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**POLICY FORMATION ANALYSIS**

**REPORT**

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## **1. Introduction**

Policy development is a critical process undertaken by countries to shape frameworks to ensure effective governance and societal wellbeing. For this development process, rigorous research is required, followed by effective stakeholders' engagement and expert consultation to ensure effective decision-making regarding policy development (Kelly and Jewell, 2018). However, this process is not without challenges, as it involves fostering inclusivity and aligning policies with societal needs to generate decent results. For this reason, it is necessary to make use of a transparent and evidence-based approach to strengthen public trust and ensure the implementation of effective solutions through policy to aid long-term socio-economic stability (Hill and Varone, 2021). Given the background highlighting the criticality of policy development, this study is focused on analysing the policy framing and policy development process involved in the case of the "Universal Credit Reform" policy introduced by the UK government in 2010 (Hobson, 2021). The study starts by providing an overview of the policy and its involvement in the government's agenda. The study also discusses the general framing of the issue, considering the political and socio-economic context. The study also highlights key objectives of the policy and its target. The study also discusses key aspects relevant to the policy formulation process. Finally, the study uses a theoretical model to evaluate the framing and formulation processes of the policy.

## **2. Overview of the Policy**

The Universal Credit Policy was introduced by the United Kingdom in 2010. According to Hobson (2021), it was an initiative made by then-Chancellor of the Exchequer, George Osborne, in the Conservative-Liberal Democrat coalition government's emergency budget. The key purpose of this policy was to reform the welfare system and create a more streamlined and simplified approach to offering financial support to individuals as well as their families (TUC, 2021). The rollout of the Universal Credit Programme began in April 2013 with a small-scale pilot programme initiated at on-under-Lyne. This pilot program was focused on new single claimants who made new

claims to gain unemployment benefits (European Commission, 2021). Over the years, the spectrum and coverage of the policy increased to a decent extent after regular iterations.

There are multiple key features of the Universal Credit Policy in the United Kingdom, starting with a single monthly payment to support jobseekers, offering income support, offering housing benefits, working tax credit, and others (GOV.UK, 2022). All the individuals eligible for the programme are able to receive single monthly payments instead of individual payments for each benefit. This single amount tends to take all the key aspects into consideration, such as income, housing costs, and savings, to mean that it offers decent and deserving value to individuals (Local.GOV.UK, 2021). One key challenge existing with this policy was the high interest amongst the individuals to avoid working to continue to receive the eligible benefits. However, Revenue Benefits (2021) informs about another key feature of this policy, which encourages individuals to keep a higher percentage of their earnings to themselves before the reduction of benefits. It was a key step to encourage the individuals to seek employment and progress in a professional manner.

The Universal Credit Policy has been implemented by making use of a digital system. For instance, all the individuals or claimants have a registered online account from which they can access their policy credentials and make claims accordingly (Legislations.GOV.UK, 2019). However, it is necessary to highlight the conditionality aspect linked with the policy, which compels individuals to attend different job interviews or training sessions to avoid being left out of gaining benefits. This entire policy has been implemented in the UK in a phase-wise manner to benefit the entire community in a decent fashion.

### **3. Issues being addressed by policy and its involvement in the government agenda**

The Universal Credit Policy is a key transformative welfare reform initiated by the UK government that has been a subject of appraisal and criticism since 2010. Although the policy focused on simplifying the welfare system, promoting work incentives, and lessening dependency on benefits, it has been subject to various challenges related to its efficacy.

One primary issue being targeted by the Universal Credit Policy is related to the reduction of poverty and income inequality in the region. It is quite understandable as the policy does this by adjusting benefit payments for individuals based on their earned income, which encourages the individuals to earn more (Wickham *et al.*, 2020). According to Reeves and Loopstra (2021), the Universal Credit Policy has played a strong role in increasing employment rates as the claimants are more interested in employment instead of remaining engaged in the legacy system. Another key issue being addressed by the policy is related to the simplification of the welfare system (Millar and Bennett, 2017). The reason here is that all the benefits available to individuals are consolidated into a single monthly payment under this policy, which tends to advantage claimants and administrators for better control. Bardach (2006) appraises this simplification process by using the policy feedback model, which puts more emphasis on straightforward and clear policies. With the reduced complexities involved in administrative processes, it becomes suitable for Universal Credit Policy to understand and navigate the welfare system in the region effectively.

