not mutually exclusive, as government reforms may include a mix of policy types, whereby different policy styles are applied to the different elements of the reform. These distinctions enable us to capture the differences between policy types and create a link between policy type, stakeholders' power relations with government and New Labour's policy style, as this distinction adds a more nuanced categorisation of the different social policies.

Designing service-oriented policies may involve an inclusive bottom-up approach where New Labour invites external groups to public consultations or to participate actively in the design of policy. The government may need advice and cooperation from key stakeholders, since its role is often as one player among several, although with far greater resources than interest groups (Smith, 1993). Contemporary research shows that stakeholders' cooperation, understanding and compliance with the objectives of a particular policy determine its implementation success (see Barrett and Fudge, 1981: 25; Lipsky, 1980; Pressman and

Wildavsky, 1973). The risk of policy failure due to non-compliance is greater when the government is increasingly dealing with private or voluntary bodies. Service-orientated reforms call therefore for inclusive methods in the design stages of policy to secure a successful implementation. Likewise, reforms extending the authority of government may also be subject to an inclusive approach, mainly to legitimise controversial new policy directions, cross-departmental collaboration and changes in current administration. By contrast, cost-intensive public spending policies and more political or ideologically driven reforms are often implemented through the traditional hierarchical top-down methods, since the reforms are central to government policy and therefore less open to debate. In the following analysis, we examine how far certain types of policy and interest groups' power relations with government determine the choice of policy style.

### **Methods and data**

The analysis of New Labour's policy style is based on 50 interviews with leading policy actors from political parties, trades unions, employers' associations and campaigning organisations conducted during spring 2003 as part of the EU Framework Five project: Welfare Reform and Management of Societal Change. Senior officials from the most important organisations of each type were interviewed for the policy areas of social inclusion, pensions, long-term care, labour market policy and family policy, using a common schedule of questions. The interviewees were selected through the quota-sampling technique where personal contacts were used to gain access to the interviewees. As a result, the data only give an indication of the policy styles used by New Labour. Each interview was recorded and then fully transcribed. The interviews covered the rationale behind recent welfare reforms, the policy actors identified by the respondent as influential in relation to particular reforms (inside and outside government), their positions and how successful they had been in influencing the decision-making process, along with information regarding potential conflicts among policy actors and how these had been resolved. The interviews were analysed by using a common coding system to produce 'policy maps'. Each policy map consisted of subheadings, such as key problems, proposed solutions and rationale of the reforms, key actors within central government and their position, working relations within central government, key actors outside government and their position, working relations between government and external groups, policy debates in the design stage, assessment of policies and ongoing debates. These subheadings were used to code the data and enabled us to analyse the interviews to generate new information about the political process and to support the argument that New Labour relies on a mix of policy-making styles depending on the policy type and the power relations between government and interest groups. We first describe New Labour's more general style of welfare governance before

examining the policy processes behind recent reforms in long-term care, family and labour market policies and pensions.

### **New Labour's social policy style**

Coming into office in 1997, New Labour further developed its 'third way' strategy, emphasising rights and responsibilities, an enabling rather than providing state, and equal opportunities through a work-first approach (Blair, 1998; Finn, 2003: 709). To implement their strategy, New Labour has relied on a twofold policy style: reinforcing the executive and devolving powers to national assemblies along with increased influence to interest groups (Richards and Smith, 2002: ch. 10).

The centralisation of power is reflected in the expansion of the Number 10 Policy Unit with a sharp increase in the number of special advisors and the increased authority of the Cabinet Office and especially the Treasury (Richards and Smith, 2002: 242; Deakin and Perry, 1998: 51). The Treasury has pursued a more interventionist approach in a range of social policy areas, partly by strengthening central financial controls. One interviewee summed up a common view:

There are now not many areas of social policy where you would not want to talk to the Treasury to convince them of a change even if that change was the responsibility of another department. (Interview at the Institute for Public Policy Research, IPPR, 4 January 2003)

Some of New Labour's policies are formulated behind closed doors by leaders and special advisors, excluding opposition, interest groups and Labour backbenchers (Interviews at the Department for Work and Pensions (DWP), 21 March 2003; Department for Education and Skills (DfES), 18 February 2003; IPPR, 1 April 2003; National Health Service (NHS) Confederation, 25 April 2003). The recent introduction of top-up fees is an example of such a centralised approach (BBC News, 8 January 2004). However, a different trend is also seen within the context of British policy-making when the government seeks to involve civil society groups. The 1999 White Paper on modernising government called for partnerships between public, private and voluntary organisations based on a relationship of trust (Rhodes, 2000b: 269). The development of a more inclusive approach to civil society and the implementation of comprehensive consultations are (along with the devolved powers to the Scottish and Welsh Assemblies) examples of this form of governance (Bochel and Bochel, 1998: 61–64). A senior official at the Department of Health (DoH) reported:

