

Inclusion: lessons from the UK and US
Rt Hon Peter Hain, Secretary of State for Work and Pensions
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I would like to thank you for the invitation to speak to you today and to Margy Waller for chairing this seminar.

I'm certainly looking forward to an interesting discussion on social justice, on issues central to the British Government's domestic policy agenda - in particular employment opportunity for all and a fair society in which everyone shares in rising national prosperity. I am also keen to see what more we can take from your experience of welfare reform, though I am conscious that the term 'welfare reform' may mean rather different things on either side of the Atlantic.

For me, 'welfare to work' is about achieving our government's key objectives of full employment, eradicating child poverty and social justice for all.

There is a consistent line running through our view of the welfare system from its 1940s architect Lord Beveridge through Atlee's Labour Government immediately after the Second War to today and Gordon Brown's Government.

And it is this: that a fair, prosperous and, perhaps above all, a cohesive society must have social justice as its bedrock and foundation.

To me deprivation, disadvantage, exclusion and poverty are issues of fundamental social justice.

And that is especially so with child poverty because whatever view you take on the extent to which individuals may contribute to their own condition, children are certainly not to blame for being in poverty.

Seventeen years ago I became the Member of Parliament for a South Wales mining constituency and I could see at first hand what a high price we had paid for the economic failures of the 1980s and 1990s.

Industries destroyed, whole communities decimated with consequences for families that went well beyond material deprivation.

People who had, for generations, been at the heart and soul of Britain's economic development now found themselves abandoned and excluded.

In 1986 we had an unemployment rate of over 11 per cent, we had the highest level of child poverty of nearly all industrial nations. And as unemployment increased so too did applications for disability benefits, hundreds of thousands were siphoned on to Incapacity Benefit in an attempt to disguise the true scale of economic inactivity. The 'sick note' was cemented into the foundations of Britain's economy.

These were people who were statistically more likely to die or retire than ever work again.

And the cost to the tax payer of that alone was phenomenal: £14.5 billion per year at its height.

And so apart from the social justice arguments, there were and are powerful economic imperatives driving our welfare reform programme.

Over the last decade or so we have been able to reverse the trends on worklessness and poverty with the longest and most sustained period of economic growth for over 200 years with record levels of employment, low interest rates, low inflation.

600,000 children have been taken out of poverty - against a stringent relative poverty baseline. 100,000 more will follow as a consequence of new policies announced a fortnight ago.

The numbers on out of work benefits have been reduced by 1 million since 1997.

29 million people are in employment: more than ever before in Britain's history.

The OECD has shown that the UK has had the best combination of employment, unemployment and inactivity rates of any of the G8 countries: better than France –where President Sarkozy has just introduced reforms in France drawing on the British model—better than Germany, better than Italy, better than Canada, better than Japan, better than Russia and, yes, better than the US.

But it is not enough. The progress we have made has highlighted even more sharply a small minority of excluded groups who still face poor outcomes and experience multiple disadvantages.

We have been successful in getting those close to the labour market with marketable skills into work. We can now talk realistically about full employment.

But whereas the old definition of full employment was cast and measured in terms of low unemployment, our new approach defines full employment in terms of high employment, hence we are aiming for 80%.

We need to help those with disabilities, single parents and the long term unemployed – in our case the legacy of the Incapacity Benefit boom- and those with low skills in a high skill economy.

We need to reach those facing multiple barriers to work especially ethnic minorities in our big towns and cities who may have English as a second language.

How we do it will need a step change in reform.

It will mean a more flexible, responsive and personally tailored programme for job seekers including fast tracked support for those who have previously struggled to find a stable pattern of work.

The key to it will be working with the individual and not defining them by their circumstances.

It will mean more use of specialist support for the disadvantaged.

And that will mean giving private contractors a much enhanced role to give individualised attention and to lever in new finance.

I know that this is an area in which you have considerable experience and an exchange of ideas would be extremely valuable - we discussed this and other issues with HRA Commissioner Robert Doar in New York City on Tuesday

We are replacing Incapacity Benefit with Employment Support Allowance, which, as the name suggests, places the emphasis on work, with those having the capability to do so expected to take part in mandatory work-focused interviews.

There will be an assessment system which focuses on what people *can* do with the right support, not what they *can't* do.

This will stem the flow on to benefits but we also need to reduce the stock of people already there. With the right interventions, like our successful Pathways to Work projects, the numbers on Incapacity Benefit are falling for the first time in a generation – down by 120,000 - after increasing threefold between 1979 and 1997.

Pathways uses the private and voluntary sector to provide this kind of specialist help.

It requires significant investment up front for long term savings gain. But, savings will flow back to Government in the longer term in reduced costs of benefits and increasing tax flow from those who had been inactive but are now earning.

But above all what is required is genuine innovation.

