

Focus



Loans and limited cash will mean more people queuing for less

Social Insecurity

The 1986 Social Security Act, billed as the most radical reform of social security since Beveridge, comes fully into operation this April. At the very minimum half a million people will lose and over a quarter of a billion pounds will be saved in the first year, with up to £19 billion saved in the next century as the state pension cuts work their way through the system.

The intentions behind the social security reforms were to simplify, target benefits

on those in 'genuine' need and mould the social security system to fit economic objectives. On to these has been grafted the new language of the third term, ending 'the sullen apathy of dependence' in Social Services Secretary John Moore's words.

The social fund, although a small part of the whole budget for social security, is symbolic of the reforms. The fund replaces the present system of single payments for larger items of

expenditure for supplementary benefit claimants (such as cookers and bedding) which cannot be met from weekly benefit. The social fund's distinctive features are that it is cash-limited, the bulk of its budget is devoted to interest-free loans rather than grants, it is governed by discretionary rules rather than legal entitlement and the claimant's independent right of appeal is abolished. The government's rationale for the social fund is that it

will increase flexibility, choice and self-reliance.

The reality will be very different. Loan repayments will be deducted directly from the weekly income support (the replacement for supplementary benefit) at rates of anything between 5% and 15%. While claimants repay loans they will be living below the poverty line. Imagine how a family who already have a direct deduction for electricity and gas debts, for their social fund loan and possibly for their poll tax contribution, will manage on the remaining pittance of their weekly benefit. For the very poorest, who have a high level of existing debt - the 'bad risks' - there will definitely be no loans. Instead 'money advice' will be on offer or dependence on family members, charities or the loan sharks.

The shift in the social fund from legal entitlement, with a right of appeal, to discretion will lower people's expectations, and the demands they can (at least in theory) make of the system. The erosion of state support for basic needs will decrease dependency on the state but neatly shift it into the arms of the family (ie women). Despite the rhetoric of flexible budgeting, social fund loans will in fact allow the DHSS to impose increasingly authoritarian terms on which to offer reduced financial support.

Another important feature of the Act is the extension of benefits to families in full-time work. Family credit will go to close to half a million families in low-paid work - more than double the number on the old family income supplement and at a considerably higher level. This is part of the government's plan to target support for families with children and to improve work incentives.

But for people on the lowest earnings, their family credit gains are wiped out by housing benefit cuts (housing benefit is to be cut by £650m this year). Add to this the loss of free school meals and the doubling of the

numbers of people in the poverty trap, and the cherished family credit looks less favourable.

More importantly, family credit is a subsidy for low wages. As the government retreats from regulating the market economy so the social security system becomes more interventionist, picking up the tab for changes in the labour market. The whole focus of the social security reforms is on means-tested rather than on national insurance contributory benefits. This reflects and reinforces the divide between the so-called 'core' workforce who can build up their rights to social security benefits and the 'periphery' who are forced on to the safety net of means-tested provision.

Other aspects of the changes will reinforce the government's employment policy, tying the knot between social security and training. Take the reduced rate of income support for young single people under 25 without children, major losers under the new system, and the reduction of income support for half a year for people deemed to be 'voluntarily' unemployed. These represent the more coercive aspects of a social security system designed to push people into jobs at any cost and maybe a foretaste of the American workfare schemes of the future.

So what is the significance of the myriad changes? There is the immediate suffering for the losers. There is the growing marginalisation of the eight million or so dependent on income support. But there is also the reshaping of the social security system. No longer a series of props at stages of the lifecycle, it will give access to benefits largely through the filter of an increasingly draconian income test. The government has tapped deep-seated public frustrations with the present unjust and bureaucratic benefit system, thereby ensuring that any response to the new law cannot rely on a purely defensive strategy. •

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