One of the things that is particularly different with this administration from the Conservative... is that it tends to be fairly inclusive. Age Concern, Help the Aged, PSSRU will be routinely and regularly consulted about specific pieces of policy. If you went to any steering group, reference or taskforce group, external bodies would be in greater number than civil servants. (Interview at the DoH, 5 March 2003)

The inclusive approach has developed mainly because New Labour recognises that targets alone cannot secure a successful implementation, and the government therefore wishes to 'energise' people through active involvement in the design stages of policy (Interviews at NHS Confederation, 25 April 2003; Carers UK, 4 April 2003; IPPR, 1 April 2003; Treasury, 1 April 2003; Local Government Association (LGA), 23 April 2003; DoH, 25 March 2003). However, the influence of external organisations depends heavily on their power relations with government and the type of policy under consideration. The novelty behind some reforms has primarily been New Labour's attempt to achieve stakeholders' consent rather than delegating decision-making powers, while the design of other reforms has largely been left to non-state actors (Interviews at the NHS Confederation, 25 April 2003; DoH, 5 March 2003; DWP, Spring 2003; Department of Trade and Industry (DTI), 3 March 2003; Equal Opportunities Commission (EOC), 17 February 2003; Trade Union Congress (TUC), 24 March 2003). A more detailed analysis of the approaches used in long-term care, family policy, labour market policy and pensions is presented below.

### **Long-term care reforms**

In recent years, New Labour has adopted a wide range of long-term care reforms, including the 1999 Carers Strategy, the 2001 National Service Framework (NSF) for older people, the 2001 Health and Social Care Act, the 2003 Community Care Act and received findings of the 1999 Royal Commission. Although the reforms attempt to improve the quality and availability of services particularly for older people, different policy styles have been used to involve outsiders. The Royal Commission, the Carers Strategy and the NSF for Older People have been subject to inclusive methods, while a top-down approach has dominated the political process behind the Health and Social Care Act and the Community Care Act. The type of policy and the different stakeholders' power relations with government seem to play an important role for these differences.

The Health and Social Care Act and the Community Care Act were both legislative reforms and included different types of policy. Both reforms included service delivery elements, but were primarily New Labour's political response to reviews by independent experts (the 1999 Royal Commission and the 2002 Derek Wanless report) of the long-term care system and the NHS (House of Commons, 2001a, 2001b; Wanless, 2002: 13). Although the practical delivery of free nursing care in the Health and Social Care Act involved service delivery, the decision to provide free nursing care reflected a cost-intensive and a political/ideological driven policy. It was a party political decision to offer only free nursing care instead of free personal care in Wales and England, since the latter would have meant dramatic increases in public expenditure (Interviews at the DOH, 25 March 2003; LGA, 23 April 2003; Association of Directors of Social Services (ADSS), 28

February 2003; NHS Confederation, 25 April 2003). Likewise, the introduction of delayed discharge payments to penalise inefficient local authorities in the Community Care Act was also largely driven by political concerns. Ministers rather than civil servants saw this as the solution to the problem of local authorities trying to prevent New Labour from reaching its targets within the 2000 NHS plan (Interviews at the DoH, 5 March 2003; NHS Confederation, 25 April 2003; Carers UK, 4 April 2003; ADSS, 28 February 2003). The fact that the two reforms included a mix of policy types meant that different policy styles were applied depending on the policy element under consideration.

During the political process only minor amendments were added to New Labour's initial proposals of the Health and Social Care Act and the Community Care Act, although the reforms were met by intense criticism from opposition during the various consultations, road shows and parliamentary debates. Many interviewees reported that the government largely ignored stakeholders' pressure for free personal care and objections to abolish the Community Health Councils (CHCs) and the introduction of delayed discharge payments although the reforms affected influential stakeholders (Interviews at the NHS Confederation, 25 April 2003; ADSS, 28 February 2003; LGA, 23 April 2003; Help the Aged, 4 April 2003; Carers UK, 4 April 2003; DoH, 2 April 2003). Only the more service-orientated elements related to the implementation of free nursing care in the Health and Social Care Act and the carers support services in the Community Care Act were (along with minor details related to the translation of policy into practice) open to debate. In relation to the design of the Health and Social Care Act, an interviewee reported:

If you took the free nursing care side of things that was a political issue, where you were not able to influence that much because it was a political response to the Royal Commission. What we have been successful in is in amending minor components . . . and delaying the reform. I do not think that we have been able to fundamentally challenge the policy, because it is an ideological political debate where external people have little effect. (Interview at the NHS Confederation, 25 April 2003)

Interviewees also reported that outsiders' and civil servants' influence was limited in the design of the Community Care Act, mainly because the reform was driven by political concerns rather than affecting weaker interest groups (Interviews at Help the Aged, 4 April 2003; Carers UK, 4 April 2003; ADSS, 28 February 2003; LGA, 23 April 2003). A senior DoH official stated in this respect:

