Privatisation and Britain’s employment services:
some political economic observations

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Abstract

In Britain the private sector is taking an increasing role in the management of workless people thought, for example, helping to govern the gateway onto out-of-work benefits and the delivery of ‘welfare to work’ schemes, most notably through the delivery of the Work Programme (the main policy for supporting so-called ‘hard to help’ workless people into paid employment in Britain). This paper critically engages with the trend towards the privatisation of previously state provided employment services. The paper will locate them in the post-Fordist search for new capitalist markets through neoliberal ideas related to the importance of the private compared to the collective. The paper argues that while the alleged benefits of privatisation are highlighted in policy discourses, it raises a number of political economic concerns. These are discussed in the paper and include the operation of (quasi) markets in employment services; the potential of privatisation for ‘accumulation by dispossession’; the commodification of workless people through privatisation so that they have an economic value to the enterprises delivering the services in the newly emerging welfare markets. The paper suggests that while privatised employment services may have something to offer at an ideological level, they have less to offer workless people.
Introduction

The private sector is taking an increasingly large role in the delivery of various aspects of employment and social security policy in Britain. In addition, for example, to the provision of IT facilities and administrative support, the private sector delivers policies that are supposed to help workless people into paid work and, in the case of chronically sick and disabled people, in conducting medically-based assessments that determine entitlement to various benefits (see, for example, Messere and Stenger, 2007; Puttick, 2007; Grover and Piggott, 2010; Macmillan, 2010; Mind, 2010; NACAB, 2010; Beatty and Fothergill, 2011). In total, Britain’s Department for Work and Pensions spends £4.6 billion ($7.1 billion, ¥43.9 billion) per annum with the private sector suppliers. It has had contracts for the supply of goods and services with the privates sector for many years, but in recent years, and for various reasons, elements of its contracting with the private sector have become controversial. Our focus is primarily upon the delivery of employment services for those people deemed to be ‘hard to help’ in terms of getting them into paid work.

Britain is not unique in increasing the role of the private sector in the delivery of social security and labour markets programmes. Others countries in Europe (for example, Denmark, Germany, the Netherlands and Sweden) and further afield (for example, Australia, the USA) (see, for example, Lilley and Hartwich, 2008, Finn, 2011, 2012) also use the private sector to deliver various aspects of their social welfare provision and their employment service provision in particular. The main focus in the existing literature is upon examining this trend towards greater private sector involvement in employment services is whether such services, as is claimed by

governments more generally about private sector provision, are more effective and cost efficient at getting people into paid work (see, for example, Bryson, 2003; Davies, 2008; Evans, 2001; Finn, 2000; Millar, 2000; Philpott, 2000; Stafford, 2003; Walker and Wiseman, 2003).

This is essentially a social administration issue and, rather than examining the basis of privatisation it is more concerned with evaluating its consequences. As we shall see, such issues are important, because, certainly for service users, the nature and effectiveness of interventions they are subjected to can have far-reaching consequences. However, such concerns are also narrow in focus and because of this leave more fundamental questions about the use of the private sector in delivering social welfare measures either unanswered or not even asked. In this paper, the focus is upon some of the political economic concerns with such developments, most notably how such developments are structured through the concerns of capital and how they help to reproduce the social and economic relations that frame capitalism.

To do this the paper is divided into five sections. The first section provides an intellectual and political context to the increasing involvement of private employment service providers in supporting those deemed to be ‘hard to help’ into paid work. It focuses up neoliberalism and, rather than conceptualising employment and social security policy as a rational area of policy making, this section demonstrates how the involvement of the private sector is framed by a political and ideological concerns to which the private, markets and personal responsibility are central. The second section discusses the development of (quasi) markets in employment services over the past
two decades or so and outlines their structure in the case of the Work Programme (the main ‘welfare to work’ in Britain).

The remaining substantive sections examine critiques of the privatisation of employment services. The third section, for example, focuses upon aspects of the ways in which employment service markets may offer enterprises perverse incentives that have a detrimental impact upon particular groups of workless people. The fourth section examines the ways in which private sector involvement in employment service provision acts to commodify workless people as a means of securing profit not only for service providers, but also for enterprises hiring workless people from them. The fifth section examines the ways in which the development of private employment markets may be understood as encouraging ‘accumulation by dispossession’ whereby resources are shifted from the income poorest to the wealthiest. The paper concludes that, despite the rhetoric about the benefits of private sector in delivering employment services, they seem to offer little to the workless poor that the state sector cannot.

