Welfare for the 21st Century

Thursday 27th May 2010, London

Introduction

Good morning.

I am pleased to be here as Secretary of State for Work and Pensions, heading a strong and committed team of Ministers – Lord Freud, Chris Grayling, Steve Webb and Maria Miller.

I would also like to take this opportunity to thank the Permanent Secretary, Leigh Lewis, and his staff for the hard work and dedication they have shown over many years.

Walking around the building I have got some idea of the depth of enthusiasm of the staff who work here. People are keen to be involved in our programme of reform.

In fact, some of the people I have talked to – while in no way commenting on the previous government – have told me that the system they administer with such dedication is indeed breaking and in need of urgent attention.

But then, that is why I took this job.

Poverty Pathways

Six years ago, I launched the Centre for Social Justice, determined to deliver on a promise that I made to a number of people in some of the most deprived areas, that I would work to improve the quality of life of the worst off in Britain.

I had a vision that if people of good will and determination could come together – ignoring party labels and rooted in the most difficult communities in Britain – we could find a way to deliver on that promise.

We wanted to understand the root causes of poverty.

From this starting point, the team refined the work into five pathways to poverty – family breakdown, educational failure, addiction, debt, and the fifth, worklessness and economic dependency.

This, it was agreed, was what drives poverty.

Yet far too often, these pathways have not been reflected in the priorities of successive governments.

You can see that every day right here in London – one of the richest cities in the world where great wealth lives in close proximity to the harsh realities of poverty.

What, perhaps, is most remarkable is the degree of consensus among academics and, most importantly, inspirational leaders and community charities, that we need a new approach to tackling persistent poverty.

How, they asked, can it be right for generations in families to live and die without ever holding down a regular job?

How can it be right that we ask the unemployed to take the greatest risk for the least reward?

And how can we find new ways of breaking the cycle of dependency and re-discover social mobility?

The Problem

I want this Department to be at the forefront of strategy to improve the quality of life for the worst off.

But this will be no easy task. As last week's poverty statistics showed, the challenge we face is huge.

Income inequality is at its highest since records began.

Working age poverty, after flat-lining until 2004, has risen sharply and now stands at the highest level seen since 1961.

There are more working age adults living in relative poverty than ever before.

Some 5.3 million people in the UK suffer from multiple disadvantages.

And today, 1.4 million people in the UK have been on out of work benefits for nine or more of the last 10 years.

Crucially, this picture is set against a backdrop of 13 years of continuously increasing expenditure, which has outstripped inflation.

The figures show that at current prices, we spent £28bn in 1978/79, excluding pensions.

By 1996/97, the figure was £62bn.

And today (2009/2010), it stands at £87bn, including tax credits, which takes the overall bill to £185bn once pensions are added.

Worse than the growing expense, though, is the fact that the money is not even making the impact we want it to.

A system that was originally designed to support the poorest in society is now trapping them in very condition it was supposed to alleviate.

Instead of helping, a deeply unfair benefits system too often writes people off.

The proportion of people parked on inactive benefits has almost tripled in the past 30 years to 41% of the inactive working age population.

Some of these people haven't been employed for years.

Indeed, as John Hutton pointed out when he had this job, “Nine out of 10 people who came on to incapacity benefit expect to get back into work. Yet if you have been on incapacity benefit for more than two years, you are more likely to retire or die than ever get another job.”

That is a tragedy. We must be here to help people improve their lives – not just park them on long-term benefits.

Aspiration, it seems, is in danger of becoming the preserve of the wealthy.

The legacy of the system we have today stands at more than 1.5 million people on Jobseeker’s Allowance; almost 5 million out-of-work benefit claimants; and 1.4 million under-25s who are not working or in full-time education. Nearly 700,000 of those young people are looking for a role in life, but cannot find one.

The Economy

We literally cannot afford to go on like this.

The need to reduce costs is shared across the government, but here in DWP we always have to be conscious that we are often dealing with some of the most vulnerable members of our society.

That is why I will be guided throughout this process by this question – does what we are doing result in a positive Social Return on Investment?

In short, does this investment decision mean a real life change that will improve outcomes and allow an individual’s life to become more positive and productive?

That is how we will be guided on every decision.

We have to constantly remind ourselves that we are here to help the poorest and most vulnerable in our society.

So we will require that when we implement a programme it has a clear and evidence-based outcome.

We will also discipline ourselves and ensure that we are not tempted to alter it according to which way the political wind is blowing that day.

Fidelity to the original objective is vital in getting the best value for money for the taxpayer. And if a programme is not cost-effective against that criteria, then we must look at a better way to deliver.

Making Work Pay

To do all this, there are a number of key problems we must address.

One of the first is that for too many people work simply does not pay.

Let’s say someone on benefits is offered a relatively low-paid job.

If you factor in the withdrawal of, say, JSA, plus Housing Benefit and Council Tax Benefit – all at different rates – it means that for too many people they are left with little more income in work than they received on benefits.

Add to that normal costs of travelling to work and the loss of any passported benefits, and you soon start to see why work may not be the most financially sensible option.

For a young person, the situation is even worse since they are usually ineligible for Working Tax Credits.

Worse again for some people, the move from welfare into work means they face losing more than 95 pence for every additional £1 they earn.

As a result, the poor are in effect being taxed at an effective rate that far exceeds the wealthy.

The system has become regressive.

Extremely high effective tax rates also impact lone parents who want to work more than 16 hours a week.

So our current benefits system is actually disinincentivising people from work.

These prohibitive marginal tax rates mean that for some people, work simply does not pay.

We have in effect taken away the reward and left people with the risk.

It is no wonder they are so resistant to finger wagging lectures from government.

I have always believed that choice in life is about that balance and the ratio between risk and reward.

Get that ratio right and positive decision making will become the norm. Life chances will improve considerably and cost savings will follow as well.

The Work Programme

There has been much talk about sanctions. But I believe it is only right that if we are helping people to get back into work, then we also have a right to expect that those we support are ready and willing to take on work if it is offered.

That is why reform of the Back to Work programme is so important.

We will create a Work Programme which will move toward a single scheme that will offer targeted, personalised help for those who need it most, sooner rather than later.

My Ministerial team is working on the details and we'll be hearing more about the Work Programme in the coming weeks.

But it seems obvious to me that if we know a particular older worker is going to struggle to get back into employment, it is only fair that we try to get them on to a welfare-to-work programme immediately, rather than pausing for 12 months as is currently the case.

A greater level of personalised support also means more people will be work-ready as the jobs market picks up, so over time we will get a higher return on investment, as well as producing greater life changes for the individual.

To make sure we get the best value for money, we will also be changing the framework to bring the ideas and energy of the third sector and the private sector to the forefront of the process.

We will reform the regime so that we properly reward the providers who do best at creating sustainable jobs that help people move out of benefits and into work. But we are not prepared to pay for anything less.

At the same time, we will also make sure the system is fair by ensuring that receipt of benefits for those able to work is conditional on their willingness to work.

So to be fair to the taxpayer, we will cut payments if they don’t do the right thing.

In addition, we will re-assess all current claimants of Incapacity Benefit on their readiness to work.

If people genuinely cannot work, then we will make sure they get the unconditional support they need.

However, those assessed as immediately capable of work will be moved on to Jobseeker’s Allowance straight away.

At the same time, those who have the potential to return to work will receive the enhanced support they need through ESA (Employment and Support Allowance) and the Work Programme.

Again, this is about fairness in the same way as ensuring that we get rid of the jobs tax so that employers are not penalised for giving people a chance to get back to work.

Pensions

The principles of fairness, responsibility and social justice also inform our agenda for pensions.

For example, we are phasing out the default retirement age so that we are not penalising perfectly healthy people who want to keep working and keep contributing.

The idea of someone being fired just because they turned 65 is nonsense.

People who are good at their job and want to work for longer should be able to do so.

In my view, that’s only fair. But of course this policy area rests with BIS, so the detail of how we do this is really their decision.

However, one of the big issues we have to face up to as a society is that we are all living longer and healthier lives.

That has huge implications for the pensions regime.

When the contributory state pension was first introduced in 1926, men were not really expected to live much past their pension age.

In fact, average life expectancy for a boy born in 1926 was just 64 years and 4 months.

By contrast, one in four babies born today will live to 100.

Shifting demographics means that the pensions landscape has changed massively.

That is why we have to make sure that pensions are affordable for the country and that is why we have to increase the pension age.

Another thing we are doing on pensions is to end the rules requiring compulsory annuitisation at 75.

This will simplify some of the rules and regulations around pensions. But it also means we will have a fairer system where people take proper responsibility for the decisions that make best financial sense for them.

And, of course, from April 2011 we are triple-locking the value of the Basic State Pension so that it will rise by the minimum of prices, earnings or 2.5%, whichever is higher.

So if earnings are going up fast, the pension will increase in line with earnings. If prices are going up fast, it will increase in line with prices. And if neither is going up fast, it will go up at least 2.5%.

Next, we also have to find ways to encourage greater personal saving. That means we need a vibrant private system too.

We want to encourage employers to provide high quality pensions for all their employees, and I look forward to working with employers, consumers and the industry to make automatic enrolment and increased pension saving a reality.

Real freedom in retirement comes from planning ahead for the future.

It would be one of the most positive changes we could make in office.

Welfare Reform

The third strand of reform we have set out covers the welfare system and it reflects my determination to make it simpler and more transparent so that work always pays.

We know that work provides the most sustainable route out of poverty, so it is absolutely vital that we get this right and people see a clear link between work and reward.

Less complexity in the system will also save money in administration costs, as well as cutting back on the opportunities for fraud and error.

However, the biggest savings of all will come from putting clear incentives in place to get people back into work and off benefits altogether.

By putting a dynamic approach to benefits in place, we will make sure that individuals and households are always better off in work so that they can take a sustainable path out of poverty.

Challenges Ahead

However, none of this will be easy.

There are major challenges ahead.

Some are technical – for example, how do we link all the various benefit systems that generate such complexity and confusion?

Some are practical – such as working out how we get the best out of the third sector and private sector providers on the Work Programme.

Some of the most difficult challenges will be cultural though. Because for too long, we have discouraged people from taking up their responsibilities as the Welfare State has pushed in to fill the gap where family and society used to function far more effectively.

Conclusion

Social Justice will define my role as Secretary of State at this Department…from jobseekers in our agencies, to families, carers and pensioners.

Indeed, I am pleased to announce today that I will chair a Cabinet Committee on Social Justice with the cooperation of my Coalition colleagues.

My drive is for social justice to run through the fabric of our government, in all that we do.

I also want to reinforce my personal determination to remove the barriers to social mobility and equal opportunity.

And I wish to set out my determination to build a fairer society.

In doing so, let me underline my personal commitment to equal opportunities for all.

This is my commitment to social justice and a welfare system that is fit for the 21st Century.

And I hope that by working together, we can make social justice a reality for Britain long into the future.

The prize is a welfare system that is simple, more efficient and one that helps to restore the social mobility that should be at the heart of British society.

A welfare system that is fit for the 21st Century.

Reinvigorating Pensions

Thursday, 24 June 2010

Introduction

Good morning, and welcome to the launch of our strategy for pensions. It is good of so many of you to come here to listen as we set out our vision for the future of pensions.

After I have spoken, Steve Webb will talk about the changes we are planning in the short and medium term.

It is an interesting thought that two days after the Budget when the media is still churning the facts surrounding the budget, When they refer to welfare they actually mean working age benefits Yet the DWP budget is in fact largely dominated by pensions.

What happens in this area should be of great interest to everyone as it will affect us all – the young and the old – in the years ahead, at the same time.

Before that though, I want to set out why it is so important that we start a proper debate in this area – and why it is crucial that we reinvigorate pensions through radical reform.

The Case for Reform

Pension age benefits make up two thirds of my Department's annual expenditure (AME) – about £100bn/yr.

That's almost as much as we spend on public order, defence and transport combined.

Pensions also have a huge impact on the finances of every single person in this country – whether they are receiving or contributing.

Yet the vast majority of people are either completely disengaged or utterly baffled by pensions.

Maybe it is apathy; maybe it is remoteness in time; maybe it is the complexity; or a combination all three.

But given the impact retirement will have on us all, it is time we started to get people really thinking about what it means.

Longevity issues

Much of the challenge we face comes from increasing longevity. We are living longer and longer.

Whilst I refer to it as a challenge, it is a challenge born out of a success story of course.

Medical improvements, higher standards of living and healthier lifestyles are all increasing life expectancy.

It is great news that more families are getting to grow up with the love and support of grandparents, great-grandparents and even great-great grandparents.

However, there is no doubt this raises some fundamental questions about how the state interacts with older people – especially when so many of them are active and healthy at ages even a generation ago would have been considered impossible.

History

When the first contributory state pension was introduced back in 1926, only 34% of men and 40% of women were expected to reach 65 at all

At that time, average male life expectancy was just 64 years and 4 months.

In 1940 when we set the retirement age at 60 and 65 for men and women, life expectancy was 72.

By the mid 1980s it was 85.

And it has continued to grow.

Today it is a staggering 89 for men and 90 years for women.

Indeed, it has climbed by over a year since Lord Turner completed his review of pensions, only 6 years ago.

The trends also show that one in four boys born in the UK today can expect to live to 100, while for girls the odds are as high as one in three.

Yet despite this incredible increase in life expectancy, pension ages have remained static.

Within one lifetime a person retiring in 1940 could expect retirement to last 7 years.

Today, someone retiring would expect retirement to last almost 30 years.

That means we can expect to spend almost a third of our lives in retirement.

I’m sure that was never contemplated when the pension regime was first proposed.

That is not the only issue though, for as longevity is growing, saving levels are declining.

UK Household saving rates are among the lowest of the OECD countries.

They dipped dangerously to just 1.5% during the debt-fuelled boom of the last decade and at 5.4% still lag well behind countries such as Germany (11.4%) and France (15.2%).

Today, only around one third of private sector employees are now saving into any form of pension.

Some 7 million people are not saving enough to meet their own retirement aspirations – they will fall back onto the shoulders of the next generation in the form of higher taxes.

Too many will find themselves beyond the reach of the state, in poverty facing a bleak old age of ill health and hardship.

So if we are serious about tackling poverty; supporting the economy; and helping people to make the right decisions for themselves and their families in the long-term; then radical reform of the pensions system is a must.

Older Talents

Crucially, many people today are fit and active in their 50s, 60s, 70s, and 80s.

Lots of people have told me that they have absolutely no desire to retire at 65.

When I was chairman at the Centre for Social Justice, I regularly came across older people in charities and in the voluntary sector who were very capable and wanted to give their time and experience.

Ros Altman is right when she refers to fulfilling part-time work in retirement.

Too many told me how they had felt forced out of employment, cast aside with a wealth of skills and experience which could and should be used.

Some of them were mentoring young people and others were working with some of the hardest to help such as drug addicts. These in a sense were the lucky ones, for every one I met there were many more who languished without any fulfilling activity.

With no shortage of talent, energy and experience out there and as in the next few years, we come out of recession, we simply cannot afford to let such a pool of talent go to waste.

After all, by the early 2020s, the over-50s will make up a third of the workforce and almost half the adult population.

In the private sector, I am pleased to say that there are far-sighted companies who have spotted this and acted on what they found.

Asda, who I'm visiting later today, already have thousands of over-65s on their books.

This is a prime example of a company that recognises the value of older workers and actively recruits them.

And at the same time, the evidence shows that many older people want to work.

One recent study showed that "almost nine in ten 50 year olds… would consider taking on paid employment once they had reached retirement age in order to have a better standard of living".

That doesn't surprise me one bit.

Most people recognise that working is good:

- it's good for their health
- it's good for their standard of life
- it's good for their pensions
- and it's good for their families.

Our figures show that working a single year beyond the current State Pension Age and deferring your pension can increase retirement salary by between 3% and 10%.

Just as importantly, working longer is also good for the economy.

