

# Making policy in opposition: the development of Universal Credit, 2005-2010

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## About the author

Dr Catherine Haddon is a professional historian whose doctoral dissertation was on Whitehall and Cold War defence. As well as working as an academic, she has been involved in research for a number of high-profile publications, museum and corporate projects. In her work at the Institute, Catherine has published reports on *Reforming the Civil Service* and *Making Policy in Opposition*, as well as co-authoring the Institute's publications *Making Minority Government Work*, *Transitions: Preparing for Changes of Government* and *Transitions: Lessons Learned*. In addition to her continuing work on Institute projects relating to Whitehall, government, the political process and the Constitution, she is currently working on a major project on Civil Service history.

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## Introduction

When a new government takes office it brings two things with it to govern: people and policy. The Institute for Government has looked in the past at how well prepared people are for government and it has also examined how policy is made in government. This series of case studies seeks to add to the Institute's work on the policy making process by studying how policy is developed when a party is in opposition.

Policy making in opposition is not simply about replicating what occurs in government. It is also an intrinsic part of getting elected in the first place. Throughout their time in opposition, parties focus on how they challenge the government and on what issues, as much as on their plans for government. By the time of an election, party manifestoes will contain a range of positions from broad philosophy and values, through to specific pledges and commitments.

Policy making in opposition also involves vastly different resources to that in government. These case studies have been chosen to provide some insights into what sources of expertise, research and challenge parties have when developing policy in opposition. They build on the Institute's [previous case studies](#) examining a number of 'successful' policies, two of which were policies developed in opposition.<sup>1</sup> As such they do not attempt to fully analyse the policy itself or narrate (except where relevant to the opposition period) its progress within government. As case studies, they aim to provide a narrative of what happened, but do not pull out all of the analysis and lessons that can be drawn from them.

Some of the lessons from these studies are available in a short report, *[Making Policy in Opposition: Lessons for Effective Government](#)*, published in September 2012. The Institute will continue to add to this and other policy making research.

# Timeline

- September 2001:** Iain Duncan Smith becomes Leader of the Conservative Party
- November 2003:** Michael Howard replaces Duncan Smith as leader after a vote of no confidence
- November 2004:** Establishment of Centre for Social Justice (CSJ) by Iain Duncan Smith as a 'campaign for radical volunteer-based solutions to deep-seated social problems'<sup>2</sup>
- 6 December 2005:** David Cameron elected Conservative Leader
- 7 December 2005:** Cameron announces first of his policy review groups. Centre for Social Justice is commissioned to be secretariat for social justice policy group, headed by Iain Duncan Smith, on 'the causes and consequences of poverty, family breakdown, drug rehabilitation and care for the elderly'.<sup>3</sup> The conclusions are to 'guide rather than set policy'<sup>4</sup>
- 8 December 2005:** Cameron announces new Shadow Cabinet. Philip Hammond becomes Shadow Work and Pensions Secretary, replacing Sir Malcolm Rifkind
- December 2006:** Launch of *Breakdown Britain: Interim report on the state of the nation* by the Social Justice Policy Group
- 2 July 2007:** Shadow Cabinet reshuffle. Philip Hammond becomes Shadow Chief Secretary to the Treasury. Chris Grayling becomes Shadow Work and Pensions Secretary
- 10 July 2007:** SJPG/ CSJ publish *Breakthrough Britain* with 190 policy recommendations for the Conservatives
- 8 January 2008:** Grayling and Cameron announce Conservative welfare policy: focus is on expanded payment by results for private and voluntary sector welfare-to-work programmes, increased conditionality for benefits, and more rigorous assessments of claimants
- 19 January 2009:** Shadow Cabinet reshuffle. Grayling becomes Shadow Home Secretary – Theresa May becomes Shadow Work and Pensions
- September 2009:** CSJ publish *Dynamic Benefits: Towards Welfare that works* – recommends single working age benefit as to reduce welfare dependency and reduce financial disincentives to work
- 12 May 2010:** Iain Duncan Smith is appointed Secretary of State for Work and Pensions and brings Philippa Stroud, co-founder of CSJ, into government as Special Adviser
- 30 July 2010:** Duncan Smith launches command paper *Welfare in the 21<sup>st</sup> Century* for consultation. Explores several options for change, with Universal Credit prominent<sup>5</sup>
- 5 October 2010** Universal Credit formally announced as government policy<sup>6</sup>
- 11 November 2010:** Publication of white paper, *Universal Credit: welfare that works*

# The development of Universal Credit, 2005-2010

A central part of Coalition policy on welfare owes its genesis not to either Conservative or Liberal Democrat manifesto or even work done by them when in Opposition, but to policy development by a think tank headed by the former Conservative Leader and now Secretary of State for Work and Pensions, Iain Duncan Smith.