The current bill on delayed discharge is probably the most politically driven . . . as it is hard to find people who want it . . . Politicians identified it as a solution to something that they saw as a problem rather than people like myself . . . We would probably have suggested a different solution, but politicians are at the end of the day in charge of policy. (Interview at the DoH, 5 March 2003)

Cost-intensive, politically and ideologically driven reforms seem less open to debate. According to the interviewees, stakeholders and parliamentary opposition could only indirectly influence the political process when reforms were cost-intensive, politically or ideologically driven. This was done mainly through the House of Lords, as New Labour tended largely to ignore opposition during consultations and parliamentary debates, the latter due to their majority in Parliament (Labour 412 against Conservatives 166, Liberal Democrats 52, House of Commons, 2001c: 8; Interviews at the NHS; ADSS, 28 February 2003; LGA, 23 April 2003; Carers UK, 4 April 2003). The few amendments included in the two reforms support this. The section on carers' services in the Community Care Act was proposed in the House of Lords at the request of Carers UK, as it was almost impossible to achieve change through Parliament and the consultation process. Likewise, the provision of free personal care in Scotland was due to the newly devolved powers to the Scottish Assembly rather than New Labour giving in to lobbying. Moreover, rebellious Labour backbenchers enabled the Conservatives to keep the CHCs, although only until October 2003 when they were abolished (House of Commons, 2003: ch. 5; *The Guardian*, 12 March 2001; Interviews with Carers UK, 4 April 2003; ADSS, 28 February 2003; LGA, 23 April 2003; DoH, 2 April 2003).

The directive method used by New Labour confirms earlier research findings. Long-term care decisions have often been products of settlements between different sections within the bureaucracy, particularly between the Treasury and the spending ministries rather than subject to an inclusive approach (Baldock, 2003: 133; Means *et al.*, 2002). However, this traditional top-down approach has not been applied to all long-term care reforms. The Carers Strategy, the NSF for Older People and the 1999 Royal Commission relied on a somewhat different approach.

Both the Carers Strategy and the NSF for Older People were service-orientated reforms. The Carers Strategy offered a substantial policy package aiming at improving services for carers, while the NSF for Older People set new key standards for 'better, fairer and more integrated health and social care services for older people' (DoH, 1999: 6; 2001). The establishment of the Royal Commission to review the long-term care system reflected a different type of policy. It can be perceived as an attempt by government to legitimate its new and controversial policy of not funding personal care. The short time span and the fact that New Labour later rejected the Royal Commission's main recommendation of free personal care indicate that the Commission worked as a watershed for New Labour to reject their previous request for free universal care services during their time in opposition (House of Commons, 22 February 1990; Interviews at Carers UK, 4 April 2003; DoH, 2 April 2003).

A broad range of service providers, including private and voluntary organisations, the ADSS and LGA, were heavily involved in the design of the Carers Strategy, the NSF for Older People, the Royal Commission and the service-oriented section of the Health and Social Care Act and the Community Care Act.



In fact, outsiders chaired both the Royal Commission and the taskforce group behind the NSF for Older People, whereas the Carers Strategy was a grass-roots initiative. A DoH official reported in this respect:

The National Strategy for carers was drawn up in complete collaboration with Carers UK and all the other big carers organisations . . . This is also true for the NSF for older people. The main group was even chaired by an external person. (Interview at the DoH, 5 March 2003)

This view was also supported by the campaigning and professional organisations interviewed. In fact, a new approach involving older people themselves in the political debate was used in the design of the NSF for Older People. A senior DoH official stressed the influence of outsiders on the latter reform:

I am not sure we would have had quite the clarity of that issue (standardised and person-centred care and the health of the active) if we had not had the process of involvement . . . It [the inclusive process] had quite a significant impact. (Interview at the DoH, 25 March 2005)

An important reason for the inclusive approach in designing the Carers Strategy and NSF for Older People was that collaboration from different regional and local service providers was essential to implement the two reforms successfully due to the fragmentation of the British care system. The willingness to involve outsiders in the political debate when reforms were aimed at improving service levels and concerned the independent sector was also reflected in some interviewees' remarks:

The only exception of involving outsiders in the design stage is around people's issues. (Interview at the LGA, 23 April 2003)

People are always more willing to listen to how do you deliver the best care to the best evidence than they are about something that is political and ideological and costs a large amount of money. (Interview at the NHS Confederation, 25 April 2003)

In sum, the policy style behind recent long-term care reforms seems to depend on factors such as power relations between stakeholders and government, and whether reforms concern service levels, costs in terms of public spending, or are ideologically and politically driven policies. The importance of policy type is further underpinned by the fact that outsiders had a crucial impact on the service delivery elements of the Health and Social Care Act but were largely ignored with respect to the free personal care debate.