**Neo-liberalism and (quasi) ‘welfare markets’**

Neo-liberalism developed as a restatement of traditional liberalism in the context of the pro-collectivist ideas that emerged in many countries from the 1920s onwards, and in Britain in the context of the expansion of the public sector (for instance, in the provision of welfare benefits and services, and the nationalisation of some industries) in the post-World War II period (Penna and O’Brien, 2008). Turner (2008, p. 4) argues that neoliberalism can be ‘defined by four generic principles or beliefs’. First, that markets are ‘an indispensible mechanism for efficiently allocating resources and safeguarding individual freedom’ (*ibid.*). In other words, left unfettered from the state
and other institutions, such as trade unions, markets are held in neoliberal thought to be the most effective way of promoting ‘productive efficiency, social prosperity and freedom’ (ibid.). Second, a commitment to a legal system designed to regulate conflictual relationships between individuals in market societies to help produce cohesion and stability through the preservation of liberty.

A third principle that Turner notes is that of minimal state intervention. As Penna and O’Brien (2008) note, it is not the case that neoliberalism advocates no state intervention (that would be more akin to pure laissez-faire), but that any interventions should be restricted to the preservation of law and order, providing public goods and safeguarding the market order. The fourth principle that Turner (2008) notes is that of private property. In many ways private ownership symbolises all that neoliberals believe in terms of the importance of the individual in contradistinction to the collective. For neoliberals private property, expressed through the working of the free market, is the means by which decision making can be delivered to individuals.

So far our observations have related to neoliberalism as an ideology. Given these observations, it is perhaps not surprising that as a practice, as a means of organising economic activity, neoliberalism has several inter-related characteristics related to the freeing of markets and individuals from state intervention. Jessop (1994a, 1994b, 2005), for example, argues that as an accumulation regime neoliberalism is denoted by liberalisation (the promoting of free market competition); the deregulation of economic activity and agents from state control and other institutional fetters; privatisation of previously state provided goods and services; the (re)commodification of the public sector; internationalisation (encouraging global
mobilities of capital and labour and stimulating global markets), and reduced direct taxation as a stimulus for market forces by increasing investor and consumer choice and control.

These characteristics of neoliberalism as an accumulation regime are interrelated. The privatisation and recommodification of the public sector, for example, has involved internationalisation² (Farnsworth, 2006, Farnsworth and Holden, 2006). Furthermore, they point to the various ways in which the role of the state can be retrenched (via privatisation and recommodification) through the development of the private sector. It is through such developments that in the post-Fordist era capital has been able to seek out new markets and avenues of profitability. As Jessop (2002, p. 136) notes, post-Fordist accumulation ‘segments old markets and opens new ones, [and] offers opportunities to restore the rate of profit’.

There is a tension, however, in such developments in that while neo-liberal accumulation is premised upon the freeing up of markets from various forms of state intervention, many of the newly emerging opportunities that enterprises benefit from are actually state funded. In this sense, not only should markets in previously state provided services be understood as ‘quasi markets’ (because, among other things, they are paid for by the state and not the users of their services – see Le Grand, 1991), but they should also be understood as being reliant upon local/regional, national and

² In the case of employment service markets many of the larger providers in Britain are global enterprises. Ingeus (Deloitte) UK Ltd, for example, has operations in addition to Britain in Australia, France, Germany, South Korea, Sweden and Switzerland, while A4e has operations in Australia, Poland, France, Spain and India.
sometimes supra-national governments (such as the European Union) for their profitability³.

**Developing employment service markets in Britain**

As we have seen, in neoliberal thought the market is the preferred means of economic and social organisation because of its alleged efficiency and effectiveness in allocating resources, and in doing protecting the freedom of individuals. Collectivised provision is held to be both inefficient in distributing resources and a cause of disharmony as the interests of some may be privileged over the interests of others. Such ideas have helped to inform the development of employment services markets in Britain.

Initial developments in the privatisation of state employment service functions came in the late 1980s when the then Employment Service, reflecting wider neoliberal trends in public services, became the purchaser, rather than provider, of training programmes (c.f. Finn, 2002). Services, however, to place people into paid work remained firmly within the state sector. The situation was to change, however, through the acceptance of neoliberal principles by Labour governments between 1997 and 2010. Labour ministers argued (for example, Secretary of State for Work and Pensions, 2008a) that the future increasing involvement of the private sector was essentially a pragmatic, rather than an ideological issues. Drawing upon the Freud Report (Freud, 2007), the private sector was held to be more effective at supporting longer-term workless people into paid employment. However, the such argument that policy was not being driven by ideology is difficult to accept as the evidence that the

private sector is any better at getting people into work compared to the state sector is not convincing (Finn, 2002, Collyer, 2003, Walker and Wiseman, 2003, Davies, 2008). Nevertheless, by the mid 2000s the Department for Work and Pensions had contracts with about 600 organisations providing programmes to various groups of workless people worth about £1 billion ($1.6 billion, ¥9.6 billion) per annum.

