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New labour are attacking people on Incapacity Benefit. But why people are on it in the first place and what it says about neo-liberalism and unemployment

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The latest of New Labour attacks on working class people has been announced. The aim is to abolish Incapacity Benefit (IB). Of course, the radical sounding rhetoric has been applied. Alan Johnson, the Work and Pensions secretary, described the changes as the most radical benefit reform for sick and disabled people since the Beveridge report. It is hard to imagine Beveridge not spinning in his grave at this spin. It seems customary these days to call the destruction of something its “reform” — someone should remind New Labour that reform means make something better, not worse.

The reforms will scrap the present incapacity benefit (IB) system, which is currently received by 2.7 million claimants. Not that IB is much. The average amount paid is £85 per week. As a proportion of average earnings, IB paid to a single person fell from 17.4% in April 1995 to 15.2% in April 2003. This amount is to get even more miserly. At first, people will be put on a holding benefit paid at the jobseekers’ allowance rate of £55 a week until they face a proper medical assessment, probably within

12 weeks. The majority will receive a rehabilitation support allowance set at just above the current long-term IB rate of £74 a week. But this allowance will be cut back to jobseeker levels – about £20 a week less – if they do not take steps, including regular work-focused interviews, to get them back to work

The aim, so it is claimed, is to help a million people back into work. How this will be achieved is hard to know, as there are still around a million people officially currently looking for work. Surely the “reforms” will simply mean that there will be two million people unemployed? Given that the IB reforms will not begin to bite before 2008, there is enough time to fight them. It also shows the fundamental optimism of New Labour’s plans as the absorption of one million new workers is premised on the government’s own desperately optimistic forecasts for economic growth. Wishful thinking is hardly a sound basis for a major policy.

As such, it is doubtful that this IB can be simply got rid of by a few cuts. The real effect will be to force people into abject poverty as few jobs are available, particularly in those de-industrialised areas with the highest IB numbers. As New Labour will not tackle the structural causes of such regional unemployment, it is doubtful that those on IB will be able to find meaningful work. This is particularly the case when we look at why the UK has so many people on IB in the first place.

The work and pensions minister, David Blunkett, stated that there is “something very strange has happened to our society” if 2.7m people are now claiming incapacity benefit. In a way, he was right: she was called Margaret Thatcher. He may have heard of her – the government he is part of seems intent on consolidating her evil legacy. So while Blunkett told claimants to “Turn off TV and work,” perhaps they should reply by telling him to read a history book?

As such, it is disingenuous to hear the Tories demanding answers to why nearly 3 million are on IB. When Michael Howard was Employment Secretary, managers of Job Centres in high

unemployment areas were instructed to put as many people as possible on to IB in order to reduce their unemployment register. Looking at those currently on IB, they are concentrated in areas of industrial decline such as Merseyside, the Northeast of England, and South Wales. In effect, the unemployed there were simply categorised as “sick.”

In other words, the Tories deliberately used incapacity benefit to disguise unemployment during their period in office. That was not all. Faced with the exploding unemployment their economically illiterate policies helped cause, the Tories did little more than combat the statistics by revising how unemployment was counted at least 12 times over their 18 years in office (Labour denounced this while in opposition but, strangely, failed to change back to the old ways once in office). Each change unsurprisingly revised the numbers down.

Yet in spite of this unemployment in 1997 was still at historically high levels compared to the 1950s, 1960s and even the dreaded 1970s. This changed slightly under New Labour when, according to Gordon Brown, after inheriting close to 2 million unemployed, New Labour had reduced that figure to “less than a million, the lowest for 29 years.” It is worth remembering that Milton Friedman, the inventor of the utterly dis-credible and subsequently discredited Monetarism Thatcher imposed, said that he expected only a minor jump in unemployment in the short term when his ideas were applied. Nearly three decades is hardly short-term!

That the UK has low unemployment is, sadly, a myth based on semantics and the manipulation of statistics. The high numbers of ill people in Britain is an obvious sign that its economy is not as healthy as is regularly portrayed. It all depends on how you measure unemployment. While the UK government claimed that 2.9% claimed jobless benefits, the International Labour Organization presented a slightly less flattering figure of 4.7% based on their way of counting the unemployed. In

other words, it simply means that unemployment has been re-defined rather than reduced.

To get a real idea of unemployment, you need to count both registered unemployed and those claiming invalidity. In the UK, while the unemployment rate has gone down, disability cases have risen (not to mention the numbers imprisoned). This points to extensive hidden unemployment. Looking at those who are claiming incapacity benefit for more than six months, the number has grown from 570,000 in 1981 to 2.13 million by 2003. In total, 2.7 million people of working age are receiving sickness-related benefits. This is some 7% of the UK's working age population and, obviously, puts the stated 2.9% unemployment rate in an utterly different light.

These figures dwarf the equivalent ones from Europe. In Germany, only 2.1% claim IB while it is 0.3% in France. Add IB to (standardised) unemployment figures, and the supposed superiority of the British economy to those of Germany and France simply disappears. Unemployment in "liberalised" Britain is about the same as in "regulated" Europe. While Thatcher's labour market reforms may have weakened workers' strength and increased their job insecurity (and so increased profits and inequality), they did not reduce unemployment. So much for nearly 30 years of neo-liberalism. And Blair has the check to lecture Europe on the subject!