If we can extend the effective working life of the country by just one year, it is forecast to increase GDP by 1% - that is around £13bn. Imagine that in the light of the budget two days ago.

Working Longer

If people are going to live longer, healthier lives, then we need to have a serious debate about both affordability and retirement income.

Undoubtedly, that will mean working longer.

But for many people this will be a positive thing.

People shouldn’t be forced to retire when they don’t want to.

By contributing responsibly and working for longer, people will benefit directly from a better quality of life and a better standard of living when they choose to retire.

I believe that the country is ready to face up to the challenges and make this happen.

Key measures we are rolling out:

1)Triple Guarantee

As the Chancellor announced, we are phasing out the Default Retirement Age.

More immediately, we are also re-establishing the link between earnings and the Basic State Pension.

From April next year, the "triple guarantee" means that the basic pension will rise by the higher of earnings, prices or 2.5%.

This is generous at a time when the Government is under so much pressure to get the country’s finances in order, but I believe it is extremely important.

The triple guarantee will stop the erosion in the value of the basic state pension.

However, it also provides a basic foundation for people to build up their own provisions in the future.

2)Reviews

And that takes me on to my next point.

To reinvigorate saving, we will also work toward a simpler, fairer and more efficient private pension system.

As part of that, we will review how to make auto-enrolment work as Steve Webb will explain in a moment.

At the same time, we are already on the path to equalising the State Pension Age for men and women.

And we are also planning to review the date at which the state pension age starts to rise to 66.

This reflects a more general trend across the world, where countries such as The Netherlands, Germany, Denmark and Australia are all taking similar action.

But we also have to think about the pace of change as we move beyond 66.

At present, there are plans in place to raise the age to 68 by 2046. But if we want to be fair to next generation of taxpayers – and be realistic about increasing longevity – then we need to have a serious debate about how far and how fast we move forward.

Conclusion

This is the start, but it underlines our commitment to radical reform.

This is the only responsible course of action:

- putting in the building blocks for a more generous Basic State Pension
- reinvigorating the private pension landscape through auto-enrolment to help people save for a decent retirement salary
- and taking a pragmatic approach to a pensions system that matches simplicity and risk with cost-effectiveness and value for money for the taxpayer.

The mission of this government is to reform the pension system to better balance work and retirement so that we as a society benefit both young and old.

As we save more and retire later government will be able to ensure a more stable and improved retirement income. It is a deal to deliver fairness and encourage people to take responsibility for themselves and their families.

Reforming Welfare

Wednesday 30 June 2010

Introduction

Good morning, and thank you to Andrew and the team for organising this morning's event.

The Emergency Budget gave credibility back to the British economy:

- driving down our record deficit

- cutting the second highest level of debt in Europe – projected to be £149 billion this year – over the course of this Parliament with a clear, 5-year plan
- securing a forecast for steadily falling unemployment
- and producing a plan for sustainable, economic growth.

But the Budget was not just about being financially responsible or top-slicing.

It also laid the groundwork for radical reform.

Phase One of our agenda for change sits across two critical areas:

- Housing Benefit reform
- and the new Work Programme, which includes our plan to get the people who can work off long-term incapacity benefits.

Phase One

The cost of Housing Benefit and Incapacity Benefit has spiralled out of control in recent years and put a great burden on the taxpayer.

But the true cost has been paid by some of the poorest receiving these benefits as they have become trapped in dependency.

Housing Benefit

Taking Housing Benefit first, no-one can really doubt these reforms are long overdue.

In real terms, the cost of working age HB has jumped by £5 billion in 5 years and is projected to reach £21 billion in 2014/15.

This is clearly unsustainable.

But cost is not the only problem.

The scale of these payments has meant that Housing Benefit has become a disincentive to move into work for those receiving it.

In fact, politicians of all parties have recognised the need for major reform. Yet for too long, nothing has been done.

75,000 people get more than £10,000 a year in HB and some get over £100,000 a year – payments that no-one on a low income could ever afford and it has distorted the social rented sector. So:

- we have capped Local Housing Allowance levels to the rate for four-bedroom properties
- we have introduced size restrictions to the social rented sector to make better use of existing housing stock
- and we have changed the percentile of market rents for Local Housing Allowance rates to 30% to help keep rising rents under control.

The reset the balance of incentives to move into work, these changes are vital.

Work Programme

The other key element in Phase One is the Work Programme and the transition to get people off Incapacity Benefit.

The Work Programme was launched yesterday when Chris Grayling opened the competition for the new commercial framework.

For the first time, the Programme offers providers real freedom to truly tailor support for Jobseekers.

No more centralised, one-size-fits-all schemes, but real support to help people back on the path to sustainable work.

To ensure that we are being fair to the taxpayer, the Work Programme will be run on a payment-by-results basis when it rolls out in the first half of next year.

We have to make sure people stay in work over the long term and make sure they get into the work habit.

We will also demand that Jobseekers take personal responsibility for accepting work when it is there, so there is conditionality and sanctions on the benefits side as well.

This is a complete reappraisal of how we help people back into work and involves a major change in the way providers deliver support.

And I want to see the voluntary sector and other groups get involved too.

Incapacity Benefit / Employment and Support Allowance Migration

We are also committed to tackling the huge numbers of people languishing on Incapacity Benefits.

We currently have some two and a half million people claiming inactive benefits – a figure which has remained stubbornly high, costing the taxpayer £7.2 billion.

Despite many of these people wanting to work, people can spend years on Incapacity Benefit without ever being required to have an assessment.

In fact, 30% of those on the old style benefit never had a medical assessment.

Our society should be capable of tailoring support to get people into work.

When John Hutton was Secretary of State for Work and Pensions, he pointed out that if you have been on Incapacity Benefit for more than 2 years, you are more likely to retire or die on it than ever move back into work.

This is why we are starting the process of migrating 1.5 million of those on Incapacity Benefit on to Employment Support Allowance and simultaneously providing intensive, personalised support to help them make that transition back into work.

Phase Two

In next phase of reform will take this forward:

- reforming the benefit system to make work pay
- simplifying the system to make it more efficient and understandable
- enhancing mobility
- and reforming pensions.

Make Work Pay

Benefit reform will play a major part here.

I have been working with David Freud and experts and officials across Government to look at how we can deliver a benefits model that ensures it pays consistently to take work.

In that context, we have asked Frank Field to look at the issue of poverty, beyond the narrow definitions, for example asset poverty.

At present, the poorest in our society see little reason to take the risk of finding a job and losing their benefits.

Seen in the light of the calculation made on the basis of risk and reward, the decision looks rational.

All the figures show that work provides the most sustainable route out of poverty.

However, the complexity and perverse nature of the system have acted as disincentives.

Multiple withdrawal rates have resulted in a regressive tax and benefit system for the poorest.

For someone to seek work for the first time in an area of high economic dependency, there is a cultural issue to overcome, as well as a financial issue.

We are asking them to make a positive decision about their life, but that is more difficult if they have no examples of people in work around them.

It can be a big decision and we have to make sure the risk outweighs the reward.

For as they see it, if they take a few hours work, for every £10 they earn they might lose £7, £8 or even £9 of their benefits.

Moreover, the complexity of the system means too often they have no idea how much they will lose or when it might be clawed back.

The benefit system has to be far simpler and establish a very clear link between work and reward.

A simpler system will also help to reduce administration costs, as well as reducing the opportunities for fraud and error, which today cost the taxpayer billions every year.

This process of reform to enhance the dynamic benefit of making work pay and simplifying the system is at the heart of our reform agenda.

I hope to bring forward more detail on this soon.

Mobility

Beyond this, even as we make work pay and simplify the system, we face another problem.

Britain has one of the highest rates of workless households in Europe.

Worse, we have the highest number of children living in workless households in Europe.

But this is not about a North/South divide.

In my view, that is lazy rhetoric. The problem is more complex.

You can find workless blackspots across the country.

In fact, the gap between wealth and worklessness doesn't have to be far at all.

For example, jobs growth and employment recovery in cities such as Manchester and Leeds has not benefited the deprived communities within them.

This is in part because the system works against labour market flexibility.

Not just transport costs, but because anyone in council housing who wants to move into an area with work runs the risk of losing their right to accommodation.

Again, it is that balance between risk and reward where we seem to penalise the poorest, yet expect them to take some of the greatest life-changing decisions.

So we will be exploring how we can take the risk out of mobility across wider areas with the Department for Transport and Communities and Local Government.

For too long, we have ignored the plight of those trapped in areas where inter-generational unemployment has become the norm.

Without the capacity to seek work, aspiration and hope become the preserve of the middle classes.

Pensions

We are applying the same principled approach to pensions too.

Steve Webb will be talking more about this later this morning, but the main point to note here is that we are taking responsibility for facing up to the long-term challenges posed by the fact that we are living longer as a society.

That is why, for example, we have already made a start by announcing the end of the Default Retirement Age.

No longer should we have employees who wish to delay their retirement forced out by this sort of mechanism.

However, long-term reform involves providing a solid Basic State Pension that people can start to build on, while creating the right conditions to reinvigorate private savings.

We have made a good start by restoring the earnings link with the triple guarantee for the Basic State Pension.

But we have further to go, which is why we are taking forward the review on auto-enrolment.

I want to reverse the decline in saving levels and ask people to think carefully about how much they will need to fund the type of retirement they want.

We have already said we are committed to raising the state pension age to 66.

At the same time, we have to help people understand why this is the case and the benefits of to them of working longer.

Our figures show that working a single year beyond the current State Pension age and deferring your pension can increase retirement salary by up to 10%.

Just as importantly, working longer is also good for the economy.

If we can extend the effective working life of the country by just one year, it is forecast to increase GDP by 1% – that is around £13 billion.

66 is the starting point for this debate.

At present, there are plans in place to raise the State Pension age to 68 by 2046.

But if we want to be fair to next generation of taxpayers – and be realistic about increasing longevity – then we also need a serious debate about how far and how fast we move forward.

Conclusion

This agenda is, I believe, a bold agenda. But we have no choice.

With the welfare budget ballooning over the last few years, we need to shift the culture which underpins demand.

There is nothing good about a society that accepts people growing up without work, aspiration or hope.

The prize is a society more in balance where work is well distributed and where children grow up seeing work as a normal activity and responsibility is ingrained in them.

A society where people save for their retirement and where we can afford a more secure future for pensions.

My agenda is to make that happen.

Thank you

Building Benefits for the 21st Century

Friday 30 July 2010

Introduction

Good morning.

Today I want to talk to you about reform of our broken benefits system:

- why reform is urgently needed
- how the reforms will work
- and the social and economic advantages we all gain as a result of these reforms.

The reasons for reform

To reform or not to reform – that is the question.

Here in the UK we live in a wealthy country, yet:

- more than one in four working age adults do not work
- 5 million people are trapped on out of work benefits
- 1.4 million people have been receiving out of work benefits for 9 out of the last 10 years
- we have one of the highest rates of workless households in Europe
- and a higher proportion of children grow up in workless households than in any other European country – some 2 million.

Over a number of years, the welfare system – well intentioned as it has been – has created ghettos of worklessness where generations have grown up without hope or aspiration.

This is exactly what William Beveridge warned against in 1942 when he wrote about his Five Giant Evils in society and listed “idleness” alongside want, disease, ignorance and squalor.

As he said in his Report:

“The danger of providing benefits, which are both adequate in amount and indefinite in duration, is that men as creatures who adapt themselves to circumstances, may settle down to them.”

Beveridge set out to slay idleness and was very clear throughout his career that work plays a critical part in the process of alleviating poverty.

Yet today, the benefits system has created pockets of worklessness across the country where idleness is institutionalised.

I want to transform the system so that we can once again tackle this growing problem that Beveridge identified and we must slay.

This dependency has resulted in a welfare budget that has spiralled, rising in real terms from £63 billion in 1996/1997 to £87 billion in 2009/2010 (including tax credits, excluding pensions) – almost 40 per cent in just over a decade.

Yet the true price of welfare dependency is paid by the individual, their families and their children who are trapped in a cycle of inter-generational worklessness and poverty.

The problem

We know that work provides the most sustainable route out of poverty. So to break the cycle of dependency, we need to make sure that work pays – even for the poorest.

Under the present benefit system, the less well-off don't always see work as the obvious choice.

And there are two closely inter-linked issues that explain why that is:

- first – the benefits regime often provides little incentive for people to take work or extra hours if they are on benefits such as Working Tax Credit
- second – where people do decide to work, the system of multiple withdrawal rates for benefits is so complicated that taking a job at the lower end of the pay scale involves taking a real risk.

Starting with incentives to work, it is evident that working for a few hours is not attractive if it means that you lose £8 or £9 for every extra £10 you earn as your benefits are withdrawn.

Ask yourself – would you work if you had a 90 per cent tax rate?

And such small financial gains have to be weighed against the other risks the poorest face:

- being out of step with your friends and neighbours who see no reason to work
- losing your housing benefit or other types of support
- the risk of not keeping the job for long and then having to navigate your way back through a maze of forms and agencies to land back where you started.

Complexity

This leads me to the second major problem with the present system – its extraordinary complexity.

To give you an idea of just how complex, consider the fact that DWP issues 14 manuals to staff to help them assess benefit claims. That's 8,690 pages in all.

You need a maths degree to navigate your way through all this, which helps to explain why it costs multiple agencies £3.5 billion to administer the benefits system and why fraud and error accounts for £5 billion a year.

Reform

We can tackle these staggering numbers by re-balancing the risk and reward trade-off for the poorest.

To do so, we need nothing less than a complete rethink of the benefit system.

And today, we begin that process with the publication of our "21st Century Welfare" Paper.

This paper sets out our options for a new regime to replace the current complex system of contributory and income-related benefits and Tax Credits for people of working age.

This could:

- close the gap between separate in- and out-of-work benefits, meaning that the transition into work would be simpler and less risky
- re-design the level of earnings disregards to increase transparency and provide additional incentives for families to work
- withdraw support by a single taper so that as earnings rise, people can see a steady and reasonable Marginal Deduction Rate that balances the need for decent work incentives with affordability and fairness to the taxpayer.

This would provide a simpler, fairer and more affordable way of making sure that work pays.

Just as importantly, support for positive behaviours will be balanced by reinforced conditionality so people take reasonable offers of work when they are available.

The Gains

This will not be a simple task, but it is one that we can no longer avoid and there is a major prize at the winning post:

- a more dynamic benefit system that responds to people's changing circumstances
- a simpler system that reduces administration costs for the taxpayer and makes it easier for individuals to get what they are entitled to when they need it
- and finally, a system that encourages people to move into work and out of benefits altogether, so that they can escape the cycle of inter-generational poverty and improve their own quality of life along with that of their families and their communities.

We have a rare opportunity to reinvent our antiquated welfare system.

So I hope you will read through the paper; contribute to the debate; and work with us to build a better benefits system fit for the 21st Century.

Centre for Economic and Social Inclusion (CESI) Scotland

Wednesday 22 September 2010

Introduction

Today, I want to talk to you about my plans for welfare reform.

This is an issue I have championed for many years.

The Coalition Government has committed itself to reform and just a few months in, we are already in the process of making that happen.

Successive governments have failed to get to grips with an increasingly broken system.

Minister after minister has echoed the tough rhetoric, but either have not been given the time to implement the scale of reform required, or have shied away from doing so.

- So instead of facing up to the challenge of a broken and ballooning welfare system, we have seen millions of people left to languish in dependency, with little hope of making the transition back into work;
- Rather than alleviating poverty, we have seen more and more money poured into a benefits system making the poverty trap worse.
- And in the process, we have too often ignored the roots causes of poverty in favour of chasing an arbitrary poverty line.