In 2006 Jobcentre Plus (a replacement for the Employment Service) introduced a ‘prime provider’ model ‘in an effort to reduce transaction costs and [to] rationalise the provider network’ (Finn, 2012, p. 5). However, Finn (ibid.) argues that while contractors were given some degree of flexibility in delivering services, they were ‘still expected to deliver a centrally determined and locally proscribed programme’. The prime provider model, along with payment by results, however, were to receive a significant boost with publication of the Freud Report (Freud, 2007) that suggested several developments to aid the “transition from fragmented procurement to the organised management of a ‘welfare market’” (Finn, 2012, p. 6).

The Freud Report was commissioned by the third of the 1997-2010 Labour governments from former investment banker (and grandson of Sigmund Freud), David (now Lord) Freud. Freud’s report was framed by reference to an alleged ‘poor performance’ in state employment services for the so-called ‘hardest to help’ that could only be overcome by the introduction of the private sector into such services:

The Department [of Work and Pension] should develop a funding approach which will allow it to direct spending towards such groups, who have complex and demanding problems, in a more individualised way. Such programmes
should be outsourced into the private and voluntary sector, giving them the incentive to improve performance (Freud, 2007, p. 1).

In similar discourses the Department for Work and Pensions (Secretary of State for Work and Pensions, 2008b, p. 5) outlined a belief in the private sector as being the most effective way of organising public employment services through the introduction of:

...a competitive market with larger and longer contracts, rewarding providers for sustained outcomes and significantly reducing costs, using competition on a continuing basis as the spur to greater effectiveness (ibid., p. 21, original bold).

It was clear in the Department of Work and Pensions’ Commissioning Strategy (Secretary of State for Work and Pensions, 2008b) that it was in the business of creating a market in employment services for those workless people deemed to be the ‘hardest to help’, a market that it was ‘committed to... being here for the long term’ (ibid., p. 7) and one which Freud (2007) suggested would be worth several billion pounds per annum. For the Department for Work and Pensions such arrangements would be superior because they could ‘exploit the benefits of contestability and competition to drive quality, performance and value for money’ (Secretary of State for Work and Pensions, 2008b, p. 5).

Freud (2007, p. 52) suggested that the existing employment services regime was limited in several critical ways: that they focused upon process, rather than
outcome; they were limited in value so ‘over achievement’ could not be rewarded, and that contracts were too small in scale in relation to time frames and the workless populations that they served. For Freud, the solution was to primarily base funding upon outcomes, rather than upon meeting process-based targets, related to people being placed in sustainable employment; to fund programmes from benefit savings (what became known as the DEL/AME switch and which is discussed more fully below), thereby essentially removing the ‘cap’ on funding; higher value and longer term contracts; a ‘black box’ approach where there ‘would be freedom between the provider and the individual to do what works for them’ (ibid., p. 7), and a funding model that would recognise that ‘some groups will be more expensive to help than others’ (ibid., p. 58).

These recommendations were accepted by the then Labour government, albeit more cautiously then the current Conservative/Liberal Democratic coalition government. The Coalition introduced the Work Programme in 2011 as a means of addressing what it perceived as the weaknesses of previous ‘welfare to work’ schemes (DWP, 2012a). In is context, the Work Programme is supposed to increase off-flow rates from out-of-work benefits, to decrease the average time for which people receive out-of-work benefits, to increase the average time Work Programme users stay in work; to narrow the gap between the off flow/time in work rates of disadvantaged people, and to the reduce the number of workless households (Department for Work and Pensions, 2010).

The Work Programme is currently being delivered by 40 contracts with 18 prime contractors, the majority (15 or 83 per cent) of which are based in the private
sector. Two contractors are voluntary sector organisations and one college of further education. There are concerns that the demand that bidders had to have a turnover of at least £20 million ($31.1 million, ¥192.7 million) and ‘significant cash-flow’ acted against the more widespread involvement on the non-private sector (Work and Pensions Committee, 2011; Rees et al. 2013). Those people deemed to be closest to the labour markets are still dealt with by the state’s employment service (Jobcentre) while those deemed ‘hard to help’, measured essentially by claimant group are dealt with by the private sector.