Universal Credit, the policy for simplifying the benefits system into a single working age benefit, was not in either party's manifesto or in the initial coalition agreement published on 11 May 2010. It was only with the surprise appointment of Duncan Smith as Secretary of State for Work and Pensions that Universal Credit became a mainstay of the Government's welfare reform agenda, appearing in the longer *Programme for Government* published on 20 May 2010.

Though they were not the only source of thinking about how to simplify the benefit system, the Centre for Social Justice (CSJ) were the instigators behind Universal Credit. However, their direct involvement in Conservative policy making goes back to 2005 when Duncan Smith, and through him CSJ, was engaged by the Conservatives to run a policy review looking at social justice policy more widely. It was partly as a result of that work, but only after official Conservative policy had moved on to welfare-to-work provision, that the CSJ started to look in depth at the feasibility and options for simplifying the benefits system.

Universal Credit and the role of the CSJ provide a particularly fascinating example of the way opposition policy makes it into government. Not just because of the initial policy review process and the subsequent, independent, development of a policy idea, but also because of the atypical way in which it ended up becoming government policy. This case study therefore analyses both the original policy review and subsequent development of Universal Credit by the CSJ.

## Background – the Conservatives and social justice policy

The Centre for Social Justice was formed in November 2004 by Duncan Smith a year after his ousting as Conservative Party leader. For Duncan Smith a 'critical moment' in his own view was during a 2002 visit to the Easterhouse estate in Glasgow while Leader of the Conservatives.<sup>7</sup> The change of thinking caused by that trip was a 'personal journey', but also represented part of a wider change in approach for Conservative Party policy and attempts to 'modernise' the Party.<sup>8</sup> Speaking at the launch of the CSJ, Duncan Smith set out what he thought the different approach was:

The Conservative Party is at its best when it reaches beyond the safety of familiar constituencies... As leader of the Conservative Party I put forward policies that were designed to help people who haven't expected help from the Conservative Party – or any political party – for a very long time... I'm glad that Michael Howard is keeping and developing these and similar policies. They're right for people in need and they're right for the Conservative Party... Voters want a political party to be good for them and good for their neighbour. They want a Conservative Party that makes the nation stronger and brings it together.<sup>9</sup>

This wider repositioning of the party was 'to identify the Conservatives with the electorate's priorities, and secondly to challenge negative preconceptions about the party'.<sup>10</sup> However, it looked to the 'compassionate conservatism' of the US Republican party under George Bush that was 'unafraid of proclaiming the vital importance of family, voluntarism and values in the war on poverty'.<sup>11</sup> For Duncan Smith, this was encapsulated in the CSJ, which was

to 'campaign for radical volunteer-based solutions to deep-seated social problems'.<sup>12</sup> It was focused on building up relationships with frontline charity workers and its first Director and co-founder, Philippa Stroud, had been involved in poverty issues for much of her career.

David Cameron, elected leader in December 2005, would also continue 'these and similar policies'.<sup>13</sup> It was during the 2005 leadership election that one of the candidates, Liam Fox put forward a vision of 'broken Britain', bringing that phrase to the fore. Accepting the party leadership, Cameron talked about 'social action to ensure social justice, and a stronger society'.<sup>14</sup> Cameron's wider modernisation effort would address environmental issues and climate change.<sup>15</sup>

The day after becoming Leader of the Conservative Party Cameron launched six 'policy groups' to study: economic competitiveness; quality of life; public service reform; security; global poverty; and social justice.<sup>16</sup> They were all were to be formed in a similar way, involving people from outside politics – around eight people – and no more than two Conservative politicians on each, neither of whom were to be frontbenchers. The policy groups as a whole were overseen by Oliver Letwin, a close adviser to, and supporter of, David Cameron, as Chairman of the Policy Review.<sup>17</sup> The social justice policy group was to be chaired by Duncan Smith and resourced through the CSJ.

The policy reviews were an attempt to reach out, to generate new ideas and new relationships, and be seen to be taking stock of their third successive election defeat. According to Letwin, speaking in January 2010, it was:

a very conscious effort to open up our policy thinking with a series of reviews by people who were not part of the Shadow Cabinet, very consciously, but were distinguished in one way or another and with the help of many hundreds of experts of various kinds, some deeply enmeshed in politics, others nothing to do with politics, that created a treasure house of ideas.<sup>18</sup>

For Duncan Smith, it was about bridging the gap between the 'great and the good sitting there pontificating' and the frontline. It was as much about political engagement as about developing ideas:

The rest of Britain is progressively and rapidly deciding, or has already decided, that actually we are not part of the solution; we are more often part of the problem and they don't want an awful lot to do with us.<sup>19</sup>

It was also to be 'deep, serious and long-lasting'.<sup>20</sup>

There were other factors for the Conservatives to consider about the form of the policy reviews. The reviews would be dislocated from the policy development work that individual shadows might undertake, and were not to 'set party policy' but only to 'help inform a policy development process'.<sup>21</sup> Duncan Smith himself had a more ambitious objective – to change the way the party thought about welfare issues.