The Universal Credit Policy resonates effectively with the UK government's broader fiscal agenda. For instance, the Universal Credit Policy is explained well through the Hayek and Friedman model by reflecting a commitment to the reduction of state interventions and the promotion of individual responsibility (Garrison, 2014). It implies the shift from a fragmented system to a unified, means-tested approach, which is a manifestation of the neoliberal principle in the form of improved efficiency and lesser government spending by bringing more organisation and support to the community of the

region (Hick and Murphy, 2021). The digital-centric nature of the Universal Credit Policy also resonates with the administrative efficiency and technological advancement objectives of the UK government. Here, Brewer and Tasseva (2021) critique the policy for its potential exclusion because of limited technology usage. However, it must be accepted here that the Universal Credit Policy involves a streamlined application process with less paperwork involved to boost overall efficiency. Power *et al.* (2023) agree with this by highlighting the increased efficiency advantage for the UK government with the digitalized nature of the Universal Credit Policy. It is necessary to acknowledge here that this policy has undergone multiple iterations since its development to effectively address key issues such as delayed payments and the impact on vulnerable claimants. It aligns with the adaptive policymaking process shared by Lindblom (1979) by putting emphasis on the significance of incremental adjustment in social policies to generate wide-reaching advantages.

#### **4. General framing of the issue and involved socio-economic and political context**

The Universal Credit Policy framing takes decent value from the socio-economic and political aspects in the region, understood in a better fashion by considering the historical trends, economic challenges, and ideological shifts involved.

Considering the historical aspect, the universal credit policy is one of the historical landmarks of the UK's welfare system. The reason is that this model is closer to the market-oriented approach than the post-war welfare system model. The policy was certainly required in the UK as its financial spectrum reached directly to £90 billion when it was launched in 2010; however, it immediately created concerns over the efficiency and sustainability of the policy (Pearson and Elson, 2015). The reason for this has been shared by Brewer and Gardiner (2020), according to which more than 1.4 million people in the UK were unemployed for a decade or more when the policy was announced. It highlights the framing of the policy in the context of the rising unemployment rate in the UK, along with the existing complexities in the benefit system. For instance, the

unemployment rate in the UK was about 7.9% in 2010, which was targeted by the UK government to address disincentives for work (Gibb, 2015). With the consolidation of all the benefits, it became possible for the UK government to tap the individuals who had been unemployed for a long time to use decent interventions for their support.

The political ideology involved in the case of the universal credit policy takes value from neoliberal principles to emphasise the responsibility of individuals by using a market-oriented solution. This aspect is more understandable using the Rees *et al.* (2015) analysis, according to which the UK government aims to save an overall £12 billion in terms of welfare savings annually by reinforcing the ideological shifts towards fiscal conservatism. It was a logical decision, considering the economic challenges created for the UK government after the 2008 financial crisis, to address the budget issues decently (De Agostini *et al.*, 2018). This aspect was validated by the UK government in 2012, where an anticipation of saving over £2.7 billion was identified for the next five years with the digitalization of the welfare system because of better tracking (Cheng *et al.*, 2021). Esping-Andersen's welfare state regime theory offers necessary support here to understand the broader welfare context of Universal Credit Policy (Cairney, 2020). For instance, this policy highlights a key shift to a liberal regime from a social democratic model with an emphasis on mean-testing and individual responsibility. Birkland (2020) provides evidence for this by highlighting the UK government's aim to introduce market-oriented mechanisms for welfare support to address the fiscal challenges in a decent fashion.