And nowhere is the innovative partnership between government and business more ground breaking and, I am convinced more central to the task of getting the disadvantaged into work, than in our new Local Employment Partnerships.

We will make sure benefit claimants get the right type of training to get them to the point of being job ready and employers will guarantee job interviews or a work trial with a view to offering a job.

We aim to get at least 250,000 jobs through the Local Employment Partnerships by the end of 2010 including single parents.

There will, of course, be lone parents for whom work is simply not an option and I will ensure that they will be protected.

But I want to do all that I can to help the majority of single parents who want to work because they know that independence in work is so much better for them and their families than dependence on benefits.

Indeed 60% of non-working single parents say they would work if they could get the right childcare.

The availability of high quality affordable childcare is therefore crucial and we aim to have that in place by 2010 with children's centres at schools opening from 8am to 6pm with after school clubs offering a range of activities.

We are also encouraging employers to adopt more flexible working practices to help employees balance work and family responsibilities, with over 80% of UK employers already providing some kind of flexible working arrangements.

So we are proposing a parent with a child aged 12 will no longer receive a benefit solely on the basis of being a single parent. Currently this age is 16.

From October, they will move onto a benefit regime on which they will be expected to look for work when their child reaches 12. And From October 2010, the age would drop to 7.

Full employment in our generation and the eradication of child poverty.

Before I close, I want to draw a few conclusions from what I have seen and been told on this trip.

People, including our domestic political opposition, rightly look around the world for examples of successful welfare to work programmes and we can, and indeed have, learned from experience in Australia, New Zealand and the USA.

We were over here back in the late 1990s to look at the lessons from the '96 reforms and the Wisconsin model.

We implemented some reforms on the back of it - the integration of benefit and jobcentre operations bringing together benefits and work focussed activities.

The other parts of the story in the US - a strong economy in the 1990s, the introduction of the Tax Credits and an increase in the minimum wage to make work pay all played a part here.

We learnt from those too. And we can and will continue to learn. In New York City on Tuesday I saw first hand how performance based contracting, with the private and voluntary sector (including community organisations), in a way which gives local discretion and flexibility in the delivery of services, can and does bring positive results.

Experience in New York and other states has provided insights which continue to inform practice around the world, on the importance of affordable child care provision and the significance of an integrated and meaningful system of 'in work' benefits (including your Food Stamps and tax credits) which ensure that people are better off in work.

In addition, the fundamental shift of mindset which underpins the US and New York system today - the move away from an 'entitlement' culture towards an expectation of work is a radical shift from the traditional welfare models of the 1970s found in both the US and the UK.

However, there are points of principle on which we would want to take a different view. For example requiring lone mothers to work or train when their child is 12 weeks old, as in Wisconsin, would raise profound questions for us about the 'best interests' of the child.

Furthermore, it is telling that there are areas in which the Wisconsin government itself has adapted the model since the 1990s, which would make the British Opposition's desire to import the model risible. The return in Wisconsin of core functions around benefit entitlement decision making to the public sector from private contractors - underlines the unpopularity of putting benefit allocation in the hands of private companies.

There are also concerns about the poverty impacts of the effective end to 'entitlement'. Wisconsin's overall poverty rate in 1994 was 9%, in 2004 it had risen to 11% and poverty across the USA rose from 8.7% in 2000 to 10.2% in 2004. Child poverty in the USA fell from 14 million in 1995 to 11 million in 2000 and then rose to 12.5 million in 2004. In the UK, our Labour government has made a historic commitment to halving and then eradicating relative child poverty by 2020.

There are also areas in which I know US policy experts acknowledge that the 1996 reforms have not provided all the answers.

You still face, as we do, a group of people for whom multiple barriers to work exist - whether these are drug or alcohol dependency, mental health problems or disabilities. A 'work first' approach has worked with those who were closer to the labour market but has been less successful for those with more complex needs. Indeed I have heard anecdotal evidence that the mix of state and federally funded benefits creates perverse incentives for state funded

contractors to assist people in claiming federally funded, and separately counted, disability benefits where the numbers on SSDI have risen by 55 per cent from 4.4 million in 1996 to 6.8 million in 2006.

In addition, whilst the changes in the UK have increased employment rates and decreased dependency; advancement in work - and the necessary incentive structure to promote advancement - have not developed as effectively.

The point is –as we both know- the reforms of 1996 were for then, and we need solutions for now and the future.

So in conclusion, there is a contract between the Government and the people underpinning this policy agenda in the UK.

We are clear about our side of it: we will give personalised and innovative support to get into people into work; we will make work pay through the minimum wage, in-work benefits and tax credits.

In return people must look for work and if they do not then they will face sanctions.

I think that we have arrived at the point where that contract can, and will, be sharpened.

Work for those who can: support for those who cannot.

That remains our welfare strapline, with abolishing poverty, full employment and social justice our goals.