### **Family policies**

New Labour's extensive package of family policies, ranging from various childcare initiatives, a work-life balance strategy, to tax credits, has also been subject to different policy-making approaches, depending on the type of policy under consideration and the stakeholders involved. The tax credits largely relied on a directive mode of governance, while a bottom-up approach characterised the

work–life balance reforms and to a lesser extent the childcare policies. Each of the reforms was led by the relevant department with inputs from the Treasury, in particular in relation to spending, and to a lesser extent the Number 10 Policy Unit and other departments. However, the role of the Treasury often went beyond controlling public expenditure, as an official from Daycare Trust reported:

The Treasury has led the whole thing . . . In a sense they are the most important people . . . The next stage forward is only . . . by dealing with Gordon Brown . . . DfES, DWP and DTI have been less influential . . . They are more about delivering. (Interview at the Daycare Trust, 21 March 2003)

Despite the dominance of the Treasury, each of the responsible departments played a determining role in developing the more detailed parts of policy. The DTI had the leading role in developing the work–life balance strategy, which included a request for flexible working and new parental leave entitlements for both parents (Treasury and DTI, 2003). The strategy can be characterised as both extending government authority and being a service-orientated reform, as New Labour intervened in the labour market to improve services for working parents.

An inclusive approach was used in the design stage of the work–life strategy. According to a DTI official, outsiders literally designed the new policies, a view which most interviewees supported. An example is a senior official at the EOC, who stated:

What the DTI did was quite interesting . . . They had meetings with officials at the EOC . . . with employers . . . the Maternity Alliance and with other key organisations . . . Before they [DTI] even came up with any proposals they conducted a consultation exercise with meetings . . . They then wrote the Green Paper and wrote some proposals and we responded to those. They then had different consultations on the details. (Interview at the EOC, 17 February 2003)

The current entitlements for flexible working further underpin outsiders' influence on the debate. The request was proposed by non-state actors through the taskforce, rather than being part of the government's initial proposal launched in the 2000 Green Paper: *Work and Parents: Competitiveness and Choice*. The Green Paper suggested a right to shorter working hours, if requested, but parents and employers wanted, for different reasons, a more flexible arrangement in which entitlements to change the hours worked and opportunities to work from home were supported, rather than the right to reduce working hours (DTI, 2000a, 2003: 8; Interview at the EOC, 3 March 2003).

Although the final results reflected a compromise between the different partners, the employers dominated the political process. The TUC, Campaign organisations and DTI had called for more generous rights during the negotiation process, but employers were unwilling to give such concessions (DTI, 2000a; Interviews at the EOC, 3 March 2003; DTI, 3 March 2003; TUC, 24 March 2003). New Labour's difficulties in overruling employers were further underlined by the remarks of some interviewees:

It comes to some key points where it is about power. The desire of the government not to upset employers too much . . . The Confederation of British Industry [CBI] had an awful lot of influence over the final shape of the scheme [work-life balance strategy]. (Interview at the EOC, 3 March 2003)

The taskforce . . . was heavily dominated by employers' organisations and it [the taskforce] did have a crucial impact on the results . . . we had to fight very hard to get very basic rights for workers . . . Employers have got their own way. (Interview at the TUC, 24 March 2003)

Clearly, you do not want to impose requirements on industry which will mean that some of the smaller business go out of business if they have to offer a larger amount of maternity leave. (Interview at the DWP, 21 March 2003)

New Labour seemed dependent in particular on employers' willingness to implement the new reforms, indicating the importance of power relations between government and stakeholders. However, the type of policy also seemed crucial. The new rights for parents represented an attempt to extend government authority to regulate the working relations between employees and employers: an area often seen as outside the domain of government due to British labour market traditions (Smith, 1993). This, along with the fact that the financial burden of the reforms falls primarily on the employers rather than the government, implies that New Labour particularly needed employers' consent to succeed. The inclusive approach was not repeated in Parliament, indicating that it is primarily used to ease implementation and legitimise certain government initiatives.

The bottom-up approach was only partly used in the design of the 2002 childcare review. The review intended to 'develop a vision for 2010 for childcare in England, and to inform the 2002 Spending Review' (Cabinet Office, 6 November 2002). The nature of the policy was to provide relatively new services for parents and extend government authority through cross-departmental collaboration, and intervention in the private and voluntary market, since childcare provision and regulations affect a wide range of government departments and non-state childcare providers. However, parts of the review also included heavy public spending in terms of financing the new services, which may explain why New Labour has relied on a mixed policy style in the design of the review.

