

Britain: Labour government white paper introduces draconian attacks on benefit claimants

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Work and Pensions Secretary James Purnell outlined the Labour government's welfare reform bill in Parliament on December 10. The white paper he discussed is the precursor to the final bill, which is expected to become law in spring 2009 and to be implemented in 2010/2011.

The paper represents the most draconian attack in decades on the unemployed, the disabled, and hundreds of thousands of the most vulnerable benefit claimants. It adopts in full recommendations made by the Freud Review last year, which called for the further privatisation of welfare provision. (See "Blair's offensive against welfare: Government by the rich, for the rich")

Firms in the private sector and voluntary organisations are to be awarded contracts and bonus incentives to find work for those on benefit. The paper proposes to move more than a million people off benefits and into work in the next period.

The white paper also supports the "vision" of the recently published review by Professor Paul Gregg. This concluded that most people on Incapacity Benefit, apart from the severely ill or disabled, some carers, and parents of children under one, should be looking for work or preparing for it through courses and regular interviews.

Purnell's paper requires that unemployed people take up four weeks' full-time activity after a year out of work. A new pilot scheme is to be introduced requiring Job Seekers' Allowance claimants to work for their benefits after two years. Introducing the paper he said, "We want virtually everyone who is claiming benefits to be preparing for work or looking for work." (See "Britain: Labour to introduce work for benefits programme")

The opposition Conservative Party said it fully supported the measures and would vote to ensure the bill became law. Conservative work and pensions spokesman Chris Grayling said, "That is why I can assure you today that there is no doubt, we know you are going to face a big rebellion on the Labour backbenches. Can I assure you that we will give these proposals our support."

The plans to allow private and voluntary sector organisations to be paid to get benefit claimants back into employment are modelled on US-style "workfare" policies and will be trialled from March 11, 2009 in Glasgow, the West Midlands, Greater Manchester, Norfolk and Lambeth in London.

By forcing claimants on Incapacity Benefit (IB) to undertake new work capability assessments the government plans to move an initial 260,000 people from IB onto Job Seekers Allowance (JSA). This will mean having their benefit cut from the already paltry IB basic level of £89 a week to just £60.50 a week for JSA.

The paper proposes that from 2010, single mothers whose youngest child is aged seven or over will be moved from income support to JSA. At present, lone parents are entitled to remain on income support until their children reach 16. Up to 400,000 single parents whose youngest child is aged between one and six and more than 2 million people claiming IB will be required to face job centre interviews, after which they will be forced into training courses or unpaid work placements.

The paper proposes that further legislation is passed next year that will allow benefits advisers to compel claimants to attend official interviews. Those who do not attend will face having their benefits slashed. One proposal being considered is that the first failure to attend would result in a claimant losing £12, rising to £24 for a second offence. Those who failed to attend could forfeit all their benefits for four weeks.

The benefit rates received by claimants in Britain are already among the lowest in Europe. Single people aged between 16 and 24 on contributory-based JSA receive just £47.95 a week (£6.85 a day) and single people aged 25 or over receive £60.50 a week (£8.63 a day). This is the amount with which an unemployed person in Britain is expected to be able to buy food, drink, clothing and household items and to pay utility bills.

The basic rate of £89 for an IB claimant is equivalent to £12.71 a day. In order to qualify, a claimant must face a stringent medical test.

Over the past few years, in preparation for introducing the bill, the government and the media have demonised benefit claimants, particularly those on IB, as shirkers and an intolerable burden on society.

In reality, Britain has one of the highest rates of employment participation in the world. A March 2006 report from the Department of Work and Pensions stated, "The UK now has one of the highest employment rates in its history, and also the best pattern of employment and unemployment among the major industrialised countries. In particular, for the first time in at least 50 years the UK employment rate is the highest among the G7

countries, and there are very few countries in the world with higher rates.”

The DWP report also gives the lie to the government’s assertion that the increase in the number of people receiving benefits has reached gargantuan proportions and must be cut. The reality is that the number of those on the benefits rolls has fallen dramatically. This has been due to Labour’s creation of a low-wage and “flexible” labour market since it came to office in 1997.

The DWP report continued, “The rise in employment, combined with successful labour market policies, has led to an overall fall of around 1 million in the number of workless people on benefits in the UK. The biggest improvement has been among the number of people claiming unemployment benefit, which has roughly halved since 1997. Since the start of 2001 it has remained consistently below 1 million—the first time this has happened since 1975. The number of people on Incapacity Benefit has now been falling for more than a year, after decades of continuous increase. The number of people on lone parent benefits has also fallen substantially.”

Purnell’s paper is being trumpeted by the government as the means by which millions will be moved into employment. However, these proposals are to be implemented under conditions of a world recession in which tens of thousands of jobs losses have been announced in Britain in the last weeks with the prospect of many more to come. Conservative estimates are for 3 million unemployed by the end of next year.

A number of media commentators and opposition MPs have questioned on what basis the government is proposing to find work for benefit claimants in a period of deep recession. Speaking of the proposals, Plaid Cymru MP Hywel Williams commented, “Simply put, there aren’t enough jobs for everyone and the situation seems to be worsening.”

Williams cited statistics showing that in Wales fewer than 20,000 job vacancies were advertised while there were 330,000 working age people on benefit.

A financial bonanza for the private sector

The background of the author of the Freud review on which the Purnell white paper is based is not without significance. David Freud is an ex-*Financial Times* journalist and now an investment banker who made a vast fortune working in the city in 1980s and 1990s. In an interview earlier this year, Freud said the banking industry at that time was a “pioneering piratical industry where we made up the rules.” This was a reference to the deregulation of financial markets under Conservative Prime Minister Margaret Thatcher in the early 1980s.

Freud was intimately involved in any number of controversial dealings in the 1980s and 1990s, including the privatisation of British Airways, the stock market flotation of the massive loss-making Eurotunnel, 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 a *Daily Telegraph* interview in February, he outlined how companies would in the future be able to make a killing out of the privatisation of employment provision. Such is his detachment from the lives and impoverishment of those who live on benefit payment that Freud openly admitted he previously knew nothing about welfare and that his first draft report was completed in just three weeks. He stated, “I didn’t know anything about welfare at all when I started, but that may have been an advantage. I was genuinely shocked that the analysis was such a blob, nobody had come up with anything clear. In a funny way the solution was obvious.”

He added, “There are about 3.1 million people not working, I think we can get about 1.4 million back to work.”

Freud then explained how private firms would reap the rewards of moving people off benefit into employment. “We can pay masses—I worked out that it is economically rational to spend up to £62,000 on getting the average person on Incapacity Benefit into work,” he enthused.

Giving the example that Bangladeshi women are the lowest participants in the workforce, he added that “somebody will see a gap in the market and make their fortune.”

The *Telegraph* applauded his views and concluded, “Under his system, the market will decide who should receive benefit and who should go out to work.”

Speaking about the seriously ill and disabled people who subsist on IB, Freud said, “If you want a recipe for getting people on to IB, we’ve got it: you get more money and you don’t get hassled. You can sit there for the rest of your life. And it’s ludicrous that the disability tests are done by people’s own GPs [General Practitioner]—they’ve got a classic conflict of interest and they’re frightened of legal action.”

In his review, Freud advised that the new Work Capability Assessment be carried out, not by a claimant’s own doctor, but by an “independent” GP, i.e., someone who knows nothing about the person’s history. His proposal has been fully adopted by Purnell.

Under these proposals hundreds of thousands of unemployed people will be forced into low-paid or voluntary jobs. These will in turn be used to set a new and yet lower benchmark for labour costs that will lower the wages and conditions of the working class in general.



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