The cost of failure

The cost of this failure is paid by everyone:

- by the taxpayer who has had to watch the welfare budget spiral upwards in real terms from £63 billion in 1996/1997 to £87 billion in 2009/2010 (including tax credits, excluding pensions) – almost 40% in just over a decade
- by the economy and society, which lose the skills and talents of those left behind when more than one in four working age adults who can work, do not
- but the highest price is paid by the individuals who find themselves caught in the welfare dependency trap:
    - the 5 million people stuck on out of work benefits
    - the 1.4 million who have been receiving out of work benefits for 9 out of the last 10 years
    - and the 1.9 million children living in workless homes.

The scale of the challenge cannot be underestimated.

Today, Britain has one of the highest rates of workless households in Europe:

- no-one works in almost one out of every 5 households – that is almost 4 million households in all, and
- 1.5 million people in this country have never worked at all.

Scottish Dimension

It is unacceptable that in a prosperous country such as Britain, so many people are living in ghettos of worklessness, without any real sense of aspiration.

I witnessed it for myself when I went to Easterhouse in Glasgow in 2002 – an experience that convinced me more than ever that we had to break the cycle of inter-generational poverty.

I don't need to tell anyone here about the challenge here in Scotland:

- neighbourhoods where 60% or more of the residents do not work
- homes where not a single family member has had a job in generations
- areas in cities such as Glasgow, Dundee and Edinburgh where claimant count and Incapacity Benefit rates are more than double the UK average (UK Claimant Count 3.6% vs Glasgow City 6.3%) and
- a country that boasts 7 wards in the top 10 list for lowest male life expectancy at birth in the whole of Britain. That means a man born today in Glasgow is expected to live an average of 70.7 years, compared to 82.9 years in Westminster where I work.

Many of these communities saw few benefits in the years of economic growth.

Income inequality is now at its highest since records began in 1961 – a legacy we have inherited.

In Edinburgh, as in too many cities in the UK, the well-off can live just a short walk away from the worst-off.

It is clear that the solutions of the past have failed to improve the life outcomes of the most disadvantaged.

Rather than focusing simply on wealth redistribution, we should be looking for better work distribution.

Work is the key to tackling poverty.

It is good for society. It is good for people's health and well-being. And it is good for children, because we know that those growing up in working households do better later in life than their peers from workless households.

This is why we are reforming the welfare system and the 21st Century Welfare paper I published in July represents a milestone in this journey:

- to make work pay for the poorest
- to simplify the benefits system so that people understand what they are entitled to and what we expect from them in return, and
- to provide personalised support to help people become 'work ready'.

Make work pay

Making work pay is fundamental to what we are trying to achieve.

Under the current benefit system, too often people do not see work as the obvious choice.

There are two closely inter-linked reasons for this:

- first – the benefits system can disincentivise people from taking a job, and
- second – where people do decide to work, the system of multiple withdrawal rates for benefits is so complicated that taking a job at the lower end of the pay scale involves taking a very real risk for little or no reward.

When you consider that for some of the poorest people in society face losing £8 or £9 for every £10 earned, the decision not to work, or remain on limited hours, seems rational.

In effect, the tax rate for the very poorest can be in excess of 90%.

This paltry financial incentive also has to be weighed against the other risks the poorest face:

- of being out of step with your friends and neighbours who see no reason to work
- of losing your housing benefit or other types of support
- or the risk of not keeping the job for long and then having to navigate your way back through a maze of forms and agencies to land back where you started.

Complexity

This leads me to the second major problem with the present system – its complexity.

Even long-serving DWP staff find it hard to navigate. And no wonder:

- DWP issues 14 manuals to staff to help them assess benefit claims covering 8,690 pages, and
- there are even more volumes the Local Authority staff who administer Housing Benefit.

One senior official from my Department who visited Jobcentre Plus recently saw an experienced adviser take 45 minutes to calculate whether one woman would be better off taking on extra hours.

That is time-consuming for individual advisers, but looking across all DWP's customers, you can easily imagine why it costs multiple agencies £3.5 billion to administer the benefits system and why fraud and error accounts for £5 billion a year.

Creating a simpler benefits system will go a long way toward re-balancing the risk and reward trade-off for the poorest – as well as delivering significant savings through reduced administration costs and far more efficient service.

The 21st Century Welfare Paper sets out the options for doing this – including a Universal Credit system with a simple taper system that ensures that if you work harder, you see a clear reward for that extra effort.

This approach will create a fairer, more dynamic system that supports work incentives and makes sure that work pays.

Work Programme

Just as importantly, we have to help more people make the journey back into work and out of poverty – which is where our Work Programme comes in.

Some of you here today may be involved in bids for the Scottish element of the programme. If so, good luck.

But for those of you who don't know as much about the new scheme, it is designed to give providers far greater freedom to deliver a tailored package of support to individual customers.

It will ensure we deliver more effective welfare to work schemes and better value for money for the taxpayer:

- by combining the professionalism and financial capital of global providers with the energy, insights and excellence of local social entrepreneurs
- by delivering payment by results
- by supporting positive behaviours across the people we help, and
- by ensuring we don't shrink from balancing that support with conditionality so that people take reasonable offers of work when they are available.

At the same time, we are planning to drive forward a series of additional support options such as:

- encouraging people to move into self-employment
- promoting Work Clubs
- highlighting the benefits of volunteering to bolster work skills
- developing work experience and pre-employment training for young people, and
- supporting further education and apprenticeships – something that I know the Scottish Government has been doing a lot of work on.

This is a two-pronged approach:

- reforming the benefits system so that it actually incentivises work, and
- delivering a welfare to work programme that focuses on overcoming barriers into the labour market.

And in this way, we will transform the way we support the most disadvantaged people in society

Incapacity Benefit (IB) and Employment and Support Allowance (ESA)

Alongside this is a programme to move people away from the old-style Incapacity Benefits.

For too long, people have been abandoned to a lifetime on sickness benefits regardless of their condition.

Somebody could be on IB for as long as 5 years before they talked to anyone at the DWP about their condition or their work options. There have even been cases where people were not seen by anyone for 10 years.

Work plays a huge part in developing independence, confidence and self-esteem, so if someone is able to work we should support them in playing a full role in society.

Yet today, there are some 2.5 million people on incapacity benefits and around a quarter of them have been claiming for more than 12 years.

While we know some are unable to work – it is a tragedy for the others who have been abandoned for so long without real support from the welfare system.

That is why we are working so hard to ensure that the Work Capability Assessment helps us to target the right support to the right people.

Obviously, if a person cannot work, then they should get the support they need. But for the rest, we have a responsibility to help them build the skills and confidence they need to prepare for work and a better future.

We need to get this right.

That is why we have already implemented a number of changes to the Work Capability Assessment as a result of our review and we will be closely following the progress of the first tranche of the new assessments taking place in Aberdeen and Burnley from October.

Conclusion

Over the next few years, the IB Migration and the new Work Programme will together help people to make the most of their lives.

We know there are many other challenges we have to face up to as well as welfare dependency:

- educational failure
- debt
- family breakdown, and
- drug and alcohol addiction.

And the Government has plans to do this – not least through the Cabinet Committee on Social Justice and the work my Department has been doing with Labour MPs – Frank Field on poverty and Graham Allen on early intervention.

For many people, though, these 21st Century Welfare reforms will represent the first step they have taken toward sustainable employment for years.

This a transformational moment – not just for the individuals concerned, but for everyone here today and the country as a whole as we start to see the full social return on our investment.

For too long we have been content to see a large proportion of the population consigned to a culture of dependency. Unable to change their life outcomes, their innate skills have been lost to the nation.

It is time to challenge that and together release the human potential that has lain dormant for too long.

3 November 2010

The Rt Hon Iain Duncan Smith

Secretary of State for Work and Pensions

Relate Annual Conference

Wednesday 3 November 2010

Introduction

Today, I want to talk to you about the importance of family.

There is absolutely no doubt that family life has a huge influence on the very foundations of society – just how important is a sociological lesson we have learned the hard way over the past 25 years.

That is why supporting families sits high on this Government's agenda.

Indeed, just this Monday evening, I sat down with David Cameron and the Deputy Prime Minister to discuss what more we can do to help through the Ministerial Taskforce on Families and Children – so this is clearly an issue that is taken extremely seriously right at the top of Government.

We are well aware that every family is different.

As a Government, we should not be in the business of prescribing how people live their lives.

Yet we cannot ignore just how crucial families are to both the life chances of an individual and the social fabric of the nation.

So it is right that this Government is committed to supporting people's desire to build strong, stable families through practical policy measures.

And it is important that we recognise the role of marriage in building a strong society, especially if we want to give children the best chance in life.

We all know that commitment gets tested regularly in every family.

And all the evidence shows that couples who persevere emerge with stronger relationships.

But it can be hard to get through every test without support, which is why I'm delighted to be here today to support the tremendous work done by Relate.

Define the Problem

All the evidence shows that family influences educational outcomes, job prospects, and even life expectancy.

That means that positive, family-friendly policies can bring wide-ranging benefits to society.

But when government abandons policies that support families, society can pay a heavy price.

Take poverty:

- lone parent families are more than twice as likely to live in poverty than two-parent families

Or Crime:

- children from broken homes are 9 times more likely to become young offenders
- and only 30% of young offenders grew up with both parents.

And overall wellbeing:

- Children in lone-parent and step-families are twice as likely to be in the bottom 20% of child outcomes as children in married families

So this is not some abstract debate.

Family life affects all of us – what happens on our streets, in our communities, and in our economy.

What you learn from a very early age has a great deal to say about the person you will eventually become and the life you lead.

That is far from saying that your life is determined by your family circumstances.

Many people overcome early difficulty to achieve great things.

But we would be foolish to ignore the weight of evidence that shows just how influential family can be to life outcomes.

Cost of failure

That is why, as the Centre for Social Justice estimates, the cost of family breakdown is £20-24 billion.

And the Relationships Foundation puts the figure at nearer £40 billion.

The fact remains that these are huge numbers – yet they represent just the direct costs.

The costs to society as a whole through social breakdown, addiction, crime, lost productivity and tax revenues are very difficult to quantify – but research suggests they could be up to £100 billion.

Yet, according to research by the Centre for Social Justice, what we spend on the prevention of family breakdown is only around 0.02% of what is spent on dealing with the consequences.

This is something which you at Relate know only too well.

In an era when we are constantly challenged by social breakdown, the family must be placed right at the heart of our solutions.

The real price of family breakdown is measured in the human costs – which is why it is critical we get the right policies in place to support the desire everyone has for a strong, stable family.

That is why we cannot go on ignoring the evidence that working with couples before they break up brings great benefits to their families and society.

People's expectations of marriage are unsustainable. We have seen expectations rising but understanding falling.

There are people who don't marry because they cannot afford a 'fairytale' wedding. Their attempts to do so can lead them to start their lives together in debt – often a precursor to failure.

There is a need for help to be available to people both pre- and post-marriage.

Which is why I want to pay tribute to you here at Relate and the other guidance organisations who provide such vital services.

Coalition Commitment

The scale of the challenge is huge:

- Britain now has amongst the highest divorce and teenage pregnancy rates in Europe
- a recent OECD report, "Doing Better for Children" showed that despite having higher than average family incomes, outcomes for children in the UK are among the worst of all OECD nations
- it also showed that the UK has some of the highest levels of lone parenting and family breakdown
- and the report highlights the very high levels of alcohol and drug consumption among our young.

In 2008/09 we spent over £35 billion on financial support for children and yet 2.8 million children were still living in poverty.

What this tells us is that throwing money at the problem will not solve it.

Overcoming child poverty requires a more strategic approach, where parents, families and their communities are provided with the means and incentives to help themselves out of poverty and give their children the very best start in life.

This is why we need to look more closely at the underlying issues.

The family agenda is being driven by the Prime Minister right from the heart of government.

David Cameron chairs the Ministerial Task Force on Children and Families, working closely Nick Clegg and others, including myself.

All of us across Government are working together to support families and family-friendly Government.

And we are already making progress on many of the Coalition's commitments:

- raising the income tax personal allowance so families can keep more of the money they earn
- taking Sure Start back to its original purpose of early intervention to help parents who are struggling and increasing its focus on the neediest families
- and putting £7 billion into the Fairness Premium to support the educational development of disadvantaged pupils.

I can tell you that allowing families to take greater control and encouraging people to take personal responsibility is a feature that echoes right across Government policy.

Levers for Change

In my own Department, for example, we are tackling welfare dependency through the Universal Credit system and the new Work Programme to help more people escape the poverty trap.

Welfare dependency is a huge problem in this country.

We have one of the highest rates of workless households in Europe and 2.8 million children living in poverty.

Many of the children growing up in these households without a proper role model simply don't know what it is to aspire to work – one of the surest routes out of poverty.

As a result, their life prospects are severely curtailed and so the cycle of dependency repeats itself across the generations.

I am determined to help people break that cycle by reforming the welfare system.

Because we can only get to grips with the underlying problems by tackling the pathways into poverty:

- worklessness and welfare dependency
- debt
- addiction
- educational failure
- and family breakdown.

In each of these areas, families lie at the heart of our policies.

Families are also central to our thinking when it comes to the Cabinet Committee on Social Justice, which I chair with the support other senior Cabinet members.

We have already commissioned two Labour MPs to carry out work for this Committee:

- Frank Field on Child Poverty and Life Chances, and
- Graham Allen on early intervention.

We know that progress in these areas will translate into real benefits for other areas of society.

Frank Field is looking at a wide range of issues, including how to help stop poverty becoming ingrained.

He is also looking at how we measure poverty as well as how we address it.

What I can tell you is that many people have told Frank about the importance of preventing family breakdown in the fight against poverty.

I am also looking forward to Graham Allen's report on early intervention. I know this is something he cares deeply about, because I worked with him on this when I was in Opposition.

What is clear is that the earlier we address the life challenges people face, the more likely we are to solve them.

So Graham will be producing a report about best practice in January, followed by another in May on how to fund Early Intervention programmes.

- Here again, when we receive the final reports I hope that we will be able to demonstrate that we are addressing the underlying issues that impact family life – not just the symptoms.

Further interventions

We have to do much more to support families in other areas such as:

- relationship support
- parenting support and education
- family and couple therapy
- therapeutic interventions, for example therapy for post-natal depression, debt counselling and mental health support
- family law advice focusing on prevention, child support and child contact
- helping parents reach their own financial and care arrangements for children following separation
- teenage pregnancy, and
- tackling domestic violence and violence towards women, where a report will be published shortly.

These are all issues that we will be looking at through the Ministerial Taskforce on Families and the Cabinet Committee on Social Justice.

But Government cannot do everything on its own.

We all need to work together on this – faith groups, voluntary organisations, health services, Police, community workers, and all the groups represented here today.

Conclusion

We need your continued support, working with us to build stronger families and communities for the future.

Because if there is one message to take with you today, it is this – no Government can ignore the importance of healthy families.

So we will strive to deliver the family-friendly policies this country needs right from the heart of Government.

I know you have expressed concerns about the ending of the Children and Young Persons Strategic Grant. However, as I said before we want to ensure that our focus is on families.

And the Families Task Force will come forward with suggestions for how we best do that.

In the meantime we have allocated £470 million to support civic society.

We are also reforming the welfare system to make work pay, as well as introducing reforms to pensions and Housing Benefit.

If you accept – as I do – that Government has a role to play, then we must also support the best solutions for families:

- committed, stable relationships with two parents that produce the best outcomes for adults and children
- unapologetic support for marriage, recognising that this provides a sound basis for the majority of long-term relationships, and
- proper support for families under stress to minimise the risk of family breakdown.

This is how we support the strong stable families that strengthen communities and forge a better Britain for everyone.

And Relate must be at the heart of that.

Thank you.

Universal Credit: welfare that works

Thursday 11 November 2010

Introduction

Welcome to the Arlington Centre where Broadway provides its key services – projects like this change lives and transform communities long forgotten by others – they prove a better future is possible for people on the margins of society.

My contract

Several weeks ago I set out my contract with the British people.