Some of it may turn out to be unacceptable in the short term to some of my political colleagues. Well, my answer is that I am going to tell it like it is; this committee will tell it as it is - even if some of it is deeply unpalatable.<sup>22</sup>

The reviews would also take time; the social justice review expected to take 18 months. This was timescale similar to the other policy reviews and to the equally ambitious Labour Commission on Social Justice in 1992-1994. But some Conservatives were critical. Comments on Conservative website, Conservativehome at the time of the announcement worried that policy needed to be sold to the electorate early on. Waiting 18 months could mean the party had little to say.<sup>23</sup> At the same time it might 'enfeeble' shadows by taking the 'sexier, fresher work of policy review' away from them.<sup>24</sup>

For the CSJ the policy review was a great opportunity, but also a big challenge. When they were first commissioned to do the policy review the CSJ was just getting going, with 'four people sitting in a little room in Lambeth North'. The task was daunting and might have been more obvious when they were more established. Yet it was also exactly the kind of work they had been set up to do. According to Duncan Smith, the CSJ would have likely carried out such a review anyway, but now the party was starting to move in that direction as well.<sup>25</sup>

### The social justice policy review

Though the assignment and their relationship to official Conservative policy were set by Cameron, it seems to have been up to the policy group themselves to decide how to approach the topic. The SJPG was formed into six

working groups. Five of them would come to represent what the review referred to as the 'pathways to poverty', namely education failure, family breakdown, worklessness and economic dependency, indebtedness and addictions. The final working group would look at increasing the role of the voluntary sector as part of providing solutions.<sup>26</sup>

The working group members gave their time for free, but CSJ had to cover expenses and staffing, a substantial resource commitment. Most of the money for this was raised by Duncan Smith and Stroud. Though the Conservative party did contribute a sum of money, it was not substantial. Running the policy group would prove to be a big challenge of resources and raising money, but the CSJ was able to make use of existing connections with charities and volunteer groups. They had already started building a 'poverty-fighters alliance' of organisations around the country.

The CSJ-hosted secretariat, which soon expanded as they took on the task, included Stroud as Director, Tom Stancliffe as Secretary and a team of 16 CSJ researchers. The CSJ role varied between secretariat support and a much greater influence in developing thinking. The secretariat undertook research to promote discussion, gathered evidence together and analysed findings. However, the extent of this depended on how the chairmen of the working groups operated.

Each had been chosen by Duncan Smith and Stroud for the perspective and experience they would bring to the review. Some of the chairs, like Greg Clark MP and Lord Griffiths of Fforestfach, were Conservative politicians (and chaired the Economic Failure and Welfare Dependency and Indebtedness working groups respectively). Some had research expertise in the subject area. Dr Samantha Callan, Chair of the Family Breakdown Working Group was a research consultant on families and work issues. Kathy Gyngell, who chaired the Addictions Working Group, had been a television executive and campaigner, but had also written and researched drugs policy for the Centre for Policy Studies. Others came from professional backgrounds and business. Orlando Fraser, a barrister, chaired the Third Sector Working Group and Ryan Robson, Chair of the Educational Failure Working Group, was a Senior Partner for the Sovereign Capital investment fund. Debbie Scott, Chief Executive of the charity Tomorrow's People, which worked with the unemployed to help them find work, was made Deputy Chairman of the SJPG.

Secretariat support varied depending on the skills, approach and time of each chair. Some were closely involved, writing much of the end report with the CSJ as secretariat as a support body documenting findings, resourcing, feeding material in to the groups, organising visits and so forth. In other cases the secretariat were more closely involved in drafting working papers and the end report, and the working groups played more of an advisory role.

Each group was composed of a mix of academics, third-sector representatives, some business and consultancy representatives, members of other thinktanks, and Conservative politicians (local government councillors, one current MP and at least four future ones). They held over 3,000 hours of public hearings and sought submissions from over 2,000 organisations, supplemented by a mass of visits, both domestically and abroad.<sup>27</sup>

## Building a coalition of support and developing radical ideas

A large-scale policy review meant a danger of raised expectations, not just for the public and interest groups, but also for the political party to whom it was reporting. The SJPG had ongoing informal relationships with key figures in the Conservative leadership. They were aided by the fact that Stroud herself had been selected as a Conservative candidate. Those conservatives involved also provided useful advice to the CSJ about likely reactions and how to think about publicity. However, the media launch for both reports were deliberately kept very independent from the party. The CSJ were very clear on the need to be independent, and be seen to be independent.

The SJPG provided an opportunity for the Conservatives, by proxy, to re-engage with voluntary organisations and communities throughout Britain and for those groups to feel engaged. For the SJPG secretariat were not mere appearance, but core to the philosophical ideas underpinning the CSJ take on the 'welfare society'. This meant the mix of individuals making up the working groups required careful management. Some of the voluntary sector groups were left of centre and it was not obvious to them to participate with a rethink of Conservative party social

policy, but progress was made on other issues the review continued to reflect the CSJ perspective, not least an emphasis on family stability and marriage.