Given the above aims, the Work Programme’s first year of operation was not encouraging, for the first release of data for the 14 months between June 2011 and July 2014 suggested that only 3.6 per cent of claimants who had been through the Work Programme moved into sustained employment, missing by two-thirds the expected achievement of 11.9 per cent (Committee of Public Accounts, 2013). More worryingly, the Department for Work and Pensions had predicted that 9.2 per cent of participants would have secured work ‘with no intervention at all’ (ibid., p. 3). In other words, the Work Programme appears to have a detrimental impact upon workless people seeking to access work. Moreover, the Committee of Public Accounts (2013) found that the ‘hardest to help’ among Work Programme users (those in particular receiving sickness/disability benefits, rather than unemployment-related benefits) were the least well served by the Work Programme. Possible explanations for this lead us to some of the potential problems with developing markets in employment services in Britain.
‘Creaming’, ‘parking’ and ‘gaming’

The *Daily Telegraph* (2 February 2008) explained Freud’s general approach that we have seen has provided the principles upon which the Work Programme is based in the following way: ‘Under his [Freud’s] system, the market will decide who should receive benefit and who should go out to work. [Freud said] “The private sector will have to start making assessments about who they can get back into work at what cost’. It is at this juncture that problems emerge with the idea of developing markets in employment services. This is because, rather than being a disinterested party, as is often portrayed, the private sector has a different set of interests related to the imperatives of securing continuous growth and sustained profitability to the public sector. What this means is that it seeks out the most direct way of making a profit. In other words, the use of market signals to organise employment services, as Freud has essentially argued, brings a set of potential hazards that the public sector, because it is not profit-seeking, avoids.

‘Creaming’ and ‘parking’

These hazards relate to the ‘creaming’ (or ‘cream skimming’) and ‘parking’ of workless people, and ‘gaming’ among private employment service providers. While some analysts (for example, Rees *et al.*, 2012) conflate ‘creaming’ and ‘parking’ with ‘gaming’, Finn (2011) demonstrates how these concepts are analytically discrete. ‘Creaming’ and ‘parking’ involve ‘service providers concentrate[ing] on jobseekers that were the easiest to deal with or delayed and sometimes even ignored the most challenging cases’ (Lilley and Hartwich, 2008: 4). Evidence of ‘creaming’ and ‘parking’ comes from European countries (Denmark and Germany) and beyond (such as Australia) (Bredgaard, 2008, Saunders, 2008, Schneider, 2008). Finn (2011, p. 3),
for instance notes that ‘parking’ was a particular problem in the Australian Job Network contracts where it was found that ‘although participants were allocated to providers for a year most contact occurred in the first few months and many users received minimal services and saw their provider infrequently’.

It is the case that such potential risks were identified before the development of the Work Programme in Britain. Freud (2007), for instance, made it clear that the introduction of outcome based funding would mean a need to explore ‘analysis of the contractual incentive structure to minimise “creaming” and “parking”’. The way the ‘creaming’ and ‘parking’ problem has been addressed in the Work Programme is through a tiered payment structure with those deemed the ‘hard to help’, those furthest from labour markets, commanding the highest fees. So, for example, a young unemployed person attracts a maximum fee of £3,800, while ‘someone who has a limited capability for work and, as a result, has been receiving benefits for several years’ attracts a maximum fee of £13,700 (National Audit Office Department for Work and Pensions, 2012b, p. 6). It is argued by the Department for Work and Pensions that such differential pricing ‘will ensure that providers have strong incentives to help all their customers, rather than focusing upon easier to help customers at the expense of the most vulnerable’ (ibid., p. 6).

Structuring the price mechanism to incentivise particular behaviour among service providers, however, is not easy because of the balance that must be struck between the public interest in quasi-markets (a desire for cost effectiveness) and the private sector interest of securing a profit. It is unclear whether this balance has been
struck yet in Britain’s Work Programme. Heap (2011, p. 14), for example, was told a Department for Work and Pensions official:

So the differential pricing in the Work Programme contains a break against creaming and parking but the reality is there will still be creaming and parking within payment groups and often the differences between payment groups arguably are not enough to drive provider behaviour, something the providers themselves say. ...I think you’re looking at 10-20% of participants that will effectively be written off. Providers are looking to get about 40% of their caseload into work and to my mind they can’t afford to provide a bells and whistles service to everyone. ...What worries me is that they will appear two years later with two years more of not being in labour market, even more disadvantaged and you end up spending even more money.