In the clearest possible terms it says:

- If you are vulnerable and unable to work we will support you. This is our fundamental responsibility in office.
- It says this Government is unashamedly 'pro-work'. We believe in work and its wider benefits. We recognise it is *the* best route out of poverty, and we should always reward those who seek a job.
- Thirdly, it was a pledge to deliver fairness for those who fund the system: taxpayers.

So today, based on my contract, this vision and our consultation, I am delighted to publish "Universal Credit: welfare that works".

The vision: understanding poverty

For me, this programme represents much more than a Ministerial brief or initiative.

My passion for welfare reform, and my desire to fight poverty within Government, has been driven by the stark reality of what I've encountered.

As I travelled to many of Britain's poorest communities I concluded that tackling poverty had to be about much more than handing out money. It was bigger than that.

I could see we were dealing with a part of society that had become detached from the rest of us.

People who suffer high levels of family breakdown, educational failure, personal debt, addiction – and at the heart of all of this is intergenerational worklessness.

Only in understanding this can poverty be defeated.

A Coalition Government for Social Justice

Let me explain why I believe the Coalition can be different.

We recognise both the symptoms *and* the causes of poverty.

We have Frank Field's review – let me here pay tribute to Frank's tireless efforts on poverty throughout his time in Parliament.

We recognise there is no better shield from child poverty than strong and stable families.

And we know that our poorest children should be inspired and equipped to secure a better future. And here I also want to thank Nick Clegg for his work championing this issue through Government.

As a result of this work we have announced £7 billion targeted early years support for two year olds, and the pupil premium to help the most disadvantaged school children.

We will help people out of debt and utilise the brilliance of the voluntary sector to move addicts into recovery.

And, crucially, we will ensure that welfare works.

Reforming welfare to secure economic growth

To achieve all of this we need fundamental welfare reform.

Some have said recently that it is jobs not reform which is important. But in doing so they miss the point.

Let us take the last 16 years, a period of sustained growth.

63 consecutive quarters, passed from one Government to another.

Around 4 million jobs were created in the UK during this period, and yet some 4.5 million people remained on out of work benefits before the recession had even started.

So inactivity was persistent, despite the unprecedented level of job creation.

That is one of the reasons why around 70% of the net rise in employment under the previous Government was accounted for by workers from abroad.

Businesses had to bring people in from overseas because our welfare system did not encourage people to work.

And there is a deeper tragedy – almost 1.5 million people have been on out of work benefits for **nine** of the past ten years – during the longest sustained period of economic growth this group of people never worked at all.

So it is not just jobs – something else is wrong.

Our reforms are about reconnecting with that group.

We want them to be able to seize the opportunities of work as the economy grows – even today there are around 450,000 vacancies in the economy, and I want everyone to have the opportunity and support to fill these roles.

In prosperous times this dependency culture would be unsustainable. Today, it is a national crisis.

The working-age welfare budget has risen by 40 per cent in real terms during the last decade – the decade of growth.

Therefore, I hope the publication of this White Paper sends an unequivocal message that this Government will not back away from necessary reform.

Reforms – headlines messages

I will outline the specifics of our White Paper to Parliament later, but this morning I want to draw out some key ways in which it will deliver the change we urgently need.

First, to those who are vulnerable and unable to work, this White Paper proves we remain absolutely committed to supporting you.

We will continue to provide extra support for those with disabilities, caring responsibilities and children.

Second, for those out of work who are capable of working, our reforms mean it will always pay for you to take a job.

And by unifying out-of-work benefits, Housing Benefit and Tax Credits into a simplified single Universal Credit, we will end the risk and fear associated with moving in and out of work.

But this is a two way street. We expect people to play their part too. Under this Government choosing not to work if you can work is no longer an option.

That is our contract – we will make work pay and support you, through the Work Programme, to find a job, but in return we expect you to cooperate.

That is why we are developing sanctions for those who refuse to play by the rules, as well as targeted work activity for those who need to get used to the habits of work.

Impacts of reform

These reforms will transform lives.

Some 2.5 million households will get higher entitlements as a result of the move to Universal Credit.

We expect to lift 350,000 children and 500,000 working-age adults out of poverty by the standard measure.

This is just our analysis of the **static** effects of reform.

Analysing the **dynamic** effects isn't easy, but we estimate that the reforms could reduce the number of workless households by around 300,000.

And around 700,000 low-earning workers will be able to keep more of their earnings as they increase their hours.

Third, this White Paper delivers a fair deal for the taxpayer.

We expect to reduce administrative costs by more than half a billion pounds a year, and to reduce levels of fraud and error by £1 billion a year.

And clearly everyone will benefit if we move people off welfare and into work.

Conclusion

These announcements are an important step towards reform.

They aren't driven by a desire to moralise or lecture.

Instead, they begin with recognition that as a political class we have got this wrong for too long.

Our antiquated welfare system has become a complicated and inflexible mess. It has been unable to respond to our evolving job market and the changing nature of our workforce.

Society has changed but the benefits system has failed to change with it.

So it is time to bring welfare into the 21st Century. We want a system which isn't seen as a doorway to hopelessness and despair but instead as a doorway to real aspiration and achievement.

I don't say our programme is a panacea.

I can't say it will change everything.

But I do say it's a start.

Speech to Institute for Public Policy Research

Tuesday 7 December 2010

Introduction

I'd like to thank IPPR for the invitation to speak to you about welfare reform.

It's important that we have a debate about this.

We currently have:

- 5 million people on out of work benefits
- one of the highest numbers of children in workless households in the whole of Europe
- and 2.6 million individuals on incapacity benefits, of which around 1.6 million have been in receipt of benefits for more than 5 years.

And the costs of welfare dependency are unsustainable – the welfare bill has risen by over 40% in the last decade or so.

Complexity

So let me start with an analysis of why we're in this situation.

First, the system is immensely complex.

A host of benefits, premiums, and allowances interact with each other in a myriad of ways.

And different benefits are delivered by different agencies, making it difficult for people to know who to contact and when.

It's no wonder the guidance manuals for advisors run to thousands of pages.

Even my officials debate the exact number of benefits – it depends on whether you are counting premiums, additions and so on or not.

Disincentives to Work

Once they are on benefits, one of the first questions people ask is whether they will be better off in work.

Too often they find that the answer is no, or only just.

This is because, after a small disregard, benefits are tapered away at a very high rate.

For example, certain lone parents can lose 96 pence of every pound they earn.

Currently around 130,000 people face a marginal deduction rate of more than 90%.

Even worse, around 600,000 individuals face a Participation Tax Rate of over 90%.

For some people choosing not to work is a rational choice.

Long term dependency

And then there is the challenge of long-term dependency.

Many people on Incapacity Benefit suffer from temporary conditions, and could be supported to return to work.

But instead many have remained on the benefit for years, self-esteem often damaged and skills often rendered obsolete.

And we shouldn't forget that, in 2007/2008, almost half of all claimants who underwent a Personal Capability Assessment for Incapacity Benefit did so by paper-based assessment – they remained on benefit without their condition being assessed in person.

This isn't about being 'tough' on claimants by making them attend face-to-face interviews.

It's about helping them to keep in touch with the labour market and access the support they need.

And there's another issue we need to tackle back along the line – we need to do more to stop people falling out of work in the first place and on to sickness benefits.

Principles of reform

So we needed to take a fundamental look at the support being provided – and that is what we have done.

In a sense this is about creating a contract with people.

We have to make the system simple.

We have to make work pay.

We have to help the most disadvantaged to find and take work.

And in return, we expect them to take the work when it is available.

Universal Credit

First, make the system simple and make work pay.

The Universal Credit is at the heart of this.

The Universal Credit will be tapered away at a clear and consistent rate – around 65% before tax – making it easier for people to see how their earnings will change as they move into work.

Clarifying the taper rate will mean that in the future politicians will have to have a more open debate about where they believe the taper level should be set.

Bear in mind that, right now, some people currently lose 96p in every pound they earn.

The Universal Credit will also use variable disregards to allow for different groups, such as lone parents and those with disabilities.

We estimate that the Universal Credit will improve work incentives for around 700,000 people currently in low-paid work, and will pull around 850,000 children and working-age adults out of poverty.

We are now developing our delivery plan for the Universal Credit.

We expect to start introducing the Universal Credit from 2013, testing the system in the Spring before beginning roll-out in October.

From October 2013 all new claims for out-of-work support will be treated as claims for Universal Credit.

And from April 2014 to October 2017 we will work through existing cases.

This will be given the highest priority in my Department, and we are already deploying a strong management team and our most capable and experienced people onto the programme.

There has been speculation about the IT which will be used to deliver this programme.

But the fact is the scale of the IT delivery is similar to that for Employment Support Allowance, which was successfully delivered on time and within budget.

DWP and HMRC are working closely together to ensure the IT required to support Universal Credit is delivered on time, and that customers and employers are transitioned to the new systems in a co-ordinated way.

The timescales we are working to were endorsed by a number of leading IT practitioners at a recent workshop, where the overwhelming view was that with appropriate governance the IT is deliverable in 2013.

The Work Programme

Tackling incentives is important, but it is only one part of the story – we must also offer appropriate work support.

That is where the Work Programme comes in.

We are creating an integrated programme, making the best use of the private and voluntary sectors.

Providers will be paid an attachment fee when a claimant starts on the programme.

Thereafter, they will be paid by results.

We will pay a job outcome fee, rewarding those who manage to get claimants into work.

And, perhaps most importantly, we will pay a sustainment fee, paid to a provider for managing to keep someone in work.

Too often we've seen too much churn of people in and out of work. We need to support people as they develop the work habit.

Claimants will be referred to the Work Programme at different times according to the level of support needed.

For example, we expect the majority of customers to be referred after a year, but to make sure we limit wage scarring in the young those aged 18-24 will be referred after 9 months.

Those most in need of support, for example ex-offenders, will be offered early access to the Work Programme to ensure they receive it within a timescale that is most appropriate to them – this could be as early as three months.

IB reassessment

We are also continuing with the previous Government's plans to reassess those on Incapacity Benefit.

This process is already underway with trial reassessments in Burnley and Aberdeen, and we plan to have reassessed 1.5 million claimants by 2014.

But we know that the Work Capability Assessment isn't perfect, and that's why we asked Professor Malcolm Harrington to recommend reforms.

Professor Harrington's report made a number of helpful recommendations, including proposals for the provision of mental health champions in medical examination centres to help better account for mental and cognitive conditions.

We have accepted all of his recommendations, and will be working closely with his team going forward.

We are also looking to intervene earlier, to stop people falling out of work and on to sickness benefits in the first place.

This is being driven by the Fit for Work Service Pilots, which provide return-to-work services aimed at employees who have been absent from work through ill health for 4-6 weeks.

And when employers need it, they can access professional occupational health advice from national telephone helplines.

Housing Benefit

I know that there will be debates as we take these reforms forward – we've already seen that with our changes to Housing Benefit.

But we can't avoid the facts.

Since 2000, private sector Housing Benefit awards have grown by between 70% and 80%, while average earnings have grown by only 30% to 40%, and expenditure has nearly doubled in cash terms in the last decade.

Without reform expenditure is expected to rise to £24bn by 2014/15.

So taxpayers are increasingly seeing people on benefits living in houses they couldn't hope to afford themselves.

And, most importantly, there is a growing dependency trap, with people on benefits stuck in housing which they would struggle to afford in work.

So we've had to make changes.

But we've also made sure the most vulnerable are protected:

We've introduced a transitional period for those already on Housing Benefit

We've made extra money available for Discretionary Housing Payments

And we have a strategy to drive rents down by temporarily widening discretion for payments to be made direct to landlords.

This isn't just about creating jobs

The claim made in response to our reforms is that they won't work because there aren't enough jobs for people to move into.

In fact there are jobs even now, in difficult times – Jobcentre Plus alone took around one million new vacancies over the last quarter.

And the Office for Budget Responsibility recently forecast that employment in the whole economy will rise by 1.1m between 2010 and 2015.

But creating jobs isn't the whole story.

From 1992 to 2008 this country saw 63 consecutive quarters of growth, across two governments, with 4 million more people in employment by the end of that period.

And yet before the recession had even started we had around 4.5 million people on out of work benefits – up to around 5 million today.

But we know that for much of this period of growth the majority of the rise in employment was accounted for by foreign nationals.

This isn't about pointing the finger – it's a simple question of supply and demand.

The demand for workers was there, but not the supply.

This is, in a sense, an indictment of our country's ability to prepare its own citizens for the world of work, or to make work worthwhile.

Our reforms are about reaching the residual unemployed and helping to make sure they are available for work.

Conclusion

These are difficult times, but my concern is that unless we make these changes now, when the economy grows again we will see a repeat story of too many British people written off.

Too many people unable or unwilling to take the work that is on offer, with businesses unable to find what they need in this country and so having to look overseas.

We have to break into this residual group, and start to give them the hope and opportunity that we would all expect.

Marriage Week

Tuesday 8 February 2011

Introduction

I'm delighted to be here today to launch Marriage Week.

I had the privilege of being invited to speak at the launch event back in 2007, and I have always been very supportive of what Marriage Week UK are trying to achieve.

My appearance in 2007 came just a few months after the Centre for Social Justice – of which I was then Chairman – published its report "Breakdown Britain", which laid bare the impact that family breakdown was having on the UK's social fabric.

Back then to speak of marriage made one something of a lone voice – at least within the political class.

That was because over the years the political establishment had frowned if a mainstream politician mentioned marriage.

The prevailing view was that to extol the virtues of this most fundamental institution somehow meant that you were going to stigmatise those who were not married.

This is an absurd and damaging assumption.

Support for our most basic and successful institution does not mean that you cannot be sympathetic to and supportive of families where one parent is left with the difficult responsibility of bringing up the children.

As a result of such two-dimensional arguments, successive governments shied away from proper discussion about the structure and importance of the family.

So I'm pleased to be able to stand here today and say that I believe the tide is beginning to turn.

The role of marriage in family life and the importance of stable families has become an important topic.

Not as a "finger wagging" exercise, as has sometimes happened in the past, for everyone is ultimately responsible for their own lives, not the government.

But because any balanced government must understand the effect that family breakdown can have on the wellbeing of both adults and children.

Financial and social costs

The financial costs of family breakdown are incredibly high, with estimates ranging at somewhere between £20-40 billion a year.

But what is most painful to see is the human cost – the wasted potential, the anti-social behaviour, and the low self-esteem.

The Centre for Social Justice has found that those not growing up in a two-parent family are:

- 75% more likely to fail at school
- 70% more likely to become addicted to drugs, and
- 50% more likely to have an alcohol problem.

And the Joseph Rowntree Foundation has found that children from separated families have a higher probability of:

- living in poor housing
- developing behavioural problems, and
- suffering from a host of other damaging outcomes, whose effects spill over to the rest of society.

Marriage and cohabitation

Of course I recognise that relationships can break down for unavoidable reasons, and as a consequence there are lone parents all over the country doing the difficult job of bringing up children and often succeeding against the odds.

They are to be applauded and we should do what we can to help them in adversity.

But we do a disservice to society if we ignore the evidence which shows that stable families tend to be associated with better outcomes for children.

And there are few more powerful tools for promoting stability than the institution of marriage.

Indeed, evidence suggests that even the poorest 20% of married couples are more stable than all but the richest 20% of cohabiting couples.

And approximately one in three parents cohabiting at birth will separate before their child is five years old, compared with one in ten married parents.

Of course I'm aware that there are other factors at play – those who marry tend to be slightly older, relatively better educated and relatively better off, all of which help promote family stability. Further down the income scale two parent family formation becomes even more problematic.

But, as the Prime Minister has argued for some time, there is something special about the active commitment which marriage involves – the willingness to openly and actively plan for the future – which promotes stability in other aspects of the relationship and family life.

This stability can, in turn, be key to ensuring that children are able to achieve a better education, and go on to become better off parents themselves in later life.