## 5. Main Policy Objectives and Targets

There are multiple key objectives and targets associated with the Universal Credit Policy in the UK, as follows:

**Objective 1:** To simplify the welfare system. Its key target involves streamlining and consolidating different means-test benefits into a single monthly payment to improve the overall process simplification and effectiveness of the welfare provision.

**Objective 2:** To offer decent work incentives and employment focus to deserving individuals. This objective key target involves encouragement and offering work incentives by making adjustments in the social benefit payments to support earned income to reduce disincentives for employment.

**Objective 3:** To transform social welfare in a digital fashion with better administrative efficiency. Its key target involved shifting from a legacy system to a technology for streamlining processes, reducing costs, and boosting overall benefit administration efficiency.

**Objective 4:** To ensure effective means-testing and responsive benefit offerings. Its key target involves making social benefits adjustments aligned with the income and circumstances being faced by the individual.

**Objective 5:** To reduce cost expenses and boost fiscal responsibility by the UK government. Its key objective involved bringing necessary cost cuts to the social welfare system by addressing the discrepancies and increasing the government's flexibility to make adjustments in other key areas.

## **6. Aspects involved in policy formulation**

The formulation of the Universal Credit Policy has been a multifaceted aspect, taking value from stakeholder dynamics and contextual factors. The key focus required here was engagement amongst the stakeholders, such as the public, policymakers, government officials, and welfare experts (Cheng *et al.*, 2021). It implies the use of a pluralistic approach, which resonates with the power theory showcasing the availability of structured power to the government elites and the distribution of fragmented power amongst the external influencers (Hill and Varone, 2017). For instance, De Agostini *et al.* (2018) share that the unemployment of about 1.4 million people in the UK was highlighted in 2010 who were out of work for more than a decade. It tends to create an urgency for bringing welfare responses, which aligns with Walt and Gilson's (1994) agenda-setting phase due to the rising welfare costs and long-term dependency as part of the policy

agenda. The involvement of external voices in setting the policy agenda here demonstrates the use of diverse perspectives, which is another indication of the application of pluralistic power structures.

The formulation process involved in the case of the Universal Credit Policy could be understood in a better fashion by integrating the incrementalism and rationale decision-making models (Cairney, 2020). For instance, the policy has been implemented in the UK in a phased roll-out fashion, which is similar to the incremental approach, highlighting the need for gradual changes. It implies that the policy has been adapted over a time period by determining and addressing the key implementation complexities involved (Rees *et al.*, 2015). At the same time, the use of rational decision-making models reflects the use of goal-oriented design, especially in the form of consolidating benefits into a single payment. This aspect is more understandable using Gibb's (2015) analysis, according to which the UK government aims to save an overall £12 billion in terms of welfare savings annually by reinforcing the ideological shifts towards fiscal conservatism. It reflects the usage of an evidence-based approach in the case of universal credit policy framing with the offering of actual facts for policy debates (Brewer and Gardiner, 2020). These statistics were not only viable to highlight the weaknesses in the then-existing social welfare policy but also lay the foundation for the development and implementation of another effective policy.

The development of the Universal Credit Policy involved several key dynamics. For instance, the policy decision was primarily made by the coalition government in 2010 to reform the welfare system (Pearson and Elson, 2015). It highlights the use of a pluralistic approach in policy development as it involves individuals with diverse perspectives and interests. Hill and Verone (2021) argue that the interplay of power dynamics amongst the stakeholders tends to shape policy acceptance and legitimacy amongst the public. However, the involvement of multi-level governance and policy networks was supportive here to recognise and manage the need for engaging actors at different levels (Power *et al.*, 2023). It allowed effective implementation of the policy in alignment with the diverse governance structures. The use of an incremental approach here further supported the process to identify and address weak areas. However, Birkland

(2020) argues that this sort of incremental approach might not always work effectively because of the transformative impact required, especially in cases of radical change.

