

Blair's offensive against welfare

Government by the rich, for the rich

Steve Johnson, Jean Shaoul
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It says something about the state of class relations in Britain that on the eve of local and regional elections, the Labour government has put forward proposed welfare reforms that will bring destitution and misery for millions of workers and their families who rely on benefits to survive.

In addition, the proposals will bring the elimination of a raft of public service jobs, and a further deterioration of wages and living standards for the vast majority of the population.

Such social conditions are demanded by the financial and corporate elite, whose wealth is dependent upon the increased exploitation of the mass of the population and on whose behalf Labour now governs. The proposals will also provide a vast new source of profits for the corporations, courtesy of workers' social insurance payments.

The report was written by David Freud. As a former "Lex" columnist for the *Financial Times* and senior corporate financier at UBS bank, he is a member of layer whose spectacular personal wealth has been accrued through the legal looting of the productive resources and the systematic erosion and destruction of working people's standard of living and pensions over the last 30 years.

Freud started work in the 1980s, just before the deregulation of financial markets under Margaret Thatcher. He had a hand in the privatisation of British Airways, the stock market flotation of the massive loss-making Eurotunnel and the failed railway infrastructure company Railtrack, the market sale of Britain's National Air Traffic Services, which collapsed within three months of its sale, Euro Disney, Deutsche Post and the Hong Kong metro.

In his book *Freud in the City*, written last year, he cheerfully notes that many of the issues he worked on "turned out to be dogs". "I successfully sold the market a pup," he says of Euro Disney.

He is currently the chief executive of the Portland Trust, a Middle Eastern investment project run by Sir Ronald Cohen, founder of the multi-billion venture capital outfit Apax and an ally of Chancellor Gordon Brown.

This is the man chosen by the government to lead its review of welfare spending on the very poorest and most vulnerable. His report, compiled in the space of just 10 weeks, provides a means whereby his peers in Britain's financial aristocracy can

pocket a bigger share of state spending for themselves—namely, the £37 billion spent annually by the Department of Work and Pensions, much of it on social welfare payments.

Freud's report, "Reducing dependency, increasing opportunity: options for the future of welfare to work", outlines a series of proposals designed to drive the sick, disabled, lone parents and older workers off benefits and into low paid jobs.

It was commissioned by Work and Pensions Secretary John Hutton to find ways of meeting the government's target of 80 percent employment, the highest figure in the industrial world. The report has generally been presented as another incremental change in social welfare. In fact, a fundamental shift is being proposed: entitlement to benefits for virtually all those of working age will be made dependent upon a willingness to seek work.

The report states, "Since 1997, the government has put the rights and responsibilities agenda at the heart of its welfare policies". It insists that there will be "no fifth option' of remaining passively on benefits".

Freud identifies three key objectives. The first, which drives the other two, is to "optimise the efficiency of the labour market". By this he means the creation of a huge pool of cheap labour that will be forced to take the lowest paid and most unpleasant jobs and thereby force down wages of the entire workforce.

Secondly, to "prompt, support and require people to take appropriate steps towards work as a condition of their benefit claim", and thirdly "to ensure that people with particularly difficult barriers to work are getting all the extra support they need".

Not even the most vulnerable will be exempt.

Single parents, long a scapegoat of the right-wing media, are particular targets along with recipients of invalidity benefits and long-term carers. This is in part because, over the last two decades, under both Conservative and Labour administrations, the sustained pressure on unemployed workers has resulted in a fall in other forms of long-term unemployment.

Instead of the current arrangement whereby single parents are not obliged to seek work until a child is 16 years of age, the age limit would be reduced to 12 and ultimately five years old. Freud considers that as soon as a child has reached nursery age,

lone parents should be subject to Jobcentre Plus interviews, which should be ratcheted up in frequency and intensity as the child grows up. The long-term sick and those on incapacity benefits should be “encouraged” and “supported” to find work.

Under the present arrangements, immediately on claiming benefit, unemployed workers are subjected to a range of interviews, offers and potential benefit sanctions to force them to take the first available work. Most unemployed workers find a job within three months, the vast majority, 95 percent, in less than a year. As a result, since Labour came to power in 1997, the total number of people in work has risen by 2.5 million. The number of adults of working age actually in work is now 74.5 percent. Indeed, the report notes that at 5.5 percent, unemployment is at its lowest level for nearly 30 years.

But 4.4 million people remain on benefits of one form or another, including 3.1 million, who have been in receipt of benefit for more than a year. Most of these are on so-called “inactive” benefits: 2.3 million on incapacity benefits, and 600,000 single parents. This is why, as the report states, “the government will have to target its welfare strategy at tackling inactivity in order to reach 80 percent employment”. With “inactivity” currently at 21 percent, the number of people on lone parent and incapacity benefits or carer’s allowance would need to fall by 1.3 million or 40 percent.

Having reviewed the individual “Action plans” and the “New Deal for Young People”, Freud concludes that, while these have been successful for young people and the unemployed, much longer term measures are needed for single parents and invalids. Failure to comply with the new regime would result in a written warning, interviews and ultimately benefit cuts. He complains that current punitive benefit cuts are applied too long in arrears and that this should be tightened.

The second element of his report is the proposal that responsibility for such “support” and “training” programmes should be handed over to 11 large contractors, each of whom would have total responsibility for one region. They would be given the contracts to look after claimants for up to three years and would be paid according to results, with a “successful” long-term outcome being that the claimant stops claiming for up to three years. In other words, they would share in the benefits “saved”.

This would be a recipe for coercion of claimants, as well as creating untold opportunities for fraud as the corporations seek to provide training and support for claimants with their sister companies. This bonanza for the employment services companies comes despite Freud’s admission that there was “no conclusive evidence that the private sector outperforms the public sector on current programmes”.

Freud outlines how the contracts might work. After being handed responsibility for a claimant, the contractor would be paid an amount for

* the initial move off benefit

* staying off benefit for between 13 and 156 weeks

* any pay increases and bonuses offered to the former claimant by his new employer

Freud calculates that the government would save around £62,000 per person by pushing someone into work. He also calculates the likely savings of pressurising this or that layer of single parents or workers suffering injuries or struggling with long-term debilitating conditions.

By handing responsibility for pushing single parents and invalidated workers back into the labour market over to private service companies or charities, Freud seeks to create a new multi-billion pound “market” based upon the social insurance paid by workers to fund any future unemployment, sickness or incapacity. The contractors will pick up their fees for doing the work formerly carried out by public service workers and from the commission paid for driving people off benefits and into work.

Corporations such as Capita, Serco, SAP, Amey, Fujitsu and EDS, or even prison contractors such as G4S, would bid for the opportunity to push lone parents and incapacitated workers into low paying work. The existing network of Job Centres would work closely with the private contractors, and supply them with a “detailed database on each client”.

In this way, the government hopes to reduce overall welfare spending while increasing the pool of cheap labour, and to direct funds into the bank accounts of individuals and companies close to the Labour government.

The third element of Freud’s proposals was the one least reported. He urged the government to move to a single benefits system for all those of working age, merging social insurance systems, local authority benefits and tax credits, managed by the Department of Work and Pensions, which by then will largely have been privatised. In other words, the corporations would have complete control over people’s livelihoods and the conditions of their existence.

The media gave Freud’s report generally favourable coverage, describing it as means to “help people back to work.” The three main political parties endorsed it in just 10 minutes. The broadsheets generally devoted about a third of a page to the report. After one day, what passed for discussion and debate was over. That the complete rewriting of Britain’s system of social insurance, and by a City insider at that, is dismissed in such a cursory way testifies to the complete subservience of the media to Labour’s corporate agenda.



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