So commitment at every level of family income is crucial, which is why the Coalition supports civil partnerships, another expression of that binding commitment.

Marriage trends and aspirations

Given the costs imposed by family breakdown, it is worrying that marriage rates have more than halved in the last 40 years.

And the proportion of children being born outside of marriage rose from under 5% in the 1950s to 45% in the most recent statistics.

From this, perhaps the worst and most insidious causal assumption has been made, as some commentators have concluded that marriage is an institution which is no longer wanted or needed by modern British society, and that young people no longer value it.

However, I prefer my conclusions to be borne out by evidence not speculation.

That is why the research in this area is so fascinating.

When asked about their aspirations, young people are very clear:

- three quarters of those under 35 who are currently in cohabiting relationships want to get married, and
- some 90% of young people aspire to marriage

So perhaps the question we should be asking ourselves is this: if people from the youngest age aspire to make such a commitment in their lives, what stops them doing so?

Government cannot and should not try to lecture people or push them on this matter, but it is quite legitimate to ensure people have the opportunity to achieve their aspirations.

And that means that we have to look at how we can remove the barriers that currently stand in their way.

The Couple Penalty

Take the couple penalty in the benefits system.

Couples living together and claiming benefits receive less than they would if they each claimed separately.

So it is no surprise that research by the Centre for Social Justice found that a majority of people out of work or in part-time work think low-earning and unemployed people are better off living apart than as a couple.

Only those with money say that money has no bearing on whether people stay together.

This was made remarkably clear in last month's Panorama documentary on 'missing dads'.

It featured a young man – Caleb – who desperately wanted to be a good dad and to live with the mother of his child.

But they were both on a low income, and would have seen their benefits cut by around £30 a week if they'd have moved in together.

As Frank Field said to Caleb in the programme – "If you were designing a crazy system to mess up kids, you'd come up with the system we've got now."

Not only that, but this crazy system can have the effect of pushing the most disadvantaged in society into the most destructive behaviour – namely criminal activity – as they attempt to get around the couple penalty by committing living together fraud.

Such behaviour can never be condoned, but it is a tragic state of affairs that people should feel pushed into crime by having their genuine aspirations to build positive and committed families stifled.

Expectations

But, beyond the money, research shows that today's couples also face a growing problem of what they expect married life to be like.

Guidance councillors say that too many young people have an almost fairytale expectation of life after the marriage ceremony.

This puts huge pressure on newly married couples as too few have time to develop an understanding of the sacrifices needed to make their relationship work before they break up.

This is where the work of Relate and other community organisations is so invaluable, in helping to explain what is needed to sustain and build a strong relationship.

We could do so much more to reduce the level of family break up if we had more guidance available to couples when they need it.

The invaluable experience of these councillors shows us that getting to couples in difficulty early can have a huge effect on their future. Successive governments have undervalued this work.

These expectations can lead to financial problems as well.

Research shows that debt is one of the most prominent causes of family breakdown, yet we know the average amount spent on a wedding has risen to around £20,000, a huge sum.

It has become apparent that couples will not marry until they can have such a wedding and some couples will get into debt just to meet the costs. Starting married life with a large overhang of debt puts enormous pressure on from the start.

What seems to have been forgotten is that the point of marriage is love, commitment, and creating a safe environment in which to bring up a family.

None of these cost more than the price of a marriage licence.

Coalition behind this agenda

As I’ve already explained, we must no longer be afraid to talk about these issues.

Government has no place moralising about peoples’ relationships – but we do have a duty to do our best to ensure a balanced playing field, and to support people as they pursue their own aspirations.

I’m pleased to say that the Coalition is behind this agenda.

The Deputy Prime Minister gave a speech about parents and the family just last month, outlining the Government’s plans on flexible working and shared parental leave.

And the Prime Minister addressed Relate in December of last year, outlining his support for the family and the Government’s commitment to family stability.

Relationship support

In that speech he announced new funding for relationship support – £30 million over the spending review period – and he explained that we are currently speaking to relevant organisations about opening up Government buildings after hours so that they can increase their capacity to provide support.

It was also on the Prime Minister’s initiative that the family task force was set up, and his commitment is shown in the fact that he chairs it too.

Couple penalty

Within my Department we are working hard to see how we can reduce the couple penalty in the welfare system.

A recent report by the Institute for Fiscal Studies confirmed that the Universal Credit will help meet our commitment in the Coalition Agreement to tackle the couple penalty in the tax credit system.

And our own analysis suggests that the Universal Credit will reduce the couple penalty where it will have the greatest impact – among low-earning couples. This is the group under most financial pressure when it comes to decisions to commit.

Equally important, the Universal Credit will provide a framework within which tackling the couple penalty becomes more feasible.

By simplifying the system governments will be able to make clear decisions over how they increase support for certain groups – and the public will find it much easier to hold them to account for the decisions they make.

Marital status on forms

I have also asked my Department to ensure references to marriage are included on relevant forms and research in the future.

The previous Government excluded information on marriage from the reports of important research like the Families and Children Study, which was undertaken by the Department for Work and Pensions.

This particular study has now finished, but I'm keen to ensure that we give marriage the status it deserves in similar research in the future.

Tax system

I'm also aware that the Prime Minister continues to be committed to recognising marriage in the tax system.

And I believe it's important that we do more to recognise and value the commitment people make to one another.

Conclusion

Today through our celebrity focussed media we give awards to so many different groups: film stars, soap stars, pop stars and football stars.

We extol the virtue of public institutions and private business and we even give awards to politicians.

Yet the most basic institution, which nurtures each generation and from which so many of us draw our strength and purpose, goes unnoticed and unrewarded.

Fashionably dismissed or taken for granted, the commitment of two people to put selfish interest to one side for the sake of each other and the children they raise is simply the very best of us as human beings.

Furthermore, marriage is perhaps the best antidote to the celebrity self-obsessed culture we live in, for it is about understanding that our true value is lastingly expressed through the lives of others we commit to.

Age UK speech

Tuesday 8 March 2011

Introduction

I'd like to thank Age UK for the invitation to speak to you today.

I want to use this opportunity to be absolutely clear about my priorities for the pension system.

When we came into office we were faced with the challenge of securing the incomes of today's pensioners.

We acted immediately to introduce the triple guarantee, meaning that someone retiring today on a full basic state pension will receive £15,000 more over their retirement by way of basic State Pension than they would have done under the old prices link.

We also committed to a permanent increase in Cold Weather Payments.

And we protected other key areas of support for pensioners, including free eye tests, free prescription charges and free TV licenses for the over 75s.

Having put incomes on a firmer footing, we moved to secure older people's rights to work.

We are phasing out the Default Retirement Age from April of this year, despite concerns from some in the business community.

I believe this sends out a message that age discrimination has no place in modern British society.

I'm proud to say that we fought for these reforms against the backdrop of the worst fiscal position in living memory.

Our public debt alone is the equivalent of over £14,000 for every man, woman and child.

We've had to take tough decisions, but I believe that we have managed to protect the areas that matter most to today's pensioners.

And I should use this opportunity to pay tribute to my colleague Steve Webb, Minister of State for Pensions, whose work since we entered office has been nothing short of remarkable.

It is a real privilege to work closely with someone who is so passionate about pensions and the issues facing older people in this country.

Next generation

Of course we cannot be complacent.

There is always more to be done to help the poorest in retirement.

However, having worked to put incomes and rights for today's pensioners on a firmer footing, we must also turn our focus to the next generation.

The challenge is immense.

A diminishing group of younger workers will have to work longer just to help fund the pension promises made to their parents, even before they invest in their own future.

The comparison with previous generations is stark.

When the State Pension Age was set back in 1926 there were around nine people of working age for every pensioner.

Today, there are only three people working for every pensioner, and by the second half of the century it will be down to nearly two.

For the first time in more than 30 years our children are expected to have retirement incomes which will fail to keep up with average earnings in the rest of the economy – **despite** our decision torestore the earnings link in the State Pension.

This is our children's legacy – unfunded obligations and insecurity in private pensions.

Few will be able to look forward to a guaranteed income in retirement.

The numbers saving in Defined Benefit pensions in the private sector have more than halved in the last 20 years and have been on an inexorable downward trend.

There are currently only one million active members in open private sector Defined Benefit schemes, down from five million members in the mid 1990s.

But, because the numbers in Defined Contribution schemes have so far failed to take up the slack, fewer people than ever are saving in any form of scheme at all.

Indeed, less than half **of the entire working age population** is currently saving in a pension.

Even those who are saving face an uncertain retirement.

This is because contribution rates are weak, and annuity rates have fallen significantly since the late 1990s.

They can only be expected to fall further as life expectancy increases.

And the next generation will not be able to rely on bricks and mortar in the way their parents have been able to.

While 70% of today's pensioners own their homes outright, their grandchildren are struggling to even get a foot on the housing ladder.

The average cost of property for a first-time buyer has increased by 40% in real terms in the last decade.

It's no wonder our children are increasingly cynical about saving.

And they won’t be able to afford a stable and secure retirement unless we do something radically different.

Acting in the long term

So it is absolutely imperative that we take steps to secure the position of the next generation.

It would be easy to shirk our responsibilities.

But what will we say to the next generation if we don’t act now?

That it was too difficult?

That there were no votes in securing our childrens’ pensions?

That attitude must be consigned to history.

Otherwise we will bear responsibility for the burdens on our children.

Surely we have to act now to secure their future?

Parallels to welfare reform

But this challenge isn’t unique.

After all, this is, in many ways, the challenge that confronted us when we looked at welfare reform.

We could have continued with the short term option – increasing child welfare payments at budget after budget and triumphantly announcing the number of children we had pushed just over the poverty line.

But we knew that if we were going to make a real difference to people’s lives – transforming them rather than just maintaining them – we had to tackle the problem at its **roots**.

In welfare this meant simplification of the system.

And it meant getting rid of the perverse incentives which rewarded the wrong choices and meant that work didn’t pay.

The challenge in pensions is exactly the same.

We have to fundamentally simplify the system.

And we have to make it crystal clear to young savers that it pays to save.

Private Pensions

We have made a start by pushing ahead with plans for auto-enrolment, building on the groundwork laid by Lord Turner back in 2005.

By providing a low-cost and dependable pension scheme for those who wouldn't otherwise put money aside, we can start to push up savings rates and move away from a culture of debt.

This should ensure that between five and eight million people start saving or save more, and it will enable us to start the process of rebuilding confidence in private pensions.

It will also challenge other providers to look hard at their service charges, at the way they communicate information to their customers, and at the quality of the product they are providing.

Auto-enrolment is as much about cultural change as improving saving rates.

All of those who have played such an important role in the development of the existing UK pension system have to recognise that the world is changing, and they need to start working in the interests of the next generation.

They need to get their shoulders to the wheel and help make this new retirement system work.

State Pension

But this alone will not be enough.

Auto-enrolment cannot solve the savings challenge on its own, and we have to be prepared to look at the other side of the equation.

We now have to look at the State Pension.

For the two go together, and what we do in one affects the other.

Just like the chaos in the benefit system, piecemeal changes to state pensions have turned what started as a relatively simple contributory system into a complex mess.

S2P, Serps, graduated retirement pension, the additional state pension – these are names designed to strike fear into the heart of a young saver and confusion in almost everyone else.

The system is so complex that most people have no idea what any of this will mean for them now **and** in their retirement.

And for those on the lowest incomes, the complex rules governing Pension Credit have been a barrier to claiming the money they so dearly need.

That is not to mention the demeaning nature of the means-test, which we know puts people off from making a claim, as well as acting as a disincentive to save.

Means-testing

Too many people on low incomes who do the right thing in saving for their retirement find those savings clawed back through means-testing.

When they reach pension age they discover that while they have foregone spending opportunities and made plans to be self-sufficient, others, who haven't saved a penny, are able to get exactly the same income as them by claiming Pension Credit.

Think about how this could affect auto-enrolment – low income savers will rightly be frustrated if they reach retirement and find they have paid in for nothing.

Confused and uncertain, they may never even get that far, choosing instead to opt-out of saving altogether.

We have to change this.

We have to send out a clear message across both the welfare and pension systems – you will be better off in work than on benefits, and you will be better off in retirement if you save.

Conclusion

I seek a debate on the next generation of pension reform.

Having acted immediately to protect the incomes of today's pensioners, we have to turn our focus towards the next generation – tomorrow's pensioners – and start working hard to secure their future.

I want a State Pensions system fit for a 21st Century welfare system, which is easy to understand and rewards those who do the right thing and save.

My Department has been working closely with colleagues at the Treasury on options for reform.

As the Chancellor made clear late last year, he is keen to look at options for simplifying the pension system, and that is precisely what we are doing.

We have worked together on this and he has been seized of the importance of this project from the start.

The Chancellor is determined to lift the burden of debt from the shoulders of our children and our children's children, and to enable them to pursue, at the very least, the opportunities we have been fortunate enough to avail ourselves of.

Surely we cannot let this opportunity to put right the mistakes of the past pass us by?

That is why we seek your support to get this right.

Too often we forget that this isn't just a system for those who are currently retired, but also for those who will need it in the years ahead.

That is why, together, we must make it work not just now but down through the generations, and make sure we leave hope and stability for those generations to come.

Youth unemployment speech – Scotland

Thursday 19 May 2011

Introduction

It's a great pleasure to be here in Scotland to speak to you today.

It won't be news to anybody here that we are currently nursing a fragile economy.

We went into the recession with the largest structural deficit in the G7, and have now racked up a budgeting shortfall larger than any seen in UK post-war history.

The decisions we've taken on the deficit have put the economy back on an even keel, but we are now working hard to put in place the conditions for growth which will drive recovery in the labour market.

As a new set of employment figures were released yesterday I thought I would re-cap on them briefly.

In the latest statistics we saw that across the UK there are 118,000 more people in work than three months ago.

Encouragingly, the number of unemployed young people has fallen by 30,000 over the same period.

This follows recent trends where we've seen unemployment falling by 55,000 over the course of the last year, driven by a rise of over 400,000 in private sector employment.

But we shouldn't get carried away by these figures – there are still too many without work who are desperate for a job.

And the overall position in Scotland is similar to the UK.

Scotland entered the recession with an unemployment rate below the UK average, and though it has seen a sharp rise since then, its current rate remains the same as the UK average of 7.7%.

To put this in context, Wales saw a larger increase in its unemployment rate than Scotland during the recession and still has a lower proportion of people in work.

But, as ever, headline figures hide the reality that there are pockets of prosperity and deprivation wherever you look – for example, Aberdeen has fared better during the recession than many other parts of the UK, whereas areas like North Ayrshire have clearly suffered more.

This is also true of the youth unemployment figures – whilst Scotland has seen its youth unemployment rate rise faster than the UK as a whole, Wales continues to have a lower proportion in employment and a higher rate of unemployment than Scotland.

Indeed, in many senses this has been a tale of two recessions. While they have taken a hit, employment rates for older people have remained surprisingly resilient.

Take the fact that the number of over 65s in work has actually increased by more than 100,000 in the last year – and this picture appears to be broadly similar in Scotland.

But the outlook for young people has been much tougher.

And one area where Scotland has suffered particularly badly is in the unemployment rates for 16-17 year olds.

This is a crucial area and one I want to explore in more detail today.

Neglected 16-17 year olds

16-17 year olds are a critical group, because if we lose young people early we risk losing them for good.

In the jargon, they develop a ‘wage scar' which means they struggle to make up the lost ground later on in life.

In the last decade or so we've seen their employment prospects diminish as the support provided through the Jobcentre has been downgraded.

And we are now reaping what was sown, with the figures laying bare the scale of the problem.

Although many more young people are staying on in education, employment rates for 16-17 year olds who've left school or college have deteriorated substantially in the last decade or so.

Back in 2000 around 6 in every 10 were in work.

That figure is now down to just over 3 in ten.