Furthermore, the poor results of the first 14 months of the Work Programme’s was argued by the Committee of Public Accounts (2013) to be one of the possible consequences of ‘creaming’ and ‘parking’. The Committee pointed to the fact that the ‘hardest to help’, particularly disabled claimants, were ‘receiving a poor quality services, with providers focusing upon the easiest to help’ (ibid., p. 5). The Committee argued that it was because there ‘is some... evidence that those who are hardest to help are being parked with minimum support’ (ibid.). What the Committee of Public Accounts was pointing to is the importance of ‘creaming’ and ‘parking’ to securing a profit within the constraints of the Work Programme’s pricing mechanisms. As Rees et al. (2013, p. 19) notes from their research with service providers ‘creaming’ and ‘parking’ are ‘embedded in the Work Programme and could
be seen as a rational response to PbR [Payment by Results] since a proportion of customers would always be very unlikely to get a job’.

‘Gaming’

The practice of ‘gaming’ is also arguably a rational response to the way employment service markets have been structured. Finn (2011, p. 3), for example, describes ‘gaming’ as “when providers seek to exploit weaknesses in programme design by undertaking activities which allow better performance on contractual criteria but do not improve employment outcomes. At its most extreme ‘gaming’ may involve fraudulent activity”. While gaming has been witnessed in private employment service providers in several countries (Finn, 2011), recent events in Australia demonstrate the potentialities. Saunders (2008, p. 28), for example, notes evidence from Australia that suggests a variety of ‘practices which are arguably fraudulent as well as unethical’. Such practices that were designed to maximise outcome payments from contracts included providers getting conscripts on programmes appointed to low status jobs and then having them upgraded; paying employers when conscripts did not turn up for work in order to demonstrate a continuous record of employment, and ‘outcome buying’ – using funds to ‘subsidise employers so they will create short-term jobs that would otherwise not exist’ (ibid.).

Moreover, in December 2011 the Australian Minister for Employment Participation, Kate Ellis, announced an investigation into ‘rorting’ in employment service programmes following reports that ‘the majority of agencies [involved in such schemes] are claiming fees for placements which were found by job seekers themselves’ (The Sydney Morning Herald, 22 December 2011). The subsequent report
of the enquiry found that only a minority (42 per cent) of cases were confirmed by documentary evidence, or evidence from jobseeker or employers that the service provider actually placed the jobseeker into the job that was claimed for. Forty per cent of cases were either volunteered as being ‘invalid’ claims or the claims were contradicted by documentary evidence, or evidence from the workless person or employer. The trustworthiness of the remaining 18 per cent of cases could not be determined (Butterworth, 2012). These findings led the Australian government to making substantial changes to its contracting arrangements (Ellis, 2012), although the *The Sydney Morning Herald* (22 April 2013) reported a year later that leaked government documents suggested that the ‘program is “likely to continue to be abused by the companies it contracts”’.

In Britain there has been concern about the activities of private employment service providers for a number of years. So, for example, while Britain’s Work and Pensions Committee (2010, p. 3) thought that ‘the levels of detected fraud in contracted employment programmes was low’, it warned that ‘there is no room for complacency, the frauds uncovered to date have highlighted the extent of the risk that could be exploited because of weaknesses in the system’. These concerns seemed justified a year or so later when media reports suggested there was widespread fraudulent behaviour at one of Britain’s largest private sector employment service providers (A4e). In this particular case while several individuals from one of its offices were arrested for various offences, there was little evidence of what had been claimed by a whistleblower as a ‘unethical culture’ and ‘systemic fraud’ at the company (*The Daily Telegraph*, 23 May 2012). Indeed, the National Audit Office (2012a) found that in a six year period (2006-2012) there had been 126 contracted
employment programme fraud investigations into alleged fraudulent frauds that had an estimated cost of £773,000 ($1.2 million, ¥7.4 million) (0.1 per cent of the expenditure on such programmes). However, the Committee of Public Accounts (2012, pp. 5-6) warned that while controls against fraud had increased, ‘some risks still remain in the design of the Work Programme, such as the possibility of paying providers for individuals who have found work without their help’.

What the examples of ‘creaming’, ‘parking’ and ‘gaming’ demonstrate is the difficulties that privatisation brings in a general sense. So, for example, Seifert and Ironside (2005, p.21):

A privately managed service would be unlikely to win our trust… there would be constant undermining doubts that a private company would not function to the same high standards of probity and integrity. This is not because civil servants as individuals are intrinsically good, and private sector employees automatically corrupt, but because private management of service brings in the profit motive and resulting changes in management style, leading to an undermining of trust in the eyes of the public (ibid.: 21).

