

# A4e scandal highlights looting of UK social spending by private companies

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The scandal surrounding the welfare-to-work firm A4e (Action for Employment) has again exposed how large swathes of public funds have been handed over to private corporations, under both Labour and the Conservative-Liberal Democrat coalition.

On Friday, Emma Harrison stood down as A4e chair and as an adviser to the government. Her decision came after news that four former A4e employees had been arrested on suspicion of fraud, and amid demands for a Serious Fraud investigation into the company.

All A4e's £180 million turnover comes from government contracts. Yet the company has been investigated nine times by the Department for Work and Pensions (DWP) since 2005, and forced to repay public funds on five occasions due to "irregularities".

The coalition first became aware of the latest fraud allegations in November 2010. Nonetheless, Harrison, who had been awarded a CBE that year, was made Cameron's "families champion"—tasked with helping 120,000 "problem" families back into work, and her firm awarded millions in new contracts.

Harrison paid herself £8.6 million last year—triple the previous year. It is alleged that she also received nearly £2 million from leasing properties she owned or controlled back to her business. She denies any wrongdoing.

Harrison is the direct beneficiary of the efforts of Labour and the Conservatives to destroy social and welfare provision. A high-profile representative of successive government claims to be "cracking down on jobless scroungers" through the implementing of workfare, she has appeared on so-called reality TV shows like *Benefit Busters* and *The Secret Millionaire*.

The allegations against A4e are unending. Jobseekers report being made to sign blank time sheets, and of government vouchers—intended to help the jobless buy

adequate clothing for interviews—being stolen by advisers.

A4e is accused of claiming that jobseekers have found full-time work placements, when their jobs lasted less than 24 hours; forcing the unemployed to work for free in its own offices on four-week placements, as well as compelling people to undertake unpaid work in major supermarkets.

A whistleblower told the *Mail* on Sunday that advisers at the workfare programme were told to use "any means possible" to achieve targets for getting the unemployed into work. A4e received a fee of £400 for every jobseeker referred to it. When that person found work for 26 weeks—whether it was continuous or in breaks—it received £1,200, followed by a monthly "sustainment fee". It is estimated that A4e could earn approximately £13,000 for every successful placement.

Harrison launched A4e in 1991 in Sheffield, which had seen mass layoffs in the steel and mining industries. It really took off, however, when the Labour government of Tony Blair came to power in 1997.

Labour sought to extend the privatisation policies of the Thatcher administration into health, education and welfare. Through the Private Finance Initiative, private companies brought into hospitals and schools. The corollary in welfare was the New Deal programme, under which companies were paid to help people into education, training or employment.

By 2009 A4e was the largest operator of the New Deal programme. Its paid advisers include former top Labour minister David Blunkett, and ex-Cameron aide Steve Hilton.

As the World Socialist Web Site reported previously, under Labour, the private provision of public services rose from £42 billion in 1995-96 to £80 billion by 2007-08 in current prices. A virtual shadow state sector

was established, consisting of private corporations getting huge rake-offs from public funds to run services. By 2007, this para-governmental sector employed nearly two million people, especially in health, education and social services.

Through such means, wages and conditions were driven down. The services provided were often inadequate but still the directors of these companies could make guaranteed massive profits.

The sector is far larger today, as the coalition builds on Labour's measures. A4e won five contracts worth millions under the latest £5 billion Work Programme which supposedly prepares the jobless for employment.

Under conditions where more than one million 16-24 year olds are out of work and up to 35 jobseekers chase every vacancy in some areas—these workfare programmes, backed by the threat of the removal of benefits, have given companies like A4e virtual carte blanche.

The coalition's "Big Society" policy holds out even greater opportunities for private companies to profit from its slashing of public spending. A host of "social enterprises" and charities are eager to get in on the action. In this way, as with Labour, the coalition aims to consolidate a layer of the upper middle class as the social basis for its austerity measures—all disguised with references to "localism", "grass-roots" accountability, and so on.

A dossier compiled on A4e includes the complaint that the firm was "nothing short of a gravy train", in which fraud was "systemic" and "common practice".

In addition to A4e, the firm Seetec made £53 million last year from its involvement in the Work Programme, while Ingenus—the Australian workfare company controlled by Therese Rein, wife of the former Australian Prime Minister Kevin Rudd—won seven contracts worth £727 million.

A4e did not only benefit from welfare reforms. Last year it received £180 million in revenues from its contracts with the Cabinet Office, the Department for Business and the Ministry for Justice.

This is only the tip of the iceberg. A report by the Guardian broke down the expected value to private firms of the government's various privatisation measures in health, education and welfare.

The return in education is expected to be around £7.2 billion, through the creation of Free Schools,

Academies as well as extensive outsourcing of supply teachers, maintenance and IT. The Guardian cited the software provider Corero who revealed that it "had more than tripled its revenues, citing UK schools as a major growth market". The software group has won contracts with 192 Academies.

In health, the expected revenues are worth approximately £24.2 billion to the private sector. This month, Hinchingsbrooke hospital became the first to be wholly run by a private firm, Circle Healthcare. But the National Health Service now regularly contracts with the private sector, while consultancy firms like KPMG and Pricewaterhouse have earned millions advising doctors on how to manage their own budgets under the coalition's plans.

According to the Guardian, the UK now has a greater proportion of prisoners in private hands than anywhere in the world—approximately 15 percent of the prison population. The government is currently implementing potentially the largest ever privatisation programme in prison history, with nine prisons put out to tender. "The last round of competition in March saw four prisons put out for tender and one, Buckley Hall, staying in the public sector," the newspaper reported. "The largest, Birmingham prison, is to be taken over by G4S, which made £547m in pre-tax profit in 2010 and whose chief executive, Nick Buckles, earned £1.4m."



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