A similar trend holds true in Scotland, where around 7 in 10 were working in 2000, a rate which has fallen to around 4 in 10 now.

And this is by no means just a product of the recession – in fact, by 2008 the level had already fallen to 5 in 10, so it has been on a steady downward trend over the course of the last ten years.

And we can contrast this to the figures for 18-24 year olds, whose employment rate was at about the same level in 2008 as it had been ten years earlier.

To understand how we got to this situation it's worth reminding ourselves of the history of support for this group.

While there has been a strong focus on encouraging young people to stay in education in recent years, for those 16-17 year olds who do not stay on at school or college the system of employment support has changed significantly.

Some 23 years ago this group were taken out of the benefits system – except in cases of severe hardship – and put on a guaranteed Youth Training programme.

Under this system the Government promised that if individuals had not found education, employment or training within a short period of time it would provide them with a Youth Training place.

However, from around 1997 onwards this system changed as there was a gradual shift away from the Youth Training offer, until the early 2000s when it essentially ceased to exist.

As support from the Jobcentre leaked away so we saw 16-17 year olds struggling to maintain a foothold in the labour market, and it is no coincidence that over this period the employment rate for this age group deteriorated substantially.

When you look at the figures, it's pretty clear that they start trending down steeply from around 2000.

Worse still, you find that employers are much more reluctant to employ 16 year old school leavers, believing them to be significantly less likely to be well prepared for work than their slightly older counterparts.

And we know that almost 200,000 young people left school between 2002 and 2006 and have still never held regular work since.

This is the lost generation.

Yes, the majority of young school or college leavers take the opportunities provided through the education system and manage to get on in the workplace.

And of course our Coalition commitment is to raising the participation age, and we have announced measures to ensure that as many young people as possible stay in some form of education or training.

But some children do drop out, and we must ensure they are not left behind and have proactive support to access training and work experience.

This support hasn't been available from the Jobcentre, and instead Government has been forced to deal with the consequences, paying out potentially billions of pounds in benefits which could have been better invested in proactive support early on.

Worklessness

Of course, not every young person needs help from the Jobcentre to make the move into work.

Many can rely on the support structures provided by their family, drawing on positive family role models, as they make their own way into the labour market and start to build a career.

But there are young people all over the UK who have no such role models at all.

There are swathes of young people who have seen their whole family – and many in their wider community – go for generations without sustaining anybody in work.

Almost 1 in 4 households in Scotland don't contain a single family member who works, compared to 1 in 5 in the UK as a whole.

Many find themselves trapped by a crippling welfare dependency, unable to see the point of working when they are better off on benefits.

The welfare system currently sees people lose up to 96 pence in every pound earned as they increased their hours in work.

Worse still, the system was so complicated and moving on and off benefits so fraught with difficulty that few people were willing to take the risk of moving into work.

Even where they want to work, many have found that they don't have the skills or experience to compete in an increasingly globalised labour market.

A tangled mess of employment schemes failed to give people the real, individualised support they needed to build up the skills and experience to move back to work.

Universal Credit and Work Programme

Our programme of welfare reform is about trying to break this dependency and help people back into the workplace.

The Universal Credit will fundamentally simplify the system and make sure that work always pays, eradicating some of the obscene withdrawal rates we've seen in the past and replacing them with a single, clear taper set at around 65%.

We're also doing everything we can to help young people get work ready, breaking down the barriers that stop them finding work and taking it up even when it is financially worthwhile to do so.

That's what the new Work Programme is all about, paying the best of the private and voluntary sectors for the results they achieve in getting people into work – and then keeping them there.

Extra support for young people

But these reforms are by no means the be all and end all of our response to the youth unemployment challenge.

There is still more we must do for young people in particular, including the 16-17 year old group which has been so badly neglected in the past.

We have looked carefully at the form this extra support should take and we have worked hard to design a programme which helps young people access real opportunities that provide a route into sustainable careers in the private sector.

Just last week the Prime Minister and Deputy Prime Minister confirmed our commitment to 100,000 work experience placements over the next two years across the whole of the UK.

To date, 100 large companies have pledged to offer work experience places and tens of thousands of small companies around the country have also been engaged by Jobcentre Plus – up to 25,000 places have been pledged so far.

And in England we have committed to 250,000 extra apprenticeships over the course of this Parliament, of which 40,000 will be exclusively for young unemployed people.

And I am pleased to note that the Scottish Government appears to be on the same page as us on this issue with their commitment to investing in Modern Apprenticeships.

16/17 year olds

But what I really want to focus on here is the new support we are targeting at 16-17 year olds specifically.

Last week we announced that we are introducing dedicated work support from a personal adviser for 16-17 year olds who are claiming Jobseekers Allowance for Hardship reasons.

I have decided to start re-establishing that crucial link between young benefit claimants and the employment support provided by Jobcentre Plus.

This will include spending more time at the start of the claim assessing the person's needs and setting clearer and more tailored goals around job searching and access to education and training.

Jobcentre Plus will also work in partnership with voluntary organisations to offer access to training, including help with interviews, CVs and job applications.

The key here is flexibility – we will give Jobcentre advisers the freedom to look at each young person in their own right, tailoring a package of support to suit their specific needs.

Alongside this, we will ensure that once this group of young people hit 18, if they are still claiming JSA, we keep them firmly on track by giving them early access to the Work Programme after just three months in recognition of the more significant barriers they are likely to face in getting back to work.

And we have also committed to a new Innovation Fund, worth £30 million over three years, which will be used to support social investment which addresses the needs of disadvantaged young people, as well as other vulnerable groups in society.

- We know that there are lots of organisations out there who have a vast amount of experience in working with the most disadvantaged young people, but they simply don't have access to the money they need to make that happen.
- The new Innovation Fund will provide a funding stream and help to bring these bodies together with organisations who have the relevant finances to support the delivery costs.

And we are in discussions with colleagues in the Scottish Government to agree how we can work together to introduce this in Scotland.

Conclusion

So we are finally taking steps to support a group which has been forgotten about for far too long.

I'm also pleased to note that the Scottish Government has a dedicated plan for this age group in their areas of devolved responsibility, and we want to work closely with them as we move forward to ensure our plans match up.

Unemployment is a blight on everyone whether you be 16 or 60, and we need to help to resolve this.

However it is a particularly tragic state of affairs when someone of 16, 17, or 18 starts their adult life without work.

We know that future prospects rely on a good start, one that builds skills, develops self-motivation and results in self-confidence.

To be out of work at that point makes it much more difficult to help a young person to develop the ‘work habit' and understand the importance of work as a lifelong commitment.

This is particularly the case if they come from a home where no one works.

The economics are vital to this process and the systems must be focussed.

Yet the human dimension of this lies in the dependent and dysfunctional families, the missed opportunities, and the lost generations.

When politicians take what might appear to be short term decisions they can have long lasting consequences.

Ten years on from the ending of the Youth Training commitment we see how devastating that can be.

Now's the time to work together to think about how can provide the support that 16 and 17 year olds need in the future, and avoid losing another generation of young people.

All Party Parliamentary Group on Credit Unions

Tuesday 28 June 2011

Introduction

Debt was one of the pathways to poverty identified when I was at the Centre for Social Justice – alongside addiction, educational failure, family breakdown and welfare dependency.

The CSJ looked at the issues carefully a few years ago in two reports: Breakdown Britain and Breakthrough Britain.

The first report warned that the level of personal debt in the UK was unsustainable – and some of the banks complained that this was scare-mongering…

That was not long before Northern Rock went to the wall.

Our challenge now is to keep working to highlight the serious issue of personal debt.

The UK debt problem

Household debt levels have doubled in the last decade, from £700 billion ten years ago to almost £1.5 trillion today.

And total outstanding consumer credit - which excludes mortgages – now stands at £214 billion.

That’s an average of around £16,000 for every indebted household.

Impacts on families

The impact of this debt burden is played out on doorsteps across the UK on a daily basis.

Low income families are paying huge interest rates for cash to cover what are sometimes no more than the costs of daily living.

Meanwhile those lending the money are on to a nice earner, often charging interest rates of more than 200% APR – and sometimes more than 2,000%.

Interest at these rates can cause an ever-increasing spiral of debt, dependency and despair.

And some illegal operators are employing unspeakable methods to extract payment.

Just the other week a loan shark in Wales was jailed for charging extortionate rates of interest to a vulnerable woman.

On an initial loan of £500 she was forced to pay back £3000, and was subject to aggression and intimidation at the hands of the lender.

This is what we mean by the poverty premium – not just paying a high monetary price for borrowing, but paying a high emotional price too.

Worse still, we know that indebtedness is closely correlated with other key ‘pathways to poverty’.

Where families have serious money problems it can make it much more difficult to hold down a job or build a stable and loving relationship, and the stress at home can impact on children’s performance at school.

What we’re doing

Part of the problem is that we have little or no savings culture or Britain – there are currently some seven million people not saving enough to give them the income they want or expect in retirement.

But we also lack the strong institutions needed to provide those on the lowest incomes with a fairer source of credit.

When you look at the figures, you find that we have a very low ‘penetration rate’ of Credit Unions compared to other rich countries – just 2% of people in the UK are members of a Credit Union, compared to 24% in Australia, 44% in the United States and almost 50% in Canada.

This was something looked into carefully when I was at the Centre for Social Justice, with a range of recommendations made for reform aimed at restoring a culture of saving and fair credit in the UK.

The Breakthrough Britain report argued that UK Credit Unions should be strengthened, supported and expanded – and I'm pleased to be able to stand here today and say that's precisely what we're doing.

We're making a £73 million fund available that will support suitable Credit Unions to expand and become financially sustainable within four or five years, helping up to one million more people access clearer and fairer Credit.

We want people to have a local, trusted organisation to turn to when they are in financial need, not a local loan shark.

Of course we need to make sure this money is well spent, which is why we are carrying out a feasibility study over the next few months which I'm delighted to say that Deanna [Oppenheimer] is leading.

The CSJ were clear that commercial banks needed to support the development of Credit Unions as part of their social responsibility – Deanna and Barclays have certainly stepped up to the mark on that count.

I am also pleased that Lord Griffiths – who chaired the debt group at the CSJ – has agreed to join Deanna on the study.

And this isn't just about building the role of Credit Unions.

It is about enabling a whole network of trusted, local organisations to deliver vital services for some of the most vulnerable people in society.

Take the Post Office.

Part of the feasibility study will involve exploring if people are happy to use credit union services over Post Office counters, and whether this could be an opportunity for the Post Office to build on existing work with local credit unions to develop a national income stream.

I should also touch on the issue of the Legislative Reform Order, as I know many of those present will be keen to know how it is progressing.

The LRO will enable and encourage credit unions to grow their membership, by removing outdated restrictions on what they can do.

It's frustrating that there have been delays in getting this through, but it is important that we get this right, and I can confirm that subject to Parliamentary Scrutiny the LRO should be on the statute books in the Autumn.

Conclusion

But of course this is about more than parliamentary instruments, feasibility studies and departmental funds.

It is about giving dignity back to some of the poorest people in our society, ending a situation where those who have the least pay the most.

It is about helping people manage their finances better as we move towards the Universal Credit.

And it is about putting the UK's Credit Unions on a more sustainable footing for the future.

Innovation Fund bidder event – London

Tuesday 5 July 2011

Introduction

I'd like to welcome everyone to the first Innovation Fund bidder event here in London.

We will be taking these events around Britain over the course of this week, talking to potential investors and delivery organisations about our plans for the Fund.

And we hope that you'll take these opportunities to speak to each other as well, sizing each other up and assessing whether you could form a valuable partnership going forward.

Young people

I'd like to start by reiterating why this is so important.

The Innovation Fund exists to find and fund organisations that are able to work with disadvantaged young people to turn their lives around.

And this is one of the most significant challenges we face in our country at the moment.

Even as we see some signs of promise in the labour market there is still a real challenge for young people, some 600,000 of whom are unemployed and not in full-time education.

And while the recession has made things worse, this is a problem we have been dealing with for some years now.

Just before the recession, unemployment amongst 18-24 year olds was actually higher than it had been five years earlier.

And although many more young people are staying on in education, employment rates for 16-17 year olds who've left school or college have deteriorated substantially over the last decade or so.

Back in 2000 around six in every ten were in work.

That figure is now down to just over three in ten.

As I say, this wasn't just a product of the recession – by 2008 the level had already fallen to five in ten, so it has been on a steady downward trend over the course of the last ten years.

Of course these statistics don't reflect the fact that these numbers apply to an ever smaller group – as more young people have stayed on in education, so the number of NEET young people as a proportion of the population as a whole has fallen.

But what it does tell us is that we will need even more effective – and, importantly, even more innovative – solutions for the remaining group of young people who are not engaging in education, employment or training.

Support for young people

We've already put a number of programmes in place to give young people the extra support they need to take those first steps into further learning and work.

We're investing in more education and training provision and have secured funding for an extra 40,000 apprenticeships targeted specifically at young people.

We are also working with businesses to provide up to 100,000 work experience opportunities over the next two years.

At the same time, young people will be able to get early access to the Work Programme, reflecting the fact they need more intensive support to find a job.

The Innovation Fund

But the Innovation Fund is about offering something a little bit different.

I just want to touch on two important areas.

First, the fund is targeted at young people aged 14 or over.

In the past, Government has been too slow to engage with the employment prospects of young people before they hit 16 – or even 18.

In line with the Government's plans to increase the age of participation in education or training, the Fund's focus for those who are not yet 18 will remain on supporting them to succeed in learning – but this support will also have to be focussed on improving employment outcomes further down the line.

This is about getting in there early, understanding that the warning signs for poor employment prospects as an adult are often in place as early as 14 or 15.

Investors take the risk

The second thing that's different about the Innovation Fund is the funding model.

We are inviting investors to partner with delivery organisations in submitting their bids, providing the funding and taking on any risks associated with the project.

If they are successful they will get a return from Government, but we will only pay for outcomes – in other words we'll pay for what works.

Payment by results isn't new of course – this is the model we are using in the much larger Work Programme – but the key difference here is that the investors take on the risk, freeing the delivery organisations to get a guaranteed income for doing what they do best.

I hope this will encourage smaller organisations in the voluntary sector to come forward and take the opportunities provided by the Fund.

This is what we mean by social investment – unlocking private finance in pursuit of the social good – and it's an exciting time to be involved.

Just yesterday I spoke at the launch of Graham Allen's second report into early intervention.

The Government will have to look at Graham's recommendations closely, but what is clear is that using the tools of social investment to deliver early interventions for young people could prove a big cost-saver for Government, as well as having a huge impact on our local communities.

The challenge

But now here's the challenge: bids to the Innovation Fund have to be genuinely innovative, and they have to offer something which doesn't just duplicate existing programmes.

We need bidders to be thinking about how their support will really add value to existing provision.

Get this right now, and the Innovation Fund could be a foundation for a powerful new partnership between investors, Government and delivery organisations in the years ahead.

A partnership for:

- raising the finance
- providing the expertise, and
- delivering the results that young people in Britain really need.

Centre for Social Justice: Early Intervention

Thursday 7 July 2011

Introduction

It's good to see so many people here today engaging with this issue.

As the other speakers have made clear, the evidence on the importance of early intervention is now pretty overwhelming.

Frank Field's report into life chances cited research showing that the simple fact of a parent being interested in their children's education could increase the child's chances of moving out of poverty as an adult by 25 percentage points.

And Graham Allen reminded us of the fact that a child's development score at just 22 months can serve as an accurate predictor of educational outcomes at 26 years

Graham Allen's report

This is an issue close to my heart.

Graham and I came together in 2008 – two politicians from different parties – to write a book which established the case for early intervention.

I saw first hand Graham's passion for this issue, and so I had little hesitation in asking him to write two further reports on this for the Government.

Throughout these reports he has worked with local authorities, investors and voluntary and community organisations to put these issues high up on the public agenda.