The problem with privatisation is that the profit motive incentivises behaviour in a way that is not particularly relevant to the state sector. While, as Seifert and Ironside note, there is little to indicate that workers in the public and private sectors are more or less conscientious than each other, the introduction of the profit motive casts doubt upon the efficacy of a policy, in our case, of dealing with some of the most vulnerable workless people in Britain.
Commodifying workless people

Radical interpretations point to the way in which social policies in capitalist societies are concerned with reproducing their social relations (for example, Gough, 1979, Offe, 1984, Jessop 2002, 2005). While they differ in the likely impact of the tensions that structure the demand for legitimation and the social reproduction of capitalism, central to these analyses has been the reproduction of wage labour, or, as Offe (1994, p. 92) describes it, the ‘lasting transformation of non-wage labour into wage labourers’. In this process of active proletarianisation the role of social policies is, at least in part, to ensure that those whose are deemed capable, secure their subsistence through paid work. In doing so, it aims to commodify labour power in a way that makes it similar – in that it is something that can be traded on the terms of the market – to any other commodity. There are various ways in which non-wage labour is commodified, but state-sponsored employment services are often central to it because, first, they bring together capital and labour, and, second, they are often closely involved in the policing of the receipt of out-of-work benefits through, for instance, ensuring that workless benefit recipients are doing what is asked of them in order to qualify for benefits.

The privatisation of employment services, however, commodifies workless people in a second way because, as we have seen, those people who are referred to them have an economic value to their service provider. In this sense, the privatisation of employment services converts out-of-work benefit claimants into commodities that can be traded between private employment service providers and enterprises seeking labour as a means of supporting the profitability of both. In the case of the privatised
employment services the use-value (the value attached to their utility by enterprises seeking workers) of non-employed people is enhanced by the surplus value – the value added by private employment service employees – in connecting the workless person with an employer⁴.

The commodification of people is not new. Traditional forms of slavery were (and its newer variations are), for example, premised upon a similar principle; that people were little different to any other commodity and, as such, could be traded. Moreover, the practices of private employment agencies have for many years commodified people for the purposes of aiding the numerical and functional flexibility of capital (c.f. Peck et al., 2005). The privatisation of employment services though, differs to both slavery or the work of private employment agencies.

In the case of slavery, privatised employment services do demonstrate some – for instance, the treatment of people as a commodity and being forced to work (albeit on the threat of financial penalties) – of the characteristics of slavery (van der Anker, 2004: 18). They do not, however, include others, such as being “owned or controlled by an ‘employer’, usually through mental or physical abuse or threatened abuse” and being ‘physically constrained or [having] restrictions placed on his/her freedom of movement’. In contrast, while there may not be much choice about the initial employment into which people are placed by employment services, they are not then ‘owned’ or ‘controlled’ by that employer in the sense that they are physically

⁴ The commodification of workless people is reinforced by the discourse of some employment service providers. America Works – a ‘private workforce development firm’ in the USA – for example, uses a sales discourse in describing its work. So, for instance, it has ‘sales people out banging on doors of potential employers asking if they have any openings’ (see http://www.americaworks.com/index.php/aboutus/what-we-do, accessed 2 May 2013, emphasis added).
constrained to work for a particular employer. They can, at least, change employers if they wish and can afford to absorb the potential financial and emotional risks that go with it. However, while labourers may not be slaves in the more conventional sense, they can be described ‘under capitalism…as a wage-slave’, for they have ‘no control, or little over [their] labour power, but this is limited freedom, the alternative being starvation or social degradation’ (Fine, 1975, p. 24).

Private employment agencies in the form of temporary staffing businesses have been involved in the commodification of people since their ‘humble origins in the US Midwest in the 1920s’ (Peck et al., 2005, p. 3). Peck et al. (2005) note that there are different markets for such businesses from those that deal in under-valued labour that is low paid and easily substituted to those in which labour is more valued by capital and where the aim of such businesses is ‘to penetrate higher and less price-sensitive segments of the labour market’ (ibid.: 10). It is fair to say that privatised employment services are likely to compete with such agencies at the ‘lower’ end of labour markets, but the difference between the two relates to points made above about the role of state-sponsored (even if they are not delivered by the state) employment services in the transformation of non-employed labour into wage labour. In brief, workless people do not have to engage with private employment agencies. In contrast, workless people who are claiming out-of-work benefits have little choice, unless they can afford to lose part of already inadequate out-of-work benefits, but to co-operate with the services that we are concerned with. It is this that demarcates private employment agencies from privatised employment services.
This view – that workless people are a commodity – is new for publicly funded employment services, for when organised and administered by the state sector non-employed people have little direct intrinsic economic value, although as a reserve army of labour they have a macro-economic role in managing wage inflation (Grover and Stewart, 2002). However, when services are privatised non-employed people do have a direct economic value as a commodity to the enterprises placing them in work, for their profitability is dependent upon those people successfully being traded with enterprises demanding labour. The future for workless people is one where they are treated as a commodity in developing employment service markets.