## 7. Theoretical Reflection on the Policy Framing Process

The integration of Lowi's (1972) policy typology in the case of universal credit policy exhibits the usage of a mix of distributive, redistributive, and regulatory policies. For instance, the high focus on means-testing benefits to individual circumstances reflects the distributive aspect, as the key purpose here was to consolidate the benefits to address the income inequality issue in a significant fashion (Reeves and Loopstra, 2021). The regulatory dimension is clarified here because of the existing conditionality involved in the policy benefits, which puts more emphasis on personal responsibility. However, it is necessary to acknowledge the creation of trouble for policy effectiveness in cases of clashes between policy types (Millar and Bennett, 2017). For instance, any sort of conflict occurring between regulatory conditions places more emphasis on personal responsibility with distributive and redistributive goals. Such kinds of conflicts have the potential to create tensions related to the support offering, imposing strict legislative measures, and addressing income disparities, which adds further complexity to the process used for formulating the policy (Hick and Murphy, 2021).

Now, the study utilised the Howlett *et al.* (2015) policy cycle model to critically analyse the development of universal credit policy as follows:

**Agenda setting:** The policy cycle for Universal Credit Policy was initiated with an agenda-setting phase driven by key concerns related to rising welfare costs, inefficiencies in the existing benefit system, and long-term unemployment challenges. The reason for this has been shared by Hick and Murphy (2021), according to which more than 1.4 million people in the UK were unemployed for a decade or more when the policy was announced.

**Policy formulation:** The policy formulation used in the case of the Universal Credit Policy has been quite extensive. It took value from a pluralistic approach involving engagement amongst stakeholders such as the public, policymakers, government officials, and welfare

experts (Brewer and Tasseva, 2021). This approach was quite viable and suitable to involve diverse perspectives for addressing welfare issues effectively.

**Adoption:** The Universal Credit Policy was signed in 2010 by the coalition government. However, the phase also involved different complexities. Here, the alignment within political ideology amongst the coalition government and subsequent negotiations played an integral role in providing a holistic vision of the targeted policy (Power *et al.*, 2023). The theoretical integration reflects the use of power dynamics and competing interests in the policy development process because of the pluralistic approach.

**Implementation:** The incremental approach, which emphasises the importance of implementing changes gradually, is comparable to how the policy has been implemented in the UK through a staggered roll-out. For instance, the policy was announced in 2010, but its implementation started in 2012, followed by a regular iteration process for improvement (Pearson and Elson, 2015). It suggests that by identifying and resolving the major implementation challenges, the policy has been modified over time.

**Evaluation:** Policy evaluation is a critical stage involved in adaptive policy making. The feedback, such as the highlighting of issues like sanctions causing financial hardship by the National Audit Office UK, played a crucial role in bringing about improvements in key policy aspects. Howlett and Ramesh (2003) appraise this policy cycle for emphasising the need for continuous learning and refinement to create resonance between the iterative nature of the Universal Credit Policy implantation by using an evidence-based approach.

**Support:** The final stage for a policy is to garner the required support. Since its development and implementation, the policy has been a constant subject of appraisal for being effective in resolving income inequality and hardship challenges, along with key criticisms such as simplification of goals (Brewer and Gardiner, 2020). The multi-faceted nature of policy involves distributive, regulatory, and redistributive elements that aid and oppose the policy. Political support and public perception played a key role here to ensure the policy's effectiveness and longevity.

## **8. Conclusion**

Overall, the Universal Credit Policy implemented in the UK has been an integral welfare policy to address key issues such as income support, housing benefits, working tax credit, and others. A pluralistic approach was involved in developing and implementing the policy by involving all the key relevant stakeholders. Agenda-setting, formulation, adoption, implementation, evaluation, and support stages were involved in the development and implementation of the Universal Credit Policy. This stage application also highlights a suitable understanding of the complexities involved in the policy cycle, raising the need for adaptive governance to navigate the challenges of social welfare.

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