

5 | A NEW WELFARE BARGAIN

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The public don't trust Labour to be 'tough' on welfare. But trying to respond to those perceptions must not become a race to the bottom; Labour instead needs an alternative narrative that understands public opinion but stays true to Labour values.

Making clear that the barriers to achieving employment are as much about the nature of our economy as the nature of our benefit system will be key to changing the record on welfare. As part of its responsible capitalism agenda, Labour needs a strategy to embed decent gains from work, especially for those who currently fare least well in employment, and places greater expectations not just on individuals, but on employers and the state.

Welfare is Labour's toxic issue, and the politics remain exceptionally difficult. Recent evidence comes from a YouGov poll for *Prospect*, with Peter Kellner finding that 74 per cent agree that: 'Government pays out too much in benefits; welfare levels overall should be reduced'.

Ed Miliband has recognised that Labour must be "a party that rewards contribution, not worklessness ... We must be once again the party of the grafters." But the answer must not and cannot simply be to retreat to a

reactive and populist stance. Under the last three Labour governments, the conditionality of benefits was significantly tightened, fraud fell sharply, and, until the 2008 financial crash, unemployment and worklessness reduced. Those who argue that Labour must re-establish a reputation for toughness miss the essential point. If 13 years of toughening rhetoric, and the policies to match it, haven't persuaded public opinion, it's unlikely more of the same will produce a different result.

And although the politics are challenging, we shouldn't assume outright public hostility. The picture's much more nuanced. There is public concern that the social security system apparently allows people to claim benefits when they ought to be in work. The YouGov polling found that around two thirds of people believe that a substantial minority of benefit claimants 'lie about their circumstances in order to obtain higher welfare benefits or deliberately refuse to take work where suitable jobs are available.' These estimates are clearly inaccurate – for example, only 1.3 per cent of calls to the Benefit Fraud Hotline result in a prosecution.¹ But perceptions about the level of 'scrounging' may lead to the high levels of support found for cutting benefits to unemployed people or to 'unmarried single mothers' (of course the benefit system makes no distinction as to whether single parents have been married or not).

Yet when it comes to other groups, support for cutting benefits is weak. Only 11 per cent think that disability living allowance should be cut, and there are "minorities ranging from 9 per cent to 23 per cent in favour of cutting pensioners' benefits, benefits to the low paid, and child benefit for families paying standard rate income tax."²

Public attitudes look remarkably in line with the mantra 'work for those who can, security for those who can't', which proved a winning combination in 1997. There's no reason to think that if the public actually believed Labour would deliver it, it would be any different today. The

question is how we can convince them that we can do this while maintaining core values of fairness and autonomy.

1. Good work for those who can

The problem of 'worklessness'

Developing convincing policy to ensure 'work for those who can' requires us first to understand why people aren't working. The benefit system is at best only part of the story. The number of people claiming both 'inactive' benefits (for people who are sick and disabled, or caring) and those going to unemployed people fell steadily from 1996–7, with the rise in worklessness after the recession coming from the increase in unemployment, not increases in 'inactivity'.

Current levels of worklessness are primarily an economic problem – not one caused by benefits that are too high, or 'a culture of benefit dependency'. Recent research has exposed as a myth the idea of households where 'three generations have never worked'.³ Employers themselves may of course be unwilling to employ those who've experienced long periods of absence from the labour market. But while public perception may be that a 'culture of worklessness' lies at the root of the problem, local labour market conditions and structural barriers to employment are of far greater importance: with 5.8 people currently available for every vacancy, according to the TUC, it's clear that a major problem stopping people working is lack of jobs.

Creating jobs and facilitating employment must lie at the heart of our welfare reforms. This was understood by Beveridge, who took it as a fundamental assumption of the social security system that government would aim for full employment, and is increasingly understood across Europe. Such an approach is important not just for reasons of social justice, but also crucial economically. Changing demographics make the problem all the more significant: We can

only support an ageing population if we maximise labour market participation, especially those who've been failed by policy in the past. Women, young people, disabled people, BME, older people all are likely to be working below capacity, sometimes with low skill levels, fewer hours than they'd like, with poor pay and insecure employment.