The importance of independence from the Conservatives was also something all involved recognised. It meant that if the SJPG made recommendations the party disagreed with, the party leadership could say this was just a policy group reporting. It also meant CSJ had licence to develop ideas that might be more radical than those the party might want to consider publically. Then, as one person involved put it, even if the Conservatives only adopted 70% of the proposals, they might still manage to be more radical in their policies than if they had developed them alone, but would look more conservative and measured.<sup>28</sup> But this also brought risks. For those on the Commission there were concerns that the complex and intertwined policy ideas would be treated as a smorgasbord – not appreciating the interdependence of many of the proposals and how they related to the philosophy underpinning them.<sup>29</sup>

The first publication produced by the review in December 2006, one year after the group had been announced, was a 'state of the nation' analysis, *Breakdown Britain*. A comprehensive account of the 'nature and extent' of the problem was also to explain why the subject needed looking at afresh. As Duncan Smith's introduction put it, '[t]oo often these issues are reduced to accusative headlines and receive limited coverage by broadcasters' and instead the causes of poverty should be accepted for how 'complex and deep-rooted' they were.<sup>30</sup> Meanwhile a fresh analysis of the 'causes of poverty' would set up subsequent work looking for new and sufficiently different ideas about how to tackle it.<sup>31</sup> It showed a continuation of the agenda Duncan Smith had begun as leader, attempting to dispel the view that conservatives could not champion the poor but also emphasising the role of the non-state 'welfare society'.

The report was also about strategic positioning for the CSJ and for the Conservatives. It provided the opportunity for a *mea culpa* on previous Conservative governments, conceding that poverty 'has been a difficult issue for the Conservative Party to deal with'.<sup>32</sup> However, there was still a strong party perspective, arguing that poverty was 'too important an issue to leave to the Labour Party', and a strong socially conservative agenda. It was particularly critical of the then Labour Government's 'determination to eradicate discussion of marriage from the debate on family breakdown'.<sup>33</sup>

The second half of the work of the policy groups was to look for solutions. These culminated in *Breakthrough Britain*, published in several volumes during July 2007 and offering up 190 policy recommendations.<sup>34</sup> The SJPG saw in *Breakthrough Britain* not just a set of policy proposals, but rather an attempt to develop 'an integrated and long term approach to tackling disadvantage'.<sup>35</sup> This would prove significant for the CSJ in their relationship with the Conservatives. For CSJ, and therefore Duncan Smith, it was a wide analysis and critique of the causes of poverty, and these went well beyond welfare policy, reaching into such areas as education and social care.

There were two particular areas in which the SJPG saw their approach as 'unique': first in its focus on attempting to 'break the cycle of disadvantage in the early years' through a range of policies; and secondly in strengthening 'families by removing the perverse disincentives in the fiscal system'.<sup>36</sup> At the heart of the latter was the benefits system. The report also concluded that the benefits system contained too many 'traps' that were a disincentive to work. As a demonstration they pointed to Institute for Fiscal Studies research that showed that, at its worst, for a lone parent moving from part-time into full-time work the withdrawal of benefits and tax credits would mean an effective marginal tax rate of 90%, or working more than 76 hours at minimum wage before being able to keep more than 10p in the pound of additional earnings.<sup>37</sup> However, it did not make proposals for specific policies, but instead proposed a CSJ Commission to study 'phasing-in of a unified out-of-work benefit for those who can work (part-time or full-time)'; the potential for increasing work incentives within tax credits, and 'the tapering levels of Tax Credits'.<sup>38</sup>

### Conservative Policy

The influence of the Social Justice Policy Review on Conservative opposition policy is not a simple matter of the direct adoption of policies. The original policy review's six reports included 190 policy recommendations, but Cameron had always deliberately been vague as to how much of a role the review would ultimately play in providing policy. Despite Conservative welfare policy narrowing in on welfare-to-work policy development done



elsewhere, the policy review was still probably the most influential of the 2005-2007 Conservative policy reviews. This wasn't just down to the scale and ambition with which they approached the issue. As one observer put it, whereas the other reviews were a 'hodgepodge' of advisers, the SJPG had an institution behind it to back up the ideas with depth and further research.<sup>39</sup>

However, the Conservatives' official immediate response to the *Breakthrough Britain* publication was cautious. Cameron endorsed some of the broader messages, including the call for a greater emphasis on family stability and fatherhood.<sup>40</sup> There were some, such as the proposed alcohol tax to discourage binge drinking – which had received considerable adverse coverage in advance, prompting spokesmen from the party to distance Cameron.<sup>41</sup> The emphasis on family stability and marriage tax incentives were another tricky issue. For some it went too far to the right:

Cameron should have made clear he supported stable families – not necessarily just those who are married. He might have been tempted because the right-wing press loved the policy; yet this pandering to reactionary newspapers is the antithesis of the change promised when Cameron became leader.<sup>42</sup>