The DfES officially led the childcare review, but most government departments had representatives involved in the political debate and in the steering group behind the review. Outsiders such as the Daycare Trust and the IPPR also sat on the steering group and fed inputs into the debate, indicating a fairly inclusive approach (DfES *et al.*, 2002; Interviews at the DfES, 18 February 2003; Cabinet Office, 6 February 2003; IPPR, 1 April 2003). However, the final decisions about policies to increase the level of affordable childcare were taken within central government, particularly under heavy influence from the Treasury. A crucial determinant for this was the costs associated with the realisation of the proposals within the childcare review (Interviews at the DfES, 18 February 2003; DWP, 21 March 2003; DTI, 3 March 2003; Cabinet Office, 6 February 2003;

Daycare Trust, 21 March 2003; IPPR, 1 April 2003). The Treasury was pivotal in deciding the government's childcare approach and setting its funding criteria in the 2002 Comprehensive Spending Review. Despite internal disagreements within the Labour Party, the Comprehensive Spending Review promoted the Treasury's market approach where childcare expansion was encouraged through the support to families and private providers, rather than state-run care facilities (Interviews with government officials, Spring 2003; Treasury, 2002).

The political process indicates that different parts of the childcare review have been subject to different policy styles depending on whether they concern service provision, costs or require cross-departmental collaboration. Reform elements involving heavy public spending seem less open to debate than policies aimed at extending government authority and/or improving service levels. The design of the tax credit reforms also supports this.

The tax credit reforms were part of the government's family policies, their employment and anti-poverty strategy. The credits consist of the Child Tax Credit and the Working Tax Credit. They aim at helping families with childcare and childrearing costs and attempt to increase work incentives, particularly for less fortunate families (Treasury and DTI, 2003; Adler, 2004). The reforms reflected a mix of policy types. They were first and foremost ideologically or politically driven and cost intensive, but they also represented to some extent a new policy direction. The element of drawing together existing family support in the Child Tax Credit and making both the Child Tax Credit and Working Tax Credit available to more families through generous thresholds were new. However, the policy instruments (tax exemptions) remained similar to those used by New Labour's predecessor. The reforms are therefore radical only in terms of simplicity and generosity.

The Treasury led on the tax credits and instigated a range of seminars, workshops and meetings with outsiders to legitimise the new policies. They thereby appeared to be fairly inclusive, but interviewees reported that the policy process was dominated by a directive method, even within government (Inland Revenue, 2001; Treasury, 29 November 2001; Interviews at the TUC, 24 March 2003; IPPR, 1 April 2003; CBI, Spring 2003; Women's Budget Group, Spring 2003; Cabinet Office, 6 February 2003). Many government officials stated that this was because both the design and spending decisions of the tax credits fell on the Treasury, whereby the Treasury did not have to seek other departments' approval for its ideas (Interviews with government officials, Spring 2003). The influence of outsiders was also limited despite the wide range of official consultations (Interviews at the Day Care Trust, Spring 2003; IPPR, 1 April 2003; TUC, 24 March 2003; CBI, Spring 2003; Treasury, 15 January 2003). An interviewee summed up a common view:

The meetings were more for the Treasury to ask about what we thought and saw as the key issues and possible trade offs . . . It was not a discussion about the principles and it was not a discussion about the overall policy goals. It was much more a discussion about how do you

design something given that those are your principles and these are the goals and what are the design issues that are involved in delivering such a system. (Interview with a tax credit expert, 4 March 2003)

It was mainly implementation details and service-orientated elements that were subject to debate when policies were more politically or ideologically driven and involved dramatic increases in public expenditure. The few amendments added to the Treasury's initial proposals support this, as they all concerned practical matters such as paying the tax credits' childcare elements to the main carer and increasing the work incentive for second earners, and simplifying the administration tasks (Inland Revenue, 2001; Treasury, 29 November 2001; Interviews with a tax credit expert, 4 March 2003; Women's Budget Group, Spring 2003). The more directive policy style also dominated the Bill's passage through Parliament, as hardly any amendments were added despite relatively fierce opposition from the Conservatives and the Liberal Democrats (House of Commons, 17 January 2002).

The above review indicates that a mix of policy-making styles have been used, even within the same reform. It signifies that power relations between government and key stakeholders and policy types seem important for New Labour's choice of policy style. The government's labour market policies largely reflect a similar approach.

### **Labour market policies<sup>1</sup>**

The labour market reforms refer to the set of New Deals for young people, lone parents, people with disabilities, long-term unemployed, partners of the unemployed and people over 55 and to the National Minimum Wage and the tax credits mentioned earlier. Different policy-making styles have also dominated each of these reforms. As shown above, the tax credits relied on a directive method, while a mix of policy styles were used to design the New Deals and the National Minimum Wage.

The New Deal package differed from any former labour market policies, as it provided intensive training and work preparation programmes, adjusted to the individual needs and circumstances of the different target groups, most prominently young people and lone parents (Adler, 2004: 96; Taylor-Gooby and Larsen, 2004: 69). The New Deals represented therefore a radical approach which was fairly service orientated, but the ideas behind the reforms were ideologically and politically driven. The mix of policy types meant that different policy styles were used, depending on the policy element under consideration.

