

Britain: Labour government proposes punitive welfare reforms

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The Labour government's Welfare Reform Bill published before the parliamentary recess seeks to force the most vulnerable members of society—the sick, single parents and older workers—off benefits and into work.

Its aim is threefold. Firstly, to dismantle the social security system by making a much reduced entitlement to welfare dependent upon cooperation with back to work schemes. Secondly, to redistribute wealth in favour of the owners of capital, via the creation of a huge pool of workers forced to take the lowest paid and most unpleasant jobs. And, thirdly, to privatise the employment services.

The government has openly admitted that the welfare state is to be redesigned to serve the needs of big business. Introducing the bill, Secretary of State for Work and Pensions, John Hutton, said the welfare state “must help UK companies succeed in the global economy.”

The “best welfare policy of all is work,” he continued, and the welfare state must help those unable to work and to support people gaining the skills required to get jobs.

The bill follows a raft of measures introduced since New Labour came to power in 1997, including the “New Deal” programme aimed at forcing the unemployed—especially the young—off welfare benefits and the National Minimum Wage and tax credits for the low paid. These have done much to create a “flexible labour market” for Britain's service sector and low wage subventions for the corporations.

With two million more people employed than in 1997, Britain has the highest work participation rate of any of the world's richest nations. The government now wants to get one million of the 2.7 million long term sick, 300,000 more lone parents and one million additional older workers, including those over retirement age, into work. It aims to have an unprecedented 80 percent of the working age population in work.

Given that the government's own statistics show that benefit levels are lower than in much of western Europe, and the number of people claiming invalidity benefits is no higher than elsewhere, its proposals demand a complete overhaul of the welfare state, following on from the tougher rules forcing single parents back to work, and increased powers for the executive.

The legislation is deliberately short on details. The minister is

to be given delegated powers under secondary legislation, making it much easier for future governments to tighten up the rules at will and dispensing with the need for broader public discussion or parliamentary approval. The government has announced that it expects to cut at least £7-8 billion from the welfare bill. Incapacity benefits currently cost about £12 billion a year.

Incapacity benefits are paid to 2.7 million people, a level unchanged since the mid 1990s. The bill will mean penalties for those who refuse to take part in the back to work schemes.

* Incapacity benefit (IB) and income support, currently higher than the rate paid to the unemployed, will be discontinued for new claimants registering for the first time as too sick or unable to work. Instead they will be paid an Employment and Support Allowance (ESA), based upon their insurance contributions, subject to means testing and equal in value to unemployment benefit.

* Potential claimants will have to undergo an assessment to test whether they are fit for work. The assessment will focus on what the person is capable of doing, rather than the health condition itself or previous employment. If the claimant is capable of some work, the higher benefit will only be paid on the condition that he or she retrains and looks for work. Failure to do so would mean an end to the top-up level of benefit.

* Even those currently exempt from testing, including the severely mentally impaired, will have to agree to look for work if they are to qualify for the top-up benefit. Claimants will have to agree to attend courses to improve employability, and manage their health in work, including therapy for those with mental health problems.

* Those already on Incapacity Benefit, Income Support on incapacity grounds and Severe Disablement Allowance will be expected to look for work and have more frequent assessments to see what kind of work they are able to do.

* Doctors and primary care teams will be expected to ensure that their patients remain in or return to work. Employment “advisors” from the Job Centres will be based in doctors' surgeries.

* The partners of those in receipt of benefits will be expected to look for work.

The government has provided no evidence to support its

claim that the welfare system is in crisis, that the bill for IB is rising (it is in fact falling) or that most of those who go onto IB would, if caught in time, be capable of work. It assumes that many of the illnesses and disabilities that people suffer are all “in the mind” and so amenable to “condition management” based on cognitive behavioural therapy, or are examples of malingering and fraud that will be sorted out by the carrot and stick of incentives to work and cuts to benefits.

Its approach is based upon work by a research unit at Cardiff University sponsored by Unum Provident, a large US disability insurance company with an interest in limiting disability claims. In other words, the same companies that stand to benefit from the change in policy are instrumental in developing it.

Other measures include:

- * Mandatory interviews every six months for lone on income support parents with children under 11 years of age and every three months for those whose youngest child is more than 11, in an effort to get them back to work.

- * Instead of paying housing benefit directly to the landlord that covers the full rental cost, the government will now pay a lower flat rate directly to new claimants in private accommodation (about one million of the four million people receiving housing benefit) to force them to shop around for cheaper deals. Public and social landlords will be given the power to evict anti-social families from council estates and housing association property.

- * Legislation against a mandatory retirement age, removing the retirement age for those under 65 and giving those above 65 a Right to Request to continue working which employers will have to consider, followed in 2011 by a government review as whether to remove retirement ages completely.

- * Incentives for workers to stay in work by deferring their state pension in return for a lump sum payment or a higher weekly pension and changes to the law to enable them to continue working with the same employer while continuing to draw their occupational pension.

In addition, the government is to give private and voluntary sector providers 60 percent of the contracts for employment and training services that are to be privatised and pay them according to how many of their “clients” find work. These providers will also receive the power to cut benefits for those who fail to cooperate with the scheme. This forms part of the government’s wider policies of privatising public services and turning to “third sector” organisations (TSO) made up of voluntary groups, charities and not for profit companies.

A recent report, *Third sector provision of employment related services*, by Steve Davies, a senior research fellow at Cardiff University and published by the Public and Commercial Services Union, sheds some light on the TSOs and their image as more altruistic and service orientated providers of public services.

It argues that the government is creating a new generation of

multimillionaires and turning the charities into multi-million pound businesses via the contracting out of public services.

For example, the Shaw Trust, which provides retraining services for disabled people, saw its income rise from £18.36 million to £63.98 million last year due largely to contracts worth £37.5 million from the government’s Jobcentre Plus. Another charity, Tomorrow’s People, has strong links through its trustees to the giant Diageo food and drink corporation. The public-private company, Working Links, is owned by management consultants Gap Gemini, the employment agency Manpower and Mission Australia, a charity campaigning for Britain to adopt the Australian system of contracting out its employment services to the private and charity sector.

Often established by former public sector managers, such companies soon sell out to the big corporations. For example, Deborah Fern, who set up Fern Training and Development in 1986, sold her company to another expanding group, Carter and Carter plc, for £13.6 million.

The highest paid director of WCTS Ltd (formerly Westcountry Training and Consultancy Service) receives nearly £600,000, while the sole shareholder, Dr Sarah Burnett, also received £100,000 in dividends. Emma Harrison of A4E (formerly Action for Employment) collected more than £1.1 million in dividends in 2005 and is reputed to be worth £55 million. She employs more than 1,500 people and has contracts worth £75 million a year to provide training services for the government’s New Deal programme for the unemployed, private companies and welfare programmes in Israel and Poland.

Even in the non-commercial organisations, salaries of senior managers are more than £100,000.

Davies also refutes the government’s claims that independent service providers do better than public sector providers. He concludes, “Whenever Jobcentre Plus staff have been allowed the same flexibilities and funding as private sector companies or charitable organisation they have been able to compete with if not surpass the performance of contractors.”



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