Graham's first report established the evidence base and some of the best practice around early intervention.

His second – published earlier this week – is about how we provide the means to make early intervention happen.

We will be looking carefully at the specific recommendations in the report, but the message coming through loud and clear is that **social investment** needs to be part of the solution, rewarding investors when their money yields savings to the public purse and delivers improvements in young people's lives.

Not only does this make economic sense, it is also a question of social justice, getting investors to do something positive for their community while seeing a return on their investment at the same time.

The social investment market is still at an early stage but I believe it has real potential.

Just two days ago I spoke to a room of more than 300 prospective investors and delivery organisations who have expressed interest in bidding for the Government's new Innovation Fund, which will reward investors for backing innovative projects which help disadvantaged young people.

And I like to think of this as just the start of a process.

Sir Ronald Cohen has spoken eloquently about the possibilities here, arguing that: "Social enterprise and impact investing…look like the wave of the future."

He has even claimed that "Impact [social investment] capital is the new venture capital".

These are bold statements, and it is still early days.

There is still a great deal of work that needs to be done, particularly around how we value the impact of private investments and translate that into clear and measurable returns.

But we are now very much on the right road.

Priority to the early years

At the same time there is an important role for Government to play, both at the central and the local level.

In a tight fiscal environment it is more important than ever that we get this right, which is why today's report from the CSJ is helpful.

I just want to emphasise two important points from the report.

First, we need to remember the distinction between early intervention as a whole and the early, or foundation, years – in other words the years 0-5.

Both are important.

The early years are about creating a social and emotional bedrock, whereas the years up to 18 are about helping children become the excellent parents of tomorrow.

But it is clear that the early years are particularly critical.

Studies show that at birth only 25% of a child's brain is formed. By the age of three, 80% is.

So it is important that we offer support to every child to reach their full capacity as early as possible.

Best practice

The second point I want to emphasise is around best practice.

Graham's first report listed 19 programmes that were seen to represent the best in the field of early intervention.

But, as Graham himself made clear, this list was far from exhaustive, and it's critical that local authorities don't take this as the final word on what works in early intervention.

What works in Islington won't necessarily be the same as what works in Ipswich.

And, as the CSJ report explains, there may be more to this than effectiveness alone.

There are also questions of what is feasible, and whether the intervention is appropriate for the recipient.

These are questions that local authorities need to be looking into carefully, not just relying on a list that was never intended solely as a blanket cover-all.

Conclusion

If we can move forward on this basis…

…building the social investment market…

…prioritising the early years…

…and continuing to look carefully at what really works…

…I think we will be in a position to make a powerful offer to some of the poorest families in our society, building a solid foundation for the future.

If we don’t, the next generation could be condemned to repeat the mistakes and problems of their parents.

We need to keep hammering home the message that early intervention offers the best hope for today’s children.

It could turn out to be the smartest decision local and national government ever made.

Robert Owen Institute

Wednesday 14 September 2011

Introduction

It’s a pleasure to be with you this evening.

And I’d like to extend my thanks to the Robert Owen Institute for inviting me to be here tonight.

Robert Owen was ahead of his time in believing that a person’s character was informed by the effect of their environment.

"Any general character, from the best to the worst, from the most ignorant to the most enlightened, may be given to any community…by the application of proper means"

How we achieve a rebalancing of our society by application of those means is the topic of my lecture tonight.

Last month’s riots were a wake-up call.

But while I was appalled by what took place on the streets of some of England’s major cities, I cannot say I was entirely surprised.

For I believe we have seen Britain’s social fabric fraying for some time.

Social breakdown

Before the recession started we had more than 4 million people sat on out of work benefits – many of whom had been receiving them for ten years or more.

We had one of the highest levels of unsecured personal debt in Western Europe, and the highest teenage pregnancy rates.

At the same time we had over a million children growing up in households with parents who were addicted to drugs and alcohol.

And when it came to violent crime we found ourselves to be amongst the leaders in Europe.

Yet this was during a period when the economy was growing – with employment up by more than 2 million in the decade to 2008.

What had become clear and was starkly illustrated in the Centre for Social Justice’s two reports – "Breakdown Britain" and "Breakthrough Britain" – was that one section of society had become semi-detached from the rest.

As social mobility ground to a halt, the part of society on the lowest incomes became static.

Too many find that if they are born into such communities they are likely to remain in the same condition as their parents.

With income inequality the worst for a generation, high levels of benefit dependency, broken families, crime, debt and drugs became the norm for whole communities.

The problem was that we were treating symptoms, not causes.

And by failing to deal with these issues we were storing problems up further down the line.

For many years, while people were aware that there were problems in poor communities they remained largely unaware of the true nature of life on some of our estates.

In a sense, we had ghettoised many of these problems, keeping them out of sight of the middle class majority.

Occasionally some terrible event would make it on to our front pages…

…the names of Rhys Jones, Damilola Taylor, Charlene Ellis and Letitia Shakespeare are tragically well known to many of us.

But because they were small in number, people were able to turn away from the problems faced in certain parts of the country.

But last month the inner city finally came to call, and the country was horrified by what it saw.

And while it is of course a good thing that there were no riots in Scotland, I’m firmly of the view that is an issue we face in the UK as a whole.

While they might manifest themselves differently, the same deep-rooted problems exist on both sides of the border, and as a passionate supporter of the United Kingdom I want us to work together to solve them.

Whether in Manchester or Glasgow, London or Edinburgh, Birmingham or Aberdeen…

…I believe we’re stronger when we tackle these issues together.

Damaging culture

The riots were a wake-up call, and a reminder of the wider problem that we all face.

The scenes of our young people ransacking local businesses…

…sometimes proudly displaying their acquisitions on the internet…

….spoke to a damaging culture which I believe has been on the rise in recent years across the UK as a whole.

I touched on this problem in a recent speech, some time before the riots took place.

There I spoke about a culture of recklessness and irresponsibility, a culture of "live now, pay later."

I felt that we had seen it in the staggering growth in both public and private debt, with little regard for who would pick up the bill, and in the unwillingness to undertake fundamental reforms of our welfare system to secure our children’s future.

Last month we saw this culture crystallized into its crudest form – not so much "live now, pay later" as "take now, pay never, and damn the consequences."

This is what the Prime Minister meant when he said that the riots were about behaviour and values.

Gangs

The riots also played a role in heightening awareness of gangs in the public consciousness.

In terms of numbers gangs made up a minority of those actually taking part in the violence, yet their role was significant.

First, the riots showed us that in too many inner city areas, gangs dominate – if not in numbers then in the power they have over their local community.

Speaking to my borough commander in Waltham Forest there seems to be good evidence to suggest that the gangs were coordinating locations and some of the social media networks during the riots.

And, separate to the riots themselves, we know that gangs can have a disproportionately negative impact on their local area, bringing with them violence and drug abuse and pulling others around them into their destructive cycle.

Those who join the gangs are the product more often of broken families and dysfunctional upbringing.

In turn, they further that process of breakdown by creating no-go areas that make impossible the very things that could help deprived neighbourhoods to rejuvenate.

As products of and creators of social breakdown, their role is hugely influential.

I know this is of relevance in Scotland, particularly areas like East Glasgow where a high concentration of gangs are known to operate in highly deprived neighbourhoods.

But gangs are not just a cause of social breakdown – they are also an important symptom.

In many ways they act to fill a vacuum left by other figures of authority – particularly the family unit.

What these young people fail to find at home they search for on the streets instead.

As Disraeli said:

"Man is made to adore and to obey: but if you will not command him, if you give him nothing to worship, he will fashion his own divinities, and find a chieftain in his own passions."

For too many these "divinities" are the gang leaders, and their presence speaks to the absence of something fundamental from our young people's lives – stability, security and moral guidance.

As the excellent work in Strathclyde shows us our first response must be to deal with the violent and criminal activity of the gangs – but that will only take us so far.

Yes, we will be tough on the gangs.

Of course, where you have gangs leaders who repeatedly commit and foment violence they must be warned of the consequences.

Then the police must deal with them for even the most minor misdemeanours.

But this is only part of the bargain.

If we are to believe, as Robert Owen did, that people are shaped by their environment, then there is a great deal more we need to do.

Because at the moment we are caught in a vicious cycle.

Gangs are shaped by the destructive environment in which their members are brought up, and they in turn breed destruction in their local communities, destabilising families and increasing the chance that future generations will find themselves involved in gang violence.

A criminal response alone fails to deal with the root causes of this merry-go-round.

Again, Robert Owen was right where he explained that:

"instead of punishing crimes after they have permitted the human character to be formed so as to commit them…"

…we have to instead reach in and break the cycle – and we have opportunities to do it all the way along the chain.

In other words, we have to give people a way out.

As the good projects have shown, being tough on gangs is just one part of the challenge.

Intervening to peel people off from the gangs, and preventing them joining in the first place, is the real task we face.

Early intervention

Of course, as Robert Owen would have agreed, the earlier we get in there the better.

The evidence on the importance of early intervention is overwhelming.

I came together with Graham Allen in 2008 to write a book which established some of the key evidence on this.

In Graham's subsequent reports for the Government the evidence on early intervention has become incontrovertible.

He cites one piece of research which shows that those boys assessed by nurses at the age of 3 as being "at risk" had two and a half times as many criminal convictions by age 21 as those not deemed to be at risk.

Speaking of the understanding that the character of a child could be moulded from such an early age, Owen asked whether:

"Possessing, then, the knowledge of a power so important…which would gradually remove the evils which now chiefly afflict mankind, shall we permit it to remain dormant and useless, and suffer the plagues of society perpetually to exist and increase?

His was a clear warning that if we fail to get in there early enough to stop young people falling out of the system, then we risk failing altogether.

While much of this area is devolved it remains a common challenge for all nations of the UK.

I know that Graham's work drew on Scottish examples, such as the rapid reaction model in the Highland region which has been running for the last decade.

The goal in the region has been to get things right for children the first time they are identified as being at risk, so that they don't appear again later.

And I know that the Finance Committee of the Scottish Parliament backed this principle recently, calling on a shift away from reacting to crises and towards a greater focus on prevention and early intervention.

So this agenda isn't just cross-party, it crosses Governments.

Evidence suggests that one of the best ways to improve life chances for young children is to link families to trusted local networks and individuals – whether it be family nurse partnerships, health visitors, or something similar.

But much of the responsibility here falls to local authorities.

We know many local authorities already understand the importance of this agenda, and we will increasingly be looking to them to provide the leadership to make sure early intervention initiatives are prioritised.

We need to keep hammering home the message that early intervention offers the best hope for today’s children.

Schools

The next step is to think about how we can provide support at the next level – at school age – to stop young people falling off the rails and into the hands of the gangs.

First, we need to keep them off the streets and in our schools, engaged in education and learning key life skills.

The Government is committed to raising the participation age in England, with measures to ensure that all young people continue in education or training until they are 18.

And I know the Scottish Government is guaranteeing education, training or an apprenticeship to all 16-19 year olds.

But the fact is at the moment some young people do drop out, and for those who do, employment rates have deteriorated substantially in the last decade or so.

Back in 2000 around six in every ten 16-17 year olds who were not in full time education were in work.

That figure is now down to around 4 in ten.

A similar trend holds true in Scotland, where around seven in ten were working in 2000, a rate which has fallen to around four in ten now.

And this is by no means just a product of the recession – in fact, by 2008 the level had already fallen to 5 in 10, so it has been on a steady downward trend over the course of the last ten years.

By the time this group comes into the Jobcentre at 18 they have already suffered a wage scar that leaves them behind their peers in the jobs market.

So we need to do everything we can to support young people who are at risk of disengaging, intervening early to stop them weighing heavily on the benefit system in the future.

Innovation Fund

And that’s what our Innovation Fund is all about.

We’re providing £30 million over the next three years to fund organisations that are able to work with disadvantaged young people to turn their lives around.

And the remit of the fund extends to those aged 14 and 15, helping us get in there even earlier to prevent people falling out of structured training and education, and putting them on track for work in the future.

Key here is the role of social investment.

The idea of the Innovation Fund is to unlock private finance in the pursuit of the social good, getting investors to do something positive for their community while seeing a return on their investment at the same time.

As Graham Allen identified in his second report, social investment could be the key to solving some of our most entrenched social problems, many of which require a significant down payment up front to yield huge savings further down the line.

The Innovation Fund is just the start, but I hope it will be a stepping stone to a smarter approach to social breakdown in the future.

Universal Credit and Work Programme

Once our young people have left school we then need to make sure they are met by a welfare system that works.

First, it has to be a welfare system which makes work pay, which is why we're introducing the Universal Credit – a new, simpler payment which will be withdrawn at a clear and consistent rate as people move into work.

In the current system some people lose up to 96 pence in every pound earned through benefit withdrawal.

Would any of us here work at 96% tax rates, especially if we could earn a living without any effort at all?

Just ask yourself – why should we expect behaviours from others that we wouldn't expect from ourselves?

The Universal Credit is designed to change this, reducing the maximum withdrawal rate and simplifying the way benefits are withdrawn as people move into work to reduce the risks associated with taking a job.

Second, we have to work with people to help them find employment.

Too often people who need help have faced bureaucratic and impersonal regimes, motivated more by the number of boxes ticked than the numbers helped into work.

I hope we're going to change all this with the Work Programme, a package of support we're putting around people which is designed around them, for them and with them, and will be delivered by some of the best organisations in the private and voluntary sectors.

But this is going to be tough.

We are going to be dealing with people who have come from families where no-one has ever worked – generation upon generation.

They may be breaking the mould, and that won't be easy to do.

It's important that we stay with them and support them as they take that step, and we know that many Work Programme providers will be looking to mentor people once they've moved into work to help keep them there – we've designed our payments structure to encourage this kind of proactive support.

Work experience and apprenticeships

And of course we know that one of the biggest challenges young people face in finding work is a lack of relevant experience.

That's why we're providing funding for 100,000 work experience places over the next two years.

These placements will be for up to 8 weeks, but we'll provide funding for another month where it's linked to an offer of an apprenticeship or a job.

And we've put in place funding for 250,000 extra apprenticeships over the coming years, with 40,000 targeted specifically at young people on Jobseekers Allowance.

I know that the Scottish Government has also committed to creating some 25,000 apprenticeships a year.

So all the way along the life cycle you have these key interventions that pick people up and stop them falling off track – from early intervention with parents, to keeping kids on track in school, to providing a fair and supportive welfare system, combined with positive work experience, that encourages and helps people into work.

It's part of a sewn up process – not so much cradle to grave as cradle to stability, cradle to a productive member of society.

Family

But all this brings me to one of the most important issue of all, and that is the role of the family.

I described earlier how gangs have acted to fill the spaces left by broken families, and how family breakdown has led to a sort of moral vacuum in some areas of society.

While the Government should be there to support people when they face difficulties, we can achieve so much more by providing the support that families need to grow and sustain, giving young people a stable and secure environment to grow up in.

This isn't about Government interfering in families.

But it is about saying that we have to create a level playing field, reversing some of the biases against families we've seen in recent years, as well as making sure that support is available if and when families want to use it.

It is clear that people respond to incentives and disincentives – and currently in the UK there is a damaging financial discouragement to couple formation, despite its stable outcomes for children.

That's why I intend for our welfare reforms to make an impact on the couple penalty where it matters most – amongst families on the lowest incomes.

Alongside that the Prime Minister has made it clear that we will, in this Parliament, as and when possible and after other considerations, recognise marriage in the tax system.

And we’ve already made some £30 million available for relationship support over the coming years.

But there is further we can go, and that is something the Prime Minister himself made clear in a speech last month.

We are going to apply a family test to all domestic policy from here on.

And I believe we also need to look more closely at how we tackle disincentives to strong and stable couple formation

Culture

Perhaps in bringing this value back to our personal relationships, we can start to tackle that damaging culture in our society that I spoke of earlier.

The culture of "live now, pay tomorrow" that permeated our society from top to bottom.