The new approach of actively supporting individual needs required collaboration from a wide range of actors to succeed, not least from the clients, the employers and the civil servants. The implementation problems faced by New Labour in relation to their objective of activating lone parents supported this.

Central government had great difficulty in getting the former Benefit Agency and Employment Agency to collaborate and deliver the new objectives, causing much frustration and irritation. The problems were first resolved through the setting up of the new Jobcentre Plus, an agency which joins the tasks of the two former agencies (Interviews at the Treasury, 15 January 2003; Jobcentre Plus, Spring 2003).

The political process reflects New Labour's awareness of the importance of involving affected stakeholders. A taskforce (composed mainly of businessmen but with representatives from the voluntary sector, local authorities and trades unions) was set up to comment on the more detailed design of the New Deal Programmes (Interviews at the DWP, Spring 2003; Jobcentre Plus). Several interviewees reported that the taskforce, particularly the employers, played an important role – chiefly because, as an official at Jobcentre Plus expressed it:

Employers are still very influential because you cannot have a 'welfare to work' policy whatsoever unless the employers are involved in it . . . To involve them was deliberate. They are not going to take people just because the government tells them to help us . . . Employers had to be at the heart of the process. (Interview at Jobcentre Plus, Spring 2003)

The New Deal taskforce had weekly meetings with different government departments, particularly the former Employment Minister, Andrew Smith. Most interviewees found this approach unusual and an example was a member of the taskforce, who reported:

We had meetings once a week and at that table were representatives of the Treasury, No. 10 and Department for Education and Employment . . . These meetings, which then became biweekly, were hugely important. I think this is unusual, here we [an employer-led organisation] had seating at weekly meetings with Andrew Smith. (Interview at the National Employment Panel, Spring 2003)

The former Employment Minister also conducted several consultations with young people and other client groups such as Centre Point to try and understand their needs, indicating New Labour's attempt to actively involve all stakeholders in the debate (Interview at Jobcentre Plus, Spring 2003). However, as a body, these groups were less influential, as they were rather unorganised and represented weak interest organisations. It indicates that power relations between government and stakeholders play an important role, although the type of policy may also account for the relatively inclusive approach, since various interest groups were invited to participate in the more detailed design of the New Deals. The importance of policy type is further underpinned by the fact that the grand design of the New Deal for Young People was shaped behind closed doors – chiefly by the Chancellor of Exchequer and his special advisors (Interviews at the Treasury, 15 January 2003; DWP; Jobcentre Plus; Employment Panel; TUC, Spring 2003). A government official summed up a common point:

The Treasury led the New Deals because these particular policies were coming out of Gordon Brown's teams . . . When the decision was being made around structures of the new deals . . . the Number 10 Policy Unit was influential. The DfES was influential in the micro-design . . . The design of the New Deals was a fairly closed policy discussion. They were not widely spread in the political party. (Interview at the Treasury, 15 January 2003)

Outsiders' and even Labour backbenchers' influence on the design of the New Deals framework seemed limited. It supports the notion that ideologically or politically driven reforms are less open to debate, as they are central to party policy. In addition, the inclusive approach used in the design of the more service-orientated elements within the New Deals implies that different policy styles were used depending on the type of policy and the power relations between government and key stakeholders. The political process behind the National Minimum Wage further underpins this trend.

The 1998 National Minimum Wage Act states that all workers, except self-employed and young people aged 18–21, are entitled to an hourly wage initially set at £3.60 (but £4.85 at the time of writing, and £5.35 from 1 October 2006) (DTI, 2000b, 2005). It represents an extension of government authority, as it was the first reform that intervened directly in the wage-setting negotiations between employers and employees. The introduction of the National Minimum Wage was a highly contentious issue. The Conservatives voted against the reform on the grounds that this policy would 'take us back to the strikes and the inflation of the 1960s' while the Liberal Democrats supported the reform (House of Commons, 1999). The establishing of the Low Pay Commission prior to the reform also confirms the controversy around a National Minimum Wage. An interviewee reported in this respect:

The government had to sell the idea of the minimum wage to the voters. The Low Pay Commission was a way of making people feel that they owned the minimum wage because a tripartite coalition agreed to it . . . but at the end of the day they were working under government influence. (Interview at the Low Pay Unit, Spring 2003)

Several interviewees expressed similar views. It indicates that New Labour relied on inclusive methods to legitimise controversial policies. The Low Pay Commission's frequent meetings with the Number 10 Policy Unit, the DTI and the Treasury support this. Likewise, the comprehensive consultation process directed by the Low Pay Commission, where a broad range of stakeholders were consulted and fed into the debate, also underpins New Labour's attempt to depoliticise its controversial policies through an inclusive policy process (Interviews at the Low Pay Commission; TUC; *Guardian* Columnist, Spring 2003). However, New Labour tended to listen more to the employers than the employees, particularly the low paid. No members on the Low Pay Commission represented directly the voice of the low paid and the majority of the Low Pay Commission and the trades unions' request to increase the National Minimum Wage was largely ignored

by New Labour (Interviews with the TUC; Low Pay Commission; *Guardian* Columnist, Spring 2003). In fact, most of the meetings on setting the level of the National Minimum Wage involved only CBI, the Treasury and the Number 10 Policy Unit and their special advisors (Interviews at the Low Pay Commission, Spring 2003). It implies that New Labour tends to ignore weaker interest groups while emphasising more inclusive methods when they are unable to control the more powerful stakeholders.