Accumulation by dispossession?

We saw in the previous section the ways in which the privatisation of employment services acts to commodify workless people. In this section we consider the ways in which this process might be understood as involving a redistribution of public spending between groups. In what in the case of the USA Berkowitz (2001) describes as *Prospecting among the poor*, this section focuses upon how the development of employment service markets might be understood in terms of vertical and horizontal redistribution. In both cases they are regressive; from income poor people to better off people and from workless people to employed people. In this section we focus upon this issue through the concept of ‘accumulation by dispossession’, and by relating it to the way in which employment service providers are funded in the UK.

‘Accumulation by dispossession’ is a concept associated with Marxist geographer David Harvey (2003, 2005). In many senses, ‘accumulation by dispossession’ is another way of understanding what Marx (1976) referred to
‘primitive’ or ‘original’ accumulation’ – forms of accumulation predicated upon ‘predation, fraud and violence’ (Harvey, 2003, p. 144) – visible in the early stages of capitalist development. Essentially, Harvey’s argument is that such forms of capital accumulation are not unique to the early stages of capitalist development, but that they ‘have remained powerfully present within capitalism’s historical geography up to now’ (ibid., p. 145). For Harvey (2005) accumulation by dispossession has four main features. These are financialisation – ‘the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies’ (Epstein 2005, p. 3) – that coupled with financial deregulation from the 1980s:

allowed the financial system to become one of the main centres of redistributive activity through speculation, predation, fraud and thievery. Stock promotions, ponzi schemes, structured asset destruction through inflation, asset-stripping through mergers and acquisitions, the promotion of levels of debt incumbency that reduced whole populations, even in advanced capitalist countries, to debt peonage, to say nothing of corporate fraud, dispossession of assets (the raiding of pension funds and their decimation by stock and corporate collapse) by credit and stock manipulation – all of these became central features of the capitalist financial system (Harvey, 2005, p. 161).

Second, Harvey (ibid., p. 162, original italics) refers to the ‘management and manipulation of crisis’ that he suggests has ‘evolved into a fine art of deliberative redistribution of wealth from poor countries to the rich’. Such arguments can also be
made of inter-country vertical redistribution. Witness, for example, in Britain the construction of the contemporary economic crisis as a crisis of public spending, rather than being the consequence of a too lightly regulated financial sector and the logic of capitalism in financial markets.

Third, Harvey (*ibid*.), refers to how the state is central to accumulation by dispossession through policies designed to reverse ‘the flow from upper to lower classes’ through privatisation and withdrawing support that previously had supported the social wage. Indeed, the fourth feature of accumulation by dispossession noted by Harvey (*ibid.*, p. 160) is ‘privatisation and commodification’. Given the dates his books were published, Harvey does not refer to the privatisation of employment services. He does, however, point to the privatisation of previously provided state services, including state housing, education and health services. While Harvey’s conceptualisation of accumulation by dispossession has proved to be controversial among Marxist analysts (see, for example, Ashman and Callinicos, 2006), it nevertheless provides a means of understanding the way in which shifting resources between different constituents is a potential aid to neoliberal accumulation.

How though, can we understand privatised employment services as a means of accumulation by dispossession? We could point to the amount of money spent on private contractors to deliver the Work Programme and related services (such as the imposition of new capability tests for income replacement benefits for workless chronically sick and disabled people). In a time of austerity, it could be argued that through the privatisation of employment services and some social security functions the state is involved in the transfer of financial resources from the income poorest
people (the state-dependent workless) to global corporations and the more comfortably off professionals who work for them.

It is estimated, for example, that measures announced by Britain’s Coalition government in 2010 would save £18 billion ($27.9 billion, ¥171.9 billion) per annum in transfers, primarily to the income poorest people (Grover, 2011). Meanwhile, private sector contractors will receive between £2.4 billion ($3.7 billion, ¥22.9 billion) and £4 billion ($6.2 billion, ¥38.2 billion) alone for the Work Programme. A further £770 million ($1.2 billion, ¥7.4 billion) will be spent on medical examinations to control the gateway onto disability benefits by sorting those who are deemed capable to do paid work or activities to increase their chances of securing paid work from those unable to either. Concern has been expressed by groups representing the interests of workless people that financial resources are being transferred from the economically dispossessed to the economically privileged. At a time of austerity when it is undoubtedly the case that the income poorest people are becoming relatively poorer through, for example, changing the structure of benefits and awarding lower than inflation increases in benefits, private employment service providers are receiving large amounts of public expenditure as welfare markets develop.