This was why the policy reviews were at arm's length, only to 'inform' Conservative policy. However, it is also possible that some proposals in this 'treasure house of ideas' were just too many too soon for the Party.<sup>43</sup> Those involved recall that there had been a fairly positive view from those around Cameron of some of the ideas in the report. However, the policy review was phase one – and the main aim had been engagement and the opportunity to be able to provide a bit of meat to discussions about political debates without saddling themselves with detailed commitments. Phase two, the actual development of those commitments, was something shadow ministers preferred to hold closer to their chests. Chris Grayling's appointment as Shadow Work and Pensions Secretary in July 2007 did see policy development begin in earnest soon after the Policy Review had reported. However, part of the motivation for that work was the feeling that the Conservatives still lacked policy on welfare – which itself suggests that it was felt the policy review had not given them what was needed.

Grayling's appointment meant a shift in focus towards welfare-to-work programmes.<sup>44</sup> Some of the SJPG findings were relevant to this work. The SJPG also found current welfare-to-work programmes to be 'ineffective and inefficient', targeting the wrong people with the wrong activities, particularly the long-term unemployed and those on incapacity benefits. However, tracing the Conservatives' work shows the other influences, such as David Freud's March 2007 report to the government.

At this stage, therefore, Conservative policy making in opposition and development of what would become Universal Credit each went their own way. For the CSJ, the mass of material contained in the original *Breakdown* and *Breakthrough Britain reports*, allowed them to continue the working groups of 'non-partisan... prominent academics, practitioners and policymakers who have expertise in the relevant fields'.<sup>45</sup> More importantly to the story of Universal Credit was the decision by the CSJ to continue the working groups on other issues of social policy under the *Breakthrough Britain* brand. These looked at the issues geographically – looking in more depth at Manchester, Birmingham, London and Glasgow – and in broadening out the subject by examining the care system, early-years policy, housing, asylum, the justice system and police reform. Between July 2007 and the May 2010 general election a further 15 reports were completed, most of them as extensive as each of the original working groups.

## Dynamic Benefits

The SJPG left a legacy of research for the CSJ. During the policy review care was taken to ensure the scope did not go too wide, so it had not gone into the complexity of the benefit system. The solutions in the *Breakthrough Britain* report on economic dependency and worklessness, like Conservative policy, had tended more towards back-to-work support. When Stroud, Duncan Smith and others involved with the SJPG project stood back and surveyed the landscape they felt that one of the big areas that had not been addressed was the complexity of benefits. It was, in Duncan Smith's words, because 'it became obvious [that] ... the biggest barrier to those entering work for the first time was the benefit system itself'.<sup>46</sup>

The issue of simplifying the benefits system was not new and, even as *Breakthrough Britain* was reporting, others were also looking at the subject. In March 2007, the report David (now Lord) Freud had prepared for the Labour

Government also looked at the potential for simplification of benefits. Freud's reasoning was that the complexity of the benefits system should be addressed.

whether the answer is a single benefit system may still be a matter for debate – but that debate should certainly take place.<sup>47</sup>

Freud's report went over the pros and cons of three options, but his focus was largely on the potential impact on benefit users and the subsequent costs.<sup>48</sup> Other aspects of the feasibility of such a system were not addressed in detail. He did argue that 'many of the obstacles to reforming the structure... have been or are being removed' and pointed to the recent creation of the Benefit Simplification Unit in the Department for Work and Pensions (DWP), dedicated 'to simplify the existing system and to deter further complexity'.<sup>49</sup> He concluded that:

none of the options... [are] straightforward and all would create winners and losers. Debate on further reform needs to be informed by detailed modelling on the impacts of reform on work incentives, the costs and benefits (for individuals, the Exchequer and society) and take into account the interactions between all out-of-work and in-work support. This should call on existing expertise in academia, think tanks and the private sector.<sup>50</sup>

According to a July 2007 report by the House of Commons Work and Pensions Select Committee, the Government received Freud's report, and the Benefits Simplification Unit and 'Benefit Reform Division' in DWP were both considering ideas on the subject.<sup>51</sup> The Select Committee concluded that there was a 'lack of vision and drive within DWP and across government to simplify the benefits system', but did not really go into what might replace it.<sup>52</sup> At the same time an academic, Dr Roy Sainsbury, wrote a report with the left-of-centre Institute for Public Policy Research (IPPR) examining the case for a single working-age benefit. Reasons in favour set out by Sainsbury and his co-author, Kate Stanley (Deputy Director at IPPR) included:

- the ability to move between benefits
- easier movement into work
- fewer financial gains of claiming one benefit rather than another
- that it would generally be 'less complex and easier to understand... [and] easier to administer too'.<sup>53</sup>

However, none of these reports undertook the 'detailed modelling' required, though all recommended someone should. The modelling was needed to look at what the impact would be on a range of benefit users. What had ended up as complexity for some users was the result of the need to target other individuals more effectively. So any changes, including simplification, would bring a range of 'losers'. A simpler benefits system did not mean it would be simple in its design.