This section highlighted that the Treasury dominated the policy process, while other government departments' influence was limited. Moreover, hardly any external organisations were included in the design of the reforms' framework, although a fairly inclusive approach was used in the more detailed design of the New Deals and the National Minimum Wage. The fact that the reforms introduced new policy directions and involved mostly discussions with employers implies that policy type and power relations between government and stakeholders are crucial for the choice of policy style.

### **Pensions policies**

Recent pensions initiatives include, for instance, the set of reviews by Ron Sandler, Alan Pickering and Adair Turner, the 2002 Green Paper and the Pensions Credit. Although each initiative aimed to improve the existing pension system by encouraging greater pensions savings, different policy styles were used (Sandler, 2002; Pickering, 2002; House of Commons, 2002). The reviews and the Green Paper were subject to a fairly inclusive approach, while the top-down method was used in the design of the Pensions Credit.

The government's reliance on an inclusive approach in the design of the different reviews and the Green Paper was chiefly because the reforms attempted to extend government authority by intervening in the private sector through setting pension regulations. The success of the different initiatives depended therefore on the strong pensions industry's approval of any major changes, indicating the importance of outsiders' power relations with government (Interviews at the DWP, 7 April 2003; Treasury, 1 April 2003; Association of British Insurers (ABI), 7 April 2003; National Association of Pensions Funds (NAPF), 9 May 2003). However, the policy type also seemed to play a crucial role. Most interviewees also reported that New Labour tended to be inclusive when it was unsure about the future direction of pensions and wanted to depoliticise its more controversial policies (Interviews at the DWP, 7 April 2003; Treasury, 1 April 2003; ABI, 7 April 2003; NAPF, 9 May 2003; Independent Pensions Expert, 21 February 2003). The fact that external pensions experts chaired the different reviews and the range of informal meetings between government and outsiders along with the extensive consultation process that took place prior to the reviews and the 2002 Green Paper underpins this view (Interviews with independent pensions expert,



21 February 2003; TUC, 1 April 2003; CBI, 26 February 2003; DWP, 7 April 2003; NAPF, 9 May 2003). A senior government official reported in relation to this:

There is no harm to have the private sector in at the beginning because it makes it more acceptable. Alan Pickering [head of the Pickering review] came out with a few ideas and it is a bit more acceptable than when the government does it. . . . Adair Turner [head of the current pensions review] was the head of the CBI and was quite a cunning person if we are going to say that employers should be paying more money. (Government Official, Spring 2003)

As part of the legitimisation process, New Labour also attempted to set up a tripartite committee with the DWP, CBI and TUC as well as a taskforce composed of the pensions industry to reach a common consensus on suitable solutions for the UK's 'pensions crisis' (Interviews at the TUC, 1 April 2003; CBI, 26 February 2003; NAPF, 9 May 2003). In addition, cross-departmental collaboration was used extensively in the design process, particularly of the 2002 Green Paper. A typical remark was:

We worked very close with DWP, Cabinet office and Number 10. We almost treated each other as part of the same organisation most of the time. (Interview at the Treasury, 1 April 2003)

The type of policy and power relations between central government and stakeholders seemed essential for the inclusive approach. The establishing of the Adair Turner Commission supports this. Internal disagreements within central government regarding the compulsion of employers were, along with the Number 10 Policy Unit's wish to depoliticise the topic, important reasons for setting up the Commission (Interviews at Government Actuary Department (GAD), 7 April 2003; independent pensions expert, 21 February 2003; DWP, 7 April 2003; Treasury, 1 April 2003). In relation to this, a senior government official reported:

The Adair Turner Commission is really an initiative from Number 10. It is not something that either the DWP or the Treasury really invested from the Green Paper, but it seemed to be needed on higher political grounds. There was no incitement within government to make pensions savings compulsory; on the other hand, they felt that they were under a lot of pressure to do that. (Government Official, Spring 2003)

The 2002 Green Paper's discussion of tax simplification also indicates the importance of policy type. The more detailed design of the document was left to civil servants, who after consulting with the pensions industry drew up an entirely new tax simplification proposal. An interviewee from the pensions industry reported:

Industry people were coming up with ideas that went beyond the thinking of the civil service and, once explained, the civil servants could see the benefits of it and went outside of their terms of reference. The responsible civil servant decided to put his steering committee on a shelf and go outside to get a solution and then convince ministers that this is what they want to do. (Interview with the Pensions Industry, Spring 2003)

