

Labour government's plan to gut the British welfare state

Tony Blair's “shape of things to come”

Jean Shaoul
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The Labour government of Prime Minister Tony Blair has announced it will dismantle the system of comprehensive social insurance upon which more than one third of the population of Britain depends. The system of universal social insurance, designed by Beveridge in the early 1940s to alleviate poverty and want, was introduced by the postwar Labour government. Exactly 50 years later, New Labour proposes to turn back toward the Dickensian days of poor laws and work houses.

Workers will no longer be able to rely on the state to provide a safety net for unemployment, sickness, incapacity, and, above all, old age. What were considered social rights are no longer recognised as such. Instead Blair proposes a contract: each individual's responsibility is to work, be independent, support family members (not just children), and save for retirement. The state's role is to ensure that people do work and thus become “economically independent.” Henceforth the state will only support those unable to work.

Frank Field, the Minister for Welfare Reform, has outlined the government's plans in the official Green Paper, *New Ambitions for Our Country: A New Contract for Welfare*. While the Green Paper is short on detail, Tony Blair's introduction indicates the sweeping character of the intended changes, referring to them as “the shape of things to come.”

The “shape of things to come” consists of three strands: compulsory private insurance for all “foreseeable” risks, a tax-based credit system to force people off benefits and into low-paid work, and a centralised benefit system for those who cannot work.

At the heart of the program is the requirement that workers take out a second-tier private pension to supplement the meagre state pension. In future, pensions will be organised along the same lines as car insurance: like drivers, workers must be insured, but the private sector, not the state, will provide it, and it will do so on a

for-profit basis.

Right-wing economists promoted this idea more than 20 years ago, but Tory Prime Minister Margaret Thatcher was never able to introduce it. Now a Labour government will do what the Tories could not.

The new private pensions will be targeted at lower paid workers who do not currently have private or occupational pensions. But the final size of these new “stakeholder pensions,” unlike the state pension, will be dependent on the level of contributions. The government wants the trade unions, building societies, mutual societies and employers' bodies, as well as the big insurance firms, to sell stakeholder pensions to the public.

The record of private personal pensions in Britain has been nothing short of scandalous. In the 1980s the Tory government gave incentives for people to buy personal pensions. Hundreds of thousands of people were hoodwinked into leaving safe corporate schemes for inferior private ones, while promoters extracted lucrative commissions.

The guilty companies, including some of the most well known names in the City of London, have yet to repay the money extorted from workers. Yet the chief executives of these same companies have become key advisors to the Labour Government.

Workers will have to finance their retirement out of wages, while the insurance giants and banks will obtain a new source of profit. Low-paid workers, unable to afford a decent pension plan, will be forced to supplement the state pension by taking whatever work they can. Just as new workfare arrangements will turn young workers into sources of cheap labour, the pension changes will drive experienced labour at the other end of the age spectrum into the pool of low-wage workers.

Workers will be expected to take out insurance coverage for all “foreseeable risks.” But since, as Blair said in the introduction to the Green Paper, “People no longer expect a job for life,” foreseeable risks include not only pensions

and long-term care in old age, but sickness, incapacity, and mortgage and credit payment insurance for periods of unemployment.

The second major aspect of Blair's program is the replacement of the system of cash benefits with a tax credits system. This takes the form of Working Family Tax Credits, which is to guarantee a basic income of 180 pounds a week for families with at least one person working. This is actually lower than the existing poverty line of 210 pounds per week for a family of four!

This scheme represents a fundamental shift away from benefits, paid as a matter of right to those who satisfy the rules of entitlement, to a means-tested tax credit system. The government warned, "Because in future work will pay, those with an offer of work will have no excuse for staying at home on benefits." So anyone refusing a job, however badly paid, faces having his benefits stopped.

The third element is to be inaugurated under the banner of "combatting fraud" and offering an "efficient service to customers." The government intends to develop a centralised system bringing together all of the agencies responsible for assessing eligibility and paying the various benefits.

This entails integrated computer systems linking the various agencies responsible for the different benefits, Inland Revenue and employers. It will give the state and the employers enormous "Big Brother" powers of control over workers and their families. It will also lead to a new round of sackings of public service workers.

This policy agenda has wider implications. It is an attack on any sense of social solidarity and the notion that society has a responsibility for the well-being of its citizens. The government is saying that everyone has a duty to look after himself and his family, and the fate of others is not his concern.



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