The CSJ decided to turn to modelling. They brought in Stephen Brien, a management consultant, to manage the project and construct a team with the necessary skills. Building on their experience from running the SJPG, the CSJ aimed to produce a document that explored the issue, examined the evidence and addressed implementation issues to demonstrate its feasibility. The intention was to produce ammunition for anyone wanting to make the case for the policy change.

While reducing complexity was a big part of why Duncan Smith and the CSJ viewed the benefit system as the 'biggest barrier' to more people getting in to work, the subsequent report *Dynamic Benefits*, published in September 2009, focused as much or more on the rate of withdrawal of benefits when people found work. CSJ saw this as the root of economic dependency, causing recipients to become overly reliant on welfare. They provided analysis to show cases where the marginal tax rate – the rate at which additional earnings from work would be lost to a combination of increased taxation and benefits withdrawal – could be as high as 80% or 90%.<sup>54</sup>

The core of the report was the CSJ's new model for looking at the effects of various benefit changes in complex scenarios. It allowed them, they argued, to 'predict the consequences for society... estimate the cost to the Exchequer, the change in GDP, the number of people in work and the reduction of poverty'.<sup>55</sup> However, there was also a philosophy behind the changes they proposed, not just the logic of the modelling. Focus was to be on 'boosting earnings... rather than simply the transfer of money', on 'household rather than individual employment' and the system as a whole was to 'reward decision-making that enhances self-sufficiency'.<sup>56</sup> It was a system that

was firmly rooted in the broader thinking of the CSJ and Conservative focus on responsibility and, again, focused on addressing the existing penalty on couples in the benefit system.

The other main measures in it were to reduce the rates of withdrawal to a 55% taper, increase the amount of earnings that would be disregarded before benefit withdrawal, and streamline the system into two payments: Universal Work Credit and Universal Life Credit.<sup>57</sup> The streamlining would include all payments being administered by a single agency in the DWP and HM Revenue and Customs (HMRC).<sup>58</sup> These were the fundamental tenets that would become Universal Credit reforms set out in government. And the strength of Duncan Smith's wish for a seismic and lasting reform was also there to see in his call that the 'existing complex and inefficient benefit system should finally be laid to rest'.<sup>59</sup>

## Implementation work

*Dynamic Benefits* was a conscious attempt to provide the arguments and detail necessary to make the case for the reform. However the CSJ knew that for it to be able to be picked up as future Conservative policy, it would also have to be costed. It was also fundamental to the nature of the reform. In his preface, Duncan Smith had identified the inexorable rise in the cost of welfare as a fundamental reason why reform was needed. Elsewhere in the report, better affordability in the system was one of four aims, alongside the relief of poverty, reduction of worklessness and benefits dependency, and improved incentives for married couples.<sup>60</sup>

For critics, the central issue was whether simplification was itself a further problem, both in cost and in terms of the added problems for benefit recipients in over-simplification or in changes to welfare entitlement alongside the reform. Successive governments had not acted because of the substantial difficulties involved in making the change. Freud had mentioned the cost to the Exchequer, and it is likely that he did not only mean the implications in changes to the welfare bill, but also the cost of changing the system and installing a new one. Integrating tax with other benefits and changing the relationship between HMRC and DWP was intensely complicated, expensive and would require a major ICT programme. Furthermore, some commentators pointed out that the complexity of the system 'actually reflects the complexity of the underlying problems' and that benefit complications had come about because of the need to address the diverse and involved problems of welfare recipients.<sup>61</sup>

The difficulty was that as the report was being researched the world economy was undergoing a catastrophic downturn. The report did acknowledge this, but its perspective was that longer term it only added to the reasons why major reform was needed. Their argument was that 'economic downturn has merely served to expose further the already deep flaws in the system' and that reform was necessary to ensure 'that the number of workless people reduces as quickly as possible after the recession'.<sup>62</sup>

For the Conservative Party, though, the focus on reducing the deficit was fast becoming *the* primary policy aim going into the election. The figures that CSJ came up with in *Dynamic Benefits* instead showed a substantial increase in short-term costs, some £2.7 billion (bn) a year, a 3.6% increase on top of current benefits expenditure. CSJ argued that over the longer term, that fewer government departments involved in administering benefits and indirect savings from reduced social breakdown and therefore reduced expenditure on 'health, crime, policing and other social costs' would mean savings of £3.4bn a year, more than covering the increased £2.7bn direct cost. However, this did not include potential rises in expenditure as a result of the recession.