Work activation

This means that the key test for welfare-to-work policies has to be whether they actually deliver increases in employment. There has been considerable continuity in this area, with Labour's new deals succeeded by the present government's 'work programme' – supply-side measures which build on a payment by results, contractual model, increasingly aimed at getting people into jobs and ensuring they stay in work.

While the intentions are undoubtedly right, and some of the early new deals were successful, these programmes have limited effectiveness in leading to sustained employment for the long-term unemployed: as the National Audit Office put it "welfare-to-work programmes in the UK have a history of inherent risk and limited success." Supply-side solutions can therefore only be part of the story of successful welfare reform; we need an effective industrial policy that creates the jobs for people to go to, as Chuka Umunna sets out in chapter 3.

A new 'welfare bargain'

Even when jobs were plentiful, and Labour was on track to achieve its goal of 'full employment', the gains from work were not sufficient: more than half of children growing up in poverty, for example, were in households where at least one adult worked.⁴ So the priority for the 'welfare bargain' must be a guarantee of reward for work.

Employment that fails to deliver fairness at work and which doesn't offer adequate rewards is unlikely to prove sustainable. As Ed has argued, models of responsible capitalism place social justice and economic efficiency hand in hand. So we need a strategy to embed decent gains from work, especially for those who currently fare least well in employment. This in turn could deliver improved business performance.

There's a huge agenda here, including better linking the education and skills systems with employment, tackling segregation in the labour market, redressing the under-utilisation of the skills of many women and people from minority ethnic groups, rebalancing the amount of money spent on in-work training in favour of the least qualified workers, and redesigning jobs and hours to facilitate changing working patterns over the life-course. While such policies may fall outside the scope of welfare reform directly, the politics require us explicitly to link the two. A new form of 'welfare bargain' could therefore encompass the requirement to take up suitable employment with minimum guarantees of a job, plus wider support and entitlement, both for those looking for work and those in work.

Such a guarantee could balance guarantees on pay, hours, access to skills and training, universal childcare (including a flexible offer to meet emergencies) and affordable housing on the one hand, with an obligation to take suitable employment on the other. To be sure, this places greater expectations not just on individuals but also on employers as well as the state. But it accords with progressive values, makes a reality of responsible capitalism in the context of welfare reform, rebalances public and private investment towards the structural drivers of sustainable employment, and ultimately contributes to improved business and economic performance. As Ed has said "the most important responsibility is not to government, it is

to each other. Whether it is not abusing the trust of your neighbour by claiming benefits when you work ... Or not paying yourself an inflated salary to the detriment of your company, your shareholders or your staff.”

2. Real security for those who cannot

Social protection

There is a second element of the welfare bargain: adequate social protection for those temporarily out of work, or unlikely to be able to work in the near or long-term future.

The problem at present is double edged. On the one hand, there's a perception that people are getting 'something for nothing.' Yet for too many people at present the system offers very nearly 'nothing for something', with very low levels of out of work benefits, even for those who have paid contributions.

This analysis is driving new interest in models of contribution, which could offer the prospect of more generous out of work benefits and reinvigorate the concept of social insurance, while reflecting the public desire that what you get out reflects what you put in. This is fertile territory for Labour. Further work is needed on affordability, but effective contribution models both promote and have as a prerequisite for their success improved labour market participation and higher rewards from work.

Meeting need

Social security also has to offer protection for those who experience long-term or permanent problems accessing employment, and those who incur additional costs. The structures for this exist within the system – for example disability living allowance (DLA) or universal child benefit. These are important benefits, and an integral part

of our system of social security, but now under attack by the present government.

Labour's response cannot be to abandon the policy of meeting need. That's proved a one-way trail so far, leading to DLA cuts, means-testing child benefit, and an unfair benefits cap. Instead we must address the underlying problems of demand (high levels of worklessness) and managing scarce supply (housing for example).

And at the same time, we need to disentangle the arguments about the function of benefits that help to meet additional costs, and to highlight the social justice case and the benefits to society as a whole. These are participatory benefits, conditional on life events, experienced to a greater or lesser degree by us all (we have all been children after all). They enable independence, and provide protection at times of transition or crisis. And as we saw from the polling data, these are the benefits that it seems there is strong support for protecting.

The legacy of coalition cuts is likely to result in high levels of poverty for those who can't work. A commitment on uprating benefits to support the achievement of poverty reduction goals, and widening entitlement to participatory benefits to maximise social inclusion, should be early priorities for Labour, alongside distributing benefits payments more equitably among different members of a household.

