

Britain: Labour promises "baby bonds" to legitimise its attacks on welfare rights

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The Labour government has unveiled proposals to launch "baby bonds" for all newborns as its "big idea" for the general election, expected June 7. The plan, drawn from the US, would see all babies receiving between £250 and £500 (\$375-750) at birth, depending on parental income, to be invested until they reach 18 years of age.

Prime Minister Tony Blair launched a consultation document containing the proposal at a press conference alongside Chancellor Gordon Brown, Education Secretary David Blunkett and Social Security Secretary Alistair Darling.

The proposal was presented as part of Labour's commitment to ending child poverty within 20 years and that it would help create a "savings culture". The government would open special accounts for the 700,000 babies born each year, at an estimated cost of £480 million (\$700m), to be invested by the finance industry until they reached adulthood. Labour claims that with sensible investment, an individual trust fund could be worth several thousand pounds on maturation, which could then be used as a deposit on a house, for job training or further education.

The account would be topped up three times before the child reaches 18, by between £50-£100 (\$75-150). Relatives in poorer families will be encouraged to help increase the size of the tax-free trust fund, with government promising to match any extra money put into the account each year.

The Institute for Public Policy Research (IPPR) think-tank, which proposed the scheme, said that encouraging people to save was a major problem in Britain. The top 50 percent of the population owns some 93 percent of all wealth in the UK, and 16 million people have no savings at all.

In an interview with the *Guardian* newspaper, Blunkett said, "Kids who grow up in a household where no one is working or has any savings end up with very dangerous

role models. It has a knock-on effect for their own performance in schools and in work, so we are trying to break that cycle. It is about self-help."

A second scheme, also launched Thursday, is aimed at encouraging poor adults to save. Again this is based on a US scheme first piloted by former President Bill Clinton, where low-income savers open individual development accounts, receiving two tax dollars from the state for every dollar of their own they put away. According to reports, those in the scheme save on average just \$25 a month.

Under Blair's proposed "savings gateway", the government would match the savings of low-income adults pound-for-pound, up to £1,800 (\$2,700). Those involved in the scheme would have to save for three years, after which the money could be transferred to an ordinary savings account, pension fund or children's trust fund.

Previous government schemes aimed at encouraging saving, such as Individual Savings Accounts (ISAs) have had a low take-up among the poor. IPPR Director Matthew Taylor said: "The state has encouraged middle-class people to save but has never managed to get the working class to do so." The new "baby bonds" could prove to be as far-reaching as the post-war Beveridge report that largely established Britain's welfare state, Taylor added. Blair and Brown have also argued that the scheme is a redistributive measure, aimed at narrowing income inequality.

In truth, the savings proposal are the antithesis of the complex series of economic, political and social measures that comprised the post-war welfare state. Under Beveridge's plan, a national insurance scheme was established, to which every employee and employer contributed. These contributions created a fund to pay those who qualified unemployment and sickness benefits, and an old age pension. Together with social spending out

of general taxation, every person in Britain was supposed to be guaranteed health and educational provision, free at the point of delivery. A welfare "safety net" should ensure that those with insufficient contributions were sustained at times of unemployment, ill health and old age.

The idea was that rich and poor alike would receive equal treatment. In reality, the rich maintained their own private schools and health care, or at least ensured they had first call on the "top" state facilities, and the redistributive element was largely concentrated within the middle and working class. Nevertheless, the concept that everyone had the right to a decent living standard and adequate facilities, regardless of social background, and that the government should guarantee this, was regarded as vital to preserving social cohesion.

Blair's proposals represent a significant onslaught on what remains of post-war welfare provisions by shifting the responsibility for ensuring education, health care and pension provision onto individuals and their families. Although the government has denied that its baby bond scheme would lead to the withdrawal of benefits, or the introduction of across-the-board charges for education, this is the underlying logic of the plan.

The proposed schemes are in line with Labour's pledge to "end the dependency culture". Brown said the plan would "enable people to stand on their own two feet" and would make them "more conscious of the need to save for the future." In addition, Labour has ensured that its new proposals further denude the concept of universal provision, as the amounts awarded will be means-tested.

That Labour has co-opted its latest proposal from the US, which has no welfare state to speak of, is proof of its intent. It is a measure of Labour's cynicism that it can boast that the US scheme has enabled poor families to save on average \$300 a year, in a country where it costs tens of thousands of dollars to put a child through school.



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