The effort to work out some more of the details of their policy ideas, in order for them to be more easily adopted, extended beyond Universal Credit. By 2009 the CSJ was in possession of a growing body of work on social justice issues. As a result, and with an election pending, they made a conscious decision to 'invest in their work' and undertake considerable further efforts on implementation issues regardless of whether the Conservatives adopted it as formal policy. The aim was to be ready to capitalise on the right moment for the policy with a prepared implementation strategy.<sup>63</sup> Though they may not have consciously known it, this was the concept of the "policy window" in action, when a policy has 'been recognised as a problem, solutions... have been created and it... [is] seen as feasible to deal with it'.<sup>64</sup>

In the year prior to the 2010 general election CSJ raised enough money to be able to do implementation strategy on every single area of policy they had developed. This would be worked up but would not be published and instead made available to the Conservatives. Some of it involved continuing to think about how the policy areas

could be put into practice. However, a big piece involved was in looking at the departments that would implement them (not just Work and Pensions, but also Education, Justice, the Home Office, and Communities and Local Government).

They also thought about the IT system, bringing in external advisers who had experience of the systems used in government and who could help them work through the changes required. They had heard the stories about the likely problems, knew new system was required and were well aware of the implications of having to launch a government IT programme of that scale, given the history of such programmes.<sup>65</sup>

Perhaps most interestingly, as part of its research, the CSJ was able to conduct discussions with people at various levels of the department itself, independent of the official access talks between the shadow (Theresa May) and the Permanent Secretary (Sir Leigh Lewis). It is not clear how extensive the interviews were, or what they covered, but they do seem to have provided an opportunity to gauge impressions of what CSJ thinking looked like from the inside of government. The CSJ were interested not only in departments who might be institutionally or culturally unreceptive, but also those who might be over-embracing and over-eager.

The CSJ's work in trying to consider internal departmental issues, and using discussions with civil servants as a means to do so, is quite fascinating and important. In the run up to an election there are rules and quite a lot of convention on how civil servants and opposition shadows may interact. This CSJ research – which would not have been possible for the official Conservative party – shows the benefit of being a think tank. The department is likely also to have benefited from being able to influence even unofficial implementation thinking. The plans would prove to be very useful when Duncan Smith was appointed.

For some of those working the CSJ at that time, having to think about the implementation of their policy ideas in that way also affected their way of working more widely. It made them more conscious of such issues in subsequent research.<sup>66</sup> Knowing how big a shift would be involved in adopting the policy, and knowing the culture of a department, were all important areas of preparation that the Conservatives themselves were undertaking separately to some degree or another.<sup>67</sup> For some of those involved, the CSJ's work on Universal Credit was more extensive.<sup>68</sup> However, all of it would count for nothing if the policy was not taken into government. Because of the more unusual route it did then take, understanding what happened to the policy during the first few months of the government is particularly worth exploring.

### Into government

Despite having not been in the Shadow Cabinet, having spent much of the preceding four years working on CSJ issues and being a former leader of the party, Iain Duncan Smith was appointed as Secretary of State for Work and Pensions on 12 May 2010. The lack of an outright victory in the 6 May 2010 General Election resulted in five days of negotiations to form a government. It also dramatically changed the appointment of ministers that Cameron had been planning.

Though the lack of an outright majority and coalition with the Liberal Democrats meant Cameron had to think more carefully about ensuring the support of the various wings of his party, it seems that he might have been planning to appoint Duncan Smith anyway. According to someone who was relatively close to events, Cameron was, like the US President Barack Obama, influenced by the US book *Team of Rivals*, which is about how Abraham Lincoln built a successful cabinet of tough personalities and former adversaries.<sup>69</sup> It is difficult to know whether this really would have happened without a coalition. What was important was that Cameron did decide to appoint Duncan Smith and for the latter accepting such a post came with one condition: that he would be allowed to undertake major reform.<sup>70</sup> The PM agreed to support him.

Duncan Smith was appointed the day after the agreement was reached between the two parties and almost immediately there were commentators predicting that it would mean a big policy reform. Alongside him was Chris Grayling, who had been Shadow Home Secretary and former Shadow Secretary of State for Work and Pensions, but who lost out on a Cabinet position post-coalition and became a Minister of State. They were accompanied by Lord Freud, who had advised the previous government on welfare-to-work reform and Liberal Democrat welfare spokesman (and former social policy professor) Steve Webb, who had been on Labour's 1992-1994 Commission

on Social Justice.<sup>71</sup> For the *Telegraph* it was a 'formidable team', showing that Cameron was 'tackling [welfare] head-on' in a way that 'will serve as a microcosm of the Coalition's success or failure'.<sup>72</sup>

There was an immediate impact on policy thinking. Whereas the coalition agreement contained no hint of Universal Credit, the welfare policy section of the *Programme for Government* – the longer 37-page agreement published on 20 May – was clearly influenced by Duncan Smith's ideas. It introduced the aim to 'to reduce the couple penalty in the tax credit system as we make savings from our welfare reform plans'.<sup>73</sup> Also there, for the first time, was mention of Universal Credit. However, the agreement only promised to 'investigate how to simplify the benefit system in order to improve incentives to work'.<sup>74</sup> It left a great deal of room for further discussion about what the Coalition's policy would be. And the whole *Programme for Government* was caveated by the need for any decision to be compatible with the government's overriding priority to reduce the deficit.