3. Embedding our values: fairness and autonomy

Building popular support for welfare reform policies requires fair treatment both for those who are currently receiving benefits AND those who are not.

Convincing the public that the system is fair is a tough ask. Hostile messages, combined with policies that appear to address perceived unfairnesses but which don't address the true drivers of worklessness, will prove ineffective and

unsustainable, and deepen public scepticism. Instead, it's possible that gains could be made by promoting a message of good work for those who can, and real security for those who cannot, alongside shifting the emphasis to the obligations that rest not just on individuals alone, but also on the wider economic actors who play a part in delivering this.

We also need to ensure fair treatment for people looking for a job. There's clear and striking evidence for example of employment discrimination against those from a minority ethnic background, with research finding that when identical CVs were sent out from people with a 'white' and 'non white' name, "*74 per cent more applications from ethnic minority candidates needed to be sent for the same level of success.*"⁵ Fairness needs to be a value embraced by (and enforced on) employers as well as individuals.

One way to make the case about fairness would be to shape the rhetoric around a welfare state – and employment system – that promotes independence and autonomy, providing a positive challenge to the government's preferred language of 'dependency'.

Autonomy at work is a key indicator of how people feel about their job, and debates about welfare could be combined with a renewed focus on workplace democracy. An 'enabling' agenda for employment would also need to address the barriers that prevent people making real choices about how and when to work: a lack of affordable childcare for example.

Rowenna Davis rightly suggests in chapter 9 that individual responsibility also confers dignity, but individuals can only be held responsible for things over which they can actually control. It's a paradox of welfare reform that we complain about 'dependency culture' yet treat people as if they are incapable of taking decisions for themselves. One suggestion to achieve a fairer balance would be to make sure that the 'claimant commitment' that jobseekers have to sign, sets out not just clear responsibilities on claimants,

but also the jobcentre's or work programme provider's responsibilities, and a clear complaint route, allowing jobseekers to have a sense that they can demand a better service in return for the obligations placed on them.

More radical might be to examine the Dutch system that allows claimants to design their own 'reintegration plans', with a choice of employment service providers, and the ability to specify the type of back to work provision that will meet their needs. Despite challenges of complexity and integration, this offers the potential for a 'co-production' approach that obligates both claimants and providers.

Conclusion

Progressives who hope for a silver bullet of welfare reform that conforms to our values, brings public opinion onside, and comes without effort, may be disappointed by this prescription. But these are complex issues that require complex solutions. While this doesn't easily translate to soundbite politics, the tone of debate and political rhetoric are important. The Labour narrative needs to move away from any attempt to out-tough the Tories to one that speaks of the dignity of work and participation.

Nor can the narrative come from only from politics. If our argument is that industrial policy and welfare reform are inextricably linked, employers are important allies.

Labour's priority now is to take charge of the story, recognising the time it will take to embed. But the prize – a thriving economy, social solidarity, and economic justice – is the right one for us to aim for.

Endnotes

- 1 See Fullfact.org (2011) 'Benefit fraud: Has DWP Hotline increased prosecutions?' at www.fullfact.org/factchecks/DWP_fraud_hotline_success_rate_prosecutions-3167.

- 2 Declan Gaffney (2011) 'The benefits people want to save are the ones the Tories want to cut' *Left Foot Forward* at www.leftfootforward.org/2012/02/the-benefits-britons-want-to-save-are-the-ones-the-tories-want-to-cut/.
- 3 Lindsey Macmillan and Paul Gregg (2012) 'The Myth of the Intergenerationally Workless Household' *Inequalities Blog* at www.inequalitiesblog.wordpress.com/2012/02/21/never-working-families-a-misleading-sound-bite/v.
- 4 Hannah Aldridge, Anushree Parekh, Tom MacInnes and Peter Kenway (2011) *Monitoring Poverty and Social Exclusion 2011* Joseph Rowntree Foundation.
- 5 Martin Wood, Jon Hales, Susan Purdon, Tanja Sejersen and Oliver Hayllar (2009) *A test for racial discrimination in recruitment practice in British Cities* DWP www.research.dwp.gov.uk/asd/asd5/rports2009-2010/rrep607.pdf.