There is, however, arguably no easy relationship between public expenditure and savings in it. In contrast, for example, to expenditure being saved by retrenching social security programmes being paid over to private contractors, it might equally be argued that they are paid from expenditure raised from taxation, rather than from expenditure saved on benefit payments. It is the case though, that the way private employment service providers are to be paid in the future will mean that increasingly
they are funded from savings in benefits. In other words, money that previously
would have been spent on the income poorest will paid to the employment
programme providers.

As we have seen, one of the main innovations of the Freud report (Freud, 2007) was the suggestion that the funding for payment by results in employment
services should come from the Department for Work and Pensions’s Annually
Managed Expenditure (AME) as opposed its Departmental Expenditure Limit (DEL).
This has become known as the DEL/AME switch. Currently, AME is managed
centrally by the Treasury and is essentially an unlimited, demand driven budget
whose primary element is spending upon social security benefits (other elements
include debt repayments and public sector pensions). What the business model of the
Work Programme essentially does is allow the funding of it from benefit expenditure
that will be saved through getting people into paid work (i.e. from AME, rather than
DEL spending). This is because the potential saving from moving workless people
into paid employment are large. Freud (2007, see also Work and Pensions Committee,
2011), for example, suggested the savings from moving someone from Incapacity
Benefit into paid work was, for an ‘average recipient’, £9,000 (saved expenditure, and
additional gains from taxation), while the Department for Work and Pensions
estimates that for every £1 spent on the companies delivering employment service
contracts £1.95 will saved in public expenditure (National Audit Office, 2012b).

Given the potential savings from not paying benefits to workless people in the
future, there is a financial logic to opening the AME budget to pay for it. However,
what the DEL/AME switch does is open up a revenue stream that is much larger than
DEL spending from which employment schemes used to be funded. Unsurprisingly, those companies delivering contracts have welcomed the move. G4S, for instance, notes that the DEL/AME switch to fund the ‘boldest and most ambitious programmes ever seen in the employment sector’ will ensure financial resources are in place ‘even within current fiscal constraints’ (Work and Pensions Committee, 2011, evidence 63).

There are, however, plans in the Coalition government to place annual limits on AME spending (see House of Commons Debates, 2013, col. 937). Limits on social welfare spending are not unusual (the budgets of some elements of the social security system are already capped and services, such as the National Health Service, have always had limited budgets). While there is some doubt as to whether such a limit can ever be successfully introduced to AME spending because of competing policy and political issues (Mulheirn, 2013), the proposed limit to AME spending adds further weight to the notion of the privatisation of employment services as being a means of accumulation by possession. If it were to be successfully introduced it would mean that within the overall limit the budget for different groups of claimants (for example, those of working age and pension age) would be in competition with each other and both would be in competition for resources with schemes such as the Work Programme. In brief, the proposal to limit AME spending suggests that in the future the financing of employment service markets will come directly from expenditure that is, first, limited and, second, primarily for benefits for the income poorest people.

**Conclusion**

This paper has been concerned with the development of (quasi) markets in employment service provision in Britain. We have seen that framed by neoliberal
ideas the developing of such markets is held to be a superior way of addressing worklessness among those people who are held to be ‘hard to help’. This approach is lauded as being globally innovative. However, and although it might be argued that such markets need to mature before judgement is made, the early evidence suggests that they are not particularly beneficial to those people they are supposed to help.

The main problem is that the creation of markets brings a set of imperatives related to the accumulation process that, rather than encouraging innovation, merely acts to reproduce labour market disadvantage. In this paper it has been argued that these are related to the desire to turn a profit by dealing with those conscripts who are closest to labour markets and/or through what is described as ‘gaming’. Moreover, we have seen that the privatisation of employment services in the Britain commodifies workless people as something that can be traded between capitalist enterprises through a process that can increasingly be understood as accumulation by dispossession. The privatisation of employment services, therefore, seems to offer little to workless people. However, it is also unclear what it offers governments, for it is an approach that has visited poor publicity upon them and is an approach, as we have seen, that does not seem to be particularly successful in getting people into work. The importance of employment service markets, like privatisation and commodification more generally, can be found at an ideological, rather than the practice, level in that they shift functions of the collective as expressed through the work of the state, to the private. In doing so, they have the potential, particularly in the future, to shift resources from the income poorest workless people to the wealthiest in a society in pursuit of market-based solution to a problem (worklessness) that itself is the consequence of market failure.
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