In the department, the appointment was a surprise to all, not least to the civil servants who had been in official contact with Theresa May as shadow and who had not been focusing on the CSJ's work in any systematic way. Universal Credit had not been covered in the access talks. There was a rush of work to absorb the consequences of the appointment, so copies of *Dynamic Benefits* were in great demand as Duncan Smith and his newly appointed special adviser Philippa Stroud, who had failed in her election bid, entered the Department.

An immediate focus for the Department was the rapid implementation of welfare-to-work proposals. These were an extension of existing policy and had been clearly signposted throughout the election as likely Conservative policy and also reflected Liberal Democrat aims. With Universal Credit, which had not been through the same pre-election planning and scrutiny by the Civil Service, the implementation thinking by CSJ played a strong role. They had looked at how long it would take to implement – not just the time for legislation and building the IT system to support it, but the process of transferring people to the new system and embedding it. It was these plans and this timetable that were adopted.

However, Universal Credit implementation did still mean first and foremost getting a green-light for the proposals from the Treasury and from the rest of the Cabinet. The initial £3bn outlay for the proposals went counter to:

the overriding imperative identified by the politicians... to reduce the deficit in the public finances, and meet their self-imposed target of eliminating the structural deficit within the lifetime of the current parliament.<sup>75</sup>

During the summer, as all departments were gearing up for the autumn spending review, DWP found themselves in the midst of a battle with the Treasury played out in the papers.

The Treasury were hugely opposed. It was a substantial expenditure when departments were gearing up for cuts of a quarter of their budget, but also, for some, a fundamentally flawed policy, 'unaffordable and impractical'.<sup>76</sup> As a result of Osborne's concerns, the Department was first to look at alternative options for reform. A consultation paper out on 30 July 2010 contained three potential options. But this seemed a somewhat hollow exercise. Press reports at the time noted that 'IDS's [Duncan Smith's] clearly preferred option is the so called Universal Credit'.<sup>77</sup>

Whether it was down to political desire of Cameron to keep Duncan Smith inside government, or thanks to the intensive policy work done on the subject through CSJ that allowed him to argue the case, in the end, there was a tacit agreement that it was the direction to go in. That it went ahead shows both the passion that Duncan Smith and others had for the change and the importance to Cameron of bringing in Duncan Smith. Negotiations occurred over what level of cuts could be found elsewhere in the welfare budget. For Duncan Smith it was at the core of why he had come back into government, so the budget to undertake Universal Credit needed to be protected.

The policy made it into the October 2010 Spending Review which declared that the existing system of welfare support relies too heavily on a complex means tested system of cash transfers and traps too many families in a cycle of welfare dependency'.<sup>78</sup> The Treasury provided the cash to fund the project. DWP were one of four departments, along with Health, International Development and the Cabinet Office, to see a real-term increase in their spending by 2014-2015, but in return for cuts to certain benefits. On the 11 November 2010 the white paper, *Universal Credit: Welfare that Works*, was published. The long road to implementation had barely begun.

## Conclusion

The role of the CSJ as a resource in opposition was significant over the whole 2005-2010 period. It helped the broader debate in the social justice policy area, broke new ground and made difficult policy adjustments easier for the party. It was able to trial thinking on various issues before the Conservatives adopted specific policy plans and pledges to take into the election.

However, right up to the election its influence and use as a resource was at a step removed and the most high profile of the Conservative's manifesto policies came from elsewhere. Ultimately, it was the detailed work done on Universal Credit that had greatest influence, and that was because it was Duncan Smith and Stroud who then went on to take it into government themselves.

In terms of the preparation of Universal Credit for government, CSJ attempted to identify the right implementation issue, but this was hard to do from the outside. Subsequent experience in government highlighted just how difficult it was to work out how different parts of the work and pensions policy area interacted or the complexities of the IT system – even having done extensive work on what would be required.<sup>79</sup> Policy also had to be changed to be accommodated in the much harsher spending environment of 2010. The changed fiscal circumstances also limited the usefulness of the work the CSJ had done in advance on departmental capability and capacity, as the department was forced to go through very substantial reductions in its running costs at the same time as preparing for the introduction of Universal Credit.

Although CSJ's thinking about implementation was largely in order to arm and persuade the Conservatives, in the end it was key figures from the CSJ who would take the policy agenda into government. Iain Duncan Smith made progress on Universal Credit a condition of his acceptance of the role of Work and Pensions Secretary. As this was a policy area that the Civil Service had done very little work on prior to the election, implementation policy post-election was much more dependent on the CSJ preparatory thinking. That appointment, and the consequent insistence on reform, makes the work of the CSJ look highly influential in retrospect. If the Coalition or internal Conservative party politics had played out differently, it might have been relegated to interesting background thinking rather than the most radical welfare reform for a generation.

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