This example indicates that outsiders have more influence on the detailed design of policy in terms of practicalities and improving service levels rather than the direction of British pensions policy: a view that was broadly shared by the interviewees. An interviewee summed up a common point:

It is true to say if an issue is particularly technical and it is looked at in a technical way then we [stakeholders] have influence. If it is looked at a very political way we do not. (Interview at the GAD, 7 April 2003)

The very specific agenda set for the consultations prior to the design of the 2002 Green Paper supports this notion, as a senior official from the ABI reported:

Most of the meetings, I have been to, have been very much about a set agenda. There has been a very clear steer given by ministers in the introduction what this event was about and it was not about. Often the key things such as reform of the state pensions system and fiscal incentives were completely missed out . . . It appeared very open, but it was actually tightened to a quite a tight and controlled agenda. (Interview at the ABI, 7 April 2003)

The consultation process behind the Pensions Tax Credit and the Bill's passage through Parliament and the House of Lords also signify that the type of policy has crucial implications for the choice of policy style. The Pensions Credit was a politically or ideologically driven reform in as much as the government, particularly the Treasury, wanted to help poor pensioners while saving costs. The fact that the reform was politically or ideologically driven and involved heavy increases in public spending meant that outsiders and parliamentary opposition only had a limited influence, as a Treasury official, among others, stated:

Their [stakeholders'] public line is to get rid of all this complex Pension Credit and just raise the basic state pensions and make it earnings related. Ministers are not taking this route because of the long-term costs. They think it is better to target resources on poorer people. So when we are lobbied on that there is not much that we can do about it because it is such a big political choice. (Interview with the Treasury, 1 April 2003)

The introduction of the Pension Credit clearly indicates that the policy type is important for the choice of policy style. Key stakeholders and to some extent civil servants were unable to influence the basic framework, while the service delivery elements of the reform were open to debate (Meager, 2002; Interviews at the GAD, 7 April 2003; NAPF, 9 May 2003; ABI, 7 April 2003; DWP, 7 April 2003; Help the Aged, 4 April 2003). This interviewee summed up a common view:

Insofar comments to 'change the system', 'we do not like the system', 'we want a universal pension' then the government was not responsive because it was not going to change policy. Insofar people made the point 'means-testing is stigmatising', 'we do not like means-testing because it makes us feel that we are asking for charity', 'we do not like means-testing because it is too intrusive', that concern we took very seriously. (Interview at the Treasury, 1 April 2003)

In sum, the different pensions initiatives support the notion that a different policy style is used depending on the type of policy and outsiders' power relations with

government. The more service-orientated elements of the pensions policies, along with the attempts to extend government authority, were more open to debate than politically and ideologically driven policies such as the Pensions Credit.

### Conclusion

New Labour relies on a mix of policy styles across a range of policy areas. The nature of policy-making seems to depend on the stakeholders involved and the policy type under consideration. This article distinguishes between inclusive as opposed to directive modes of policy-making applied by the current government to different reforms and even to different parts of the same reform. The power relations between government and key stakeholders play an important role in terms of determining New Labour's choice of policy style. However, the type of policy also seems crucial. We identified four types of policies: service-orientated, extension of government authority, cost-intensive, and politically or ideologically driven reforms. The service-orientated reforms and the policies aimed at extending government authority tend to be more inclusive, and in some areas stakeholders play a major role in the design of the new policies through taskforce groups or external commissions. In contrast, cost-intensive and politically or ideologically driven policies are subject to more directive methods, where even the more powerful stakeholders are left with little influence. Our approach goes beyond Rhodes and Marsh's (1992) resource dependency model, as even within the same reform, parts of the policy are seen as subject to inclusive approaches while other elements are much less open to debate, although the reform affects the same group of key stakeholders.

As a result, the cost-intensive and politically or ideologically driven parts of a reform are almost impossible to alter. Elements related to service levels and/or the extension of government authority by legitimating new directions in policy and requiring cross-departmental collaboration or changes in current administration are open to debate. The implication is that the government pursues a more inclusive approach in the latter reforms because it needs the support of the key stakeholders to ease implementation and legitimate reforms in these areas. The fact that the inclusive approach is not adopted in Parliament or used when policies involve heavy public spending or more directly political or ideological issues supports this. The closed debate within the latter areas of reform results mainly from the fact that these reforms are central to government policy. The major factors influencing the policy style of the New Labour government are thus the power relations between government and stakeholders and the type of policy under consideration.

### Acknowledgement

This article derives from the work of the UK team in the EU project *Welfare Reform and the Management of Societal Change*. Trine P. Larsen, Peter Taylor-Gooby, Johannes Kananen and Anne Daguerre. We would like to thank Jan Hadlow for helpful comments on an earlier draft.

## Note

- 1 This section draws on work by Anne Daguerre in preparing background reports and conducting interviews.

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