From those at the top of our society it was a case of "do as I say, not as I do."

Whether in the banking crisis, phone hacking or the MPs’ expenses scandal, people have seen a failure of responsibility from their leaders.

And this failure speaks to a wider cultural development in our society, namely a gradual but consistent move to a culture which values conspicuous consumption over the quality of our personal relationships.

We have seen the growth of a culture in which people are valued in terms of how much they earn, how much their home costs, or how they spend on their holiday rather than how much value they bring to their community.

Only today, a UNICEF report has highlighted the damage that consumer culture is doing to our children’s happiness.

Owen saw some of these influences at work himself, contrasting the scant attention given to the millions of poor and destitute he saw around him to the fact that:

"we hesitate not to devote years and expend millions…in the attainment of objects whose ultimate results are, in comparison with this, insignificancy itself."

This culture has affected everything.

We hear of people putting off getting married because they cannot afford it – not the marriage itself but the ceremony.

With the average cost of a wedding put by some surveys at something like £20,000, some couples risk getting into debt just to meet the costs.

What seems to have been forgotten is that the point of marriage is love, commitment, and creating a safe environment in which to bring up a family.

As Owen would have said, the ceremony is insignificancy itself.

We should worry instead about the human aspect.

Conclusion

Our task now is to achieve this rebalancing of our society.

For too long the political class have understood that we have a social problem, but considered it a second order issue.

The riots have provided a moment of clarity for all of us, a reminder that a strong economy requires a strong social settlement, with stable families ready to play a productive role in their own communities.

The challenge of our generation is to reforge our commitment to reform society so that we can restore aspiration and hope to communities that have been left behind.

British Venture Capital Association

Wednesday 12 October 2011

Introduction

It is a pleasure to be here tonight.

I know the economy is on everyone’s minds at the moment.

No more so than in this audience.

Today’s jobs figures are a sobering reminder of the challenge we face.

But before we discuss where the economy is going, I’d like to reflect on where we have come from.

Boom and bust

In the decade to 2008 we saw an uninterrupted period of growth, with employment levels up by over 2 million.

Boom and bust had been eradicated – or so we were told…

Of course we all know what happened when the bubble burst.

But we cannot say that the warning signs weren’t there.

Personal debt had boomed in the years leading up to the recession.

The Centre for Social Justice warned that levels of personal debt were unsustainable in a report published that same year.

Not long after, Northern Rock went to the wall.

And it wasn't just the banks that were overstretched – it was Governments too.

In fact, the UK had the highest structural deficit of any country in the G7 **before** the recession started.

Deficit reduction

We were in 2010 that our priority was dealing with this damaging deficit.

And this was a plan that got widespread support – from the OECD, to the IMF, to the CBI.

It also received the support of the Credit Ratings Agencies, with Standard and Poors taking the UK's Triple A rating off negative watch.

This last step was crucial, and I think we underestimate it at our peril.

While countries across Europe are facing soaring interest rates we have managed to maintain rates comparable to Germany's, thanks to our consistency in holding the course.

If we deviated from our plan – let's say we spent just a few billion pounds more – we would face the serious risk of this extra spending being wiped out by billions of pounds more in higher interest costs for families, businesses, and taxpayers.

You simply cannot borrow your way out of a debt crisis.

No complacency

But this does not mean we can be complacent – by any means.

Today's jobs figures serve as a sobering reminder that while we can protect our own interest rates, we cannot so easily protect against the international economic crisis.

We are riding out a storm at the moment, but it is important that we stay the course.

And it is also important that we do everything we can to stimulate growth.

That doesn't mean breaking our deficit reduction targets.

It means reducing regulation, freeing up the economy, and getting money moving around the system once more.

So we're cutting taxes for businesses, reducing corporation tax to the lowest rate in the G7 by 2014.

We're increasing capital spending on roads and railways, even at a time of deficit reduction.

And we’ve struck a deal with the big high street lenders to increase lending to small businesses by 15 per cent this year.

We have also agreed to the Bank of England undertaking another round of Quantitative Easing…

…and, as the Chancellor confirmed last week, we are looking at whether there is more we can do to get money directly to businesses in the form of Credit Easing.

Private equity and venture capital has an important role to play in this growth story.

I understand that, just last year, private equity and venture capital between them invested some £1.75 billion in high technology companies in the UK.

That’s real money, in the real economy, pushing the technological frontier and promoting growth.

Pensions

But, for me, there is another side to the growth story.

In my role at the Department for Work and Pensions I’m responsible for two of the groups that really matter here: workers and pensioners.

Take pensioners: a significant chunk of our economy is devoted to retirement spending, and so it can have a huge impact.

Our first priority was to secure the position of today’s pensioners.

But we also knew that we needed to reform for the future.

We had a pension system that was increasingly unfunded, and the trend was only set to get worse as life expectancy increased, year on year.

So we were clear that if we were not going to fall back into a debt crisis of a different kind – with the resultant effects on growth – we would need to get the house back in order.

For me this is about asking what kind of society we want for the next generation.

We were heading for one marked by a triple whammy, with our children footing the bill for a crippling national debt at the same time as helping to pay for their parents’ retirement **and** having to save for their own.

That’s why we are taking the tough decision to ask people to work longer before they receive their State Pension.

And it’s why we are encouraging people to do more to save for their own retirement though automatic enrolment into pension schemes.

Some people have claimed that automatic enrolment is wrong-headed because it will be a drag on growth.

I reject that entirely.

Analysis suggests that automatic enrolment will actually have a positive impact on the economy.

Pension contributions are not somehow lost to the economy.

They are invested in gilts, corporate bonds and equities, supporting increased investment and economic growth.

Social breakdown

So what about the other side I mentioned – the country's workers?

Britain still has some of the best workers in the world.

But we are increasingly a society divided, because we also have a whole group of people who are cut adrift from the labour market – even from the rest of society itself.

August's riots forced us – as a society – to take a good hard look at ourselves, and to ask why we had allowed such explosive social problems to become ghettoised.

For these problems have been with us for some time, and were not simply a product of the recession.

More than 4 million on out of work benefits.

One of the highest teenage pregnancy rates in Western Europe.

Over a million children growing up in households with parents addicted to drugs or alcohol.

These were problems that the Centre for Social Justice reported on at back in 2007 – in other words, **before the recession started**, during a period of unprecedented growth.

This breakdown destroyed our ability to compete in the global market.

The cost of maintaining that many people on benefits was a drag on economic growth and a factor in the growth of the deficit.

And it is now well documented that during this period almost half of the rise in employment was accounted for by foreign nationals.

So potential workers were paid to be idle, rather than being skilled up and supported into employment, while businesses imported workers from abroad to do the available jobs.

Yet much of the money being earned here was being sent back home, so the British economy wasn't seeing the benefits.

Equally tragic was the human cost – people in communities up and down our country unable to fulfil their potential.

Gangs

This unfulfilled potential takes its most potent form in the street gangs that terrorize many of our poorest neighbourhoods.

In many ways these gangs act to fill a vacuum left by other figures of authority.

Frequently from broken families, gang members seem to be searching for that structure and consistency they are failing to find at home.

Many never make it to the age of 25, yet some of these are really bright kids, just born into the wrong circumstances.

Dealing with Britain’s violent gang culture is vital because the simple truth is that that where gangs rule, decent people cannot live, businesses cannot invest, and communities cannot grow.

What we need is a way out for those who’ll take it and the toughest enforcement against those who refuse. And, crucially, we have to prevent them joining these gangs in the first place.

Broken welfare system

The first step here is getting to grips with our broken welfare system.

The system is complex, contradictory and incoherent.

It takes people’s benefits away at incredible rates as they move into work, meaning work is frequently not worthwhile.

It treats people more as statistics than human beings – as a box to be ticked or a process to be completed.

And it is racked by fraud and error – some £5 billion lost annually because of the immense complexity of the system.

Reform

So first, we are simplifying things with the Universal Credit, a single integrated payment which will replace an array of benefits and tax credits.

It will be clear, it will be consistent and – most importantly – it will make work pay.

That’s the first vital step for people who have been out of work for a long time.

Second, and equally important, we have introduced the Work Programme, a package of support run by the private and voluntary sectors which provides **tailored** help to get people back into work.

Crucially, we will only pay for what works.

And we will continue to pay these organisations as they keep people **in work**.

Third, we know how important experience of work is for young people who are trying to get their foot in the door.

That's why we have funded an extra 100,000 Work Experience places over the next two years.

And it's why we've committed to an extra 250,000 apprenticeships over the coming years.

Making work pay, skilling people up, building their experience of work – that's how we can start to rebuild our labour force and keep people off welfare.

The challenge

All of this is vital, but we cannot do it alone.

We have had a great response from businesses to our Get Britain Working campaign.

But I want to know if there is more that the financial sector can do.

I want to know if there are areas where you could get involved that you wouldn't normally look, or where you are currently underrepresented.

The tragedy is that there are plenty of bright kids out there whose start in life means that they will never end up somewhere like this.

I've met many of these young people – and let me tell you, when working with numbers and figures there are some who could leave people in this room standing.

But it's hard for them to get that first break – take the fact that less than a quarter of all employers in England have given a young person their first job after education.

So I have a challenge for you tonight – a direct challenge to the financial sector to get involved in three areas where we are working with young people.

First, through work experience, giving our young people a chance to get a taste of the world of work.

I understand that few work experience placements are currently available in the financial services sector, and I want to know if there is more that can be done.

Second, through apprenticeships, working with my Department and BIS to look at placements which bring young people in, help them learn the trade, and set them up for the future.

This is about giving our brightest young people a shot, even if they haven't gone through the traditional university route.

It's about letting them prove to you that they can work hard and better themselves.

And **third**, we need the financial sector getting involved in the early intervention work that Graham Allen has been driving.

Graham's reports for Government have shown the incredible impact that intervening early in a young person's life can have.

He has also shown that where we can turn a young person's life around, the savings to the public purse are potentially huge.

Take the fact that it costs around £59,000 a year on average for a young offender to be placed in a young offender’s institute, or hundreds of thousands of pounds to support an individual for a lifetime on benefits

The tricky bit is getting the money there up front so that we can reap these savings.

And that’s where social investment comes in.

The idea here is that Government encourages private investors to back projects…

...whether it be helping young people back in to work, rehabilitating offenders, or helping a drug addict into recovery…

…by investing in ‘Social Impact Bonds’.

These investors are then rewarded with some of the savings to the public purse further down the line – but only if their investments work.

It is still early days, and this is still a fledgling market.

But I think it is a powerful opportunity.

Sir Ronald Cohen – who will be familiar to many of you as one of the father’s of venture capital – is clear about the possibilities here, stating that:

“Social enterprise and impact investing, in short, look like the wave of the future.”

Indeed, in his view: “Impact [social investment] capital is the new venture capital”.

We are already seeing successful projects getting underway…

…from the reoffending social impact bond in Peterborough…

…to my own Department’s ‘Innovation Fund’, which is currently going through its procurement process.

Yes, Government still has more work to do to provide a clearer direction to the market.

But we also need investors to be willing to take the risk and start getting involved.

Repeat the challenge

So let me repeat: these are the three areas – work experience, apprenticeships, and early intervention – where I ask you to think about reconnecting yourself to some of the most troubled parts of our society.

These are places full of young people who – with the right help, and the right support – could aspire to be where you are tonight.

My challenge to all of you is this: don’t just be a successful business – for all the benefits that that brings to our country, and it really does.

We need you to also be thinking about how you can put something back into your local community to change people's lives.

Conclusion

So let me bring this back to where I started – the state of the economy, where we have come from and where we are going.

Getting the deficit in down is crucial, and so is the plan for growth.

But we cannot assume that these issues are separate from the social side of things – from welfare, from pensions, from family breakdown, from drug addiction, or from gangs.

Whether it be the cost of paying 4 or 5 million people to sit on out of work benefits while bringing in workers from abroad…

…or the cost of putting the same young people over and over again through the criminal justice system…

…the social side is absolutely crucial to the economy.

It is a terrible waste of resources to have people sat on the margins of society, unable to engage with the system.

Ignoring this has been the mistake that too many Governments have made in the past.

But August showed us was that containment is not an option anymore.

For the riots provided a moment of clarity for us all, a reminder that a strong economy requires a strong social settlement.

Our task is to achieve this rebalancing of society,

Restoring our economy must go hand in hand with restoring society.

I believe that this is the challenge of our generation.

Together, I hope we can rise to that challenge.

Kinship and Family in an Ageing society

Michael Young Memorial Lecture

Monday 31 October 2011

Introduction

It’s a pleasure to be here tonight to celebrate the life and work of Michael Young.

Lord Young was a visionary of our time.

His approach to public service reform was a lesson to us all.

A lesson that we achieve far less from sitting in ivory towers drawing scientific conclusions on public policy…

…and far more from actually listening to ordinary people, understanding their problems, and proposing practical solutions.

I’m also very grateful to the Young Foundation and Grandparents Plus for arranging for me to be here tonight, and I congratulate them on reaching their 5th and 10th anniversaries respectively.

Both organisations are building an honourable legacy for Lord Young.

7 billionth person

I’d like to begin this evening by considering a remarkable fact.

Today, the United Nations announced the birth of the world’s 7 billionth person.

What is notable is that the world’s 6 billionth person – Adnan Mevic of Sarajevo, Bosnia – has only just celebrated his **twelfth birthday**.

So that’s an extra one billion people in the world, within a space of just over a decade.

Compare that to the fact that it took 250,000 years to reach 1 billion people in around 1800, and over a century more to reach 2 billion in 1927.

The huge population growth we’ve seen in recent decades has given rise to some incredibly young societies.

Take Zambia, where half of the population are under the age of 16.

But there is another side to this story.

For while countries in Sub-Saharan Africa have been getting progressively younger, societies in the West have been ageing at a tremendous rate.

Ageing population

In the last century or so the UK has seen a surge in the retired population relative to those in work.

So back in 1926 – when the State Pension age was first set – we had some nine people of working age for every pensioner.

Today, that ratio is just 3:1, and it will be moving closer to 2:1 by the second half of this century.

Sitting behind this shift are declining fertility rates and huge improvements in medical science, pushing life expectancy inexorably upwards.

Take the fact that a baby boy born today has a one in four chance of making it to 100.

The chance of a baby girl making it to 100 is one in three.

Young versus old societies

In the press coverage of the UN's Population Report there have been a number of contrasts drawn between these younger and older societies.

When discussing the younger societies, the talk was a "demographic dividend" – a chance for high investment and growth on the back of a young workforce, as long as the right conditions can be fostered.

But when focus turned to the ageing societies the "dividend" became a "liability", with foreboding descriptions of "disproportionately more old people depending upon a smaller generation behind them".

This was followed by statistics about how many "dependents" western societies would have in relation to the number of working-age adults.

Ageing challenge

Now I am the first to accept that we face a demographic challenge.

Age-related spending currently accounts for some 12 per cent of GDP, and is projected to grow by around 5 per cent of GDP by 2060.

And I'm certainly concerned for the next generation – a generation that will have to foot the bill for a crippling national debt, at the same time as helping to pay for their parents retirement **and** trying to save for their own.

But if we continue to use the language of "dependency" to talk about older people in our society then we will get nowhere.

As Michael Young recognised, we miss the point when we arbitrarily cut the life-cycle into standard segments, with:

"People turned into numbers and the galaxy of differences between individuals deliberately ignored."

We have to look at how we can change things so that older people are **no longer** seen as a liability, but are more and more involved in society…

…changing the attitudes that push them to the sidelines…

…and recognising the vital roles they must play in the future.

Working longer

So we need to change our attitude to ageing.

Someone of 60 or 65 can no longer be lazily considered as "past it" – such attitudes are patronising and just plain wrong.

When I arrived in the Department, British business could still force someone to retire at 65 even if they didn't want to.

This process was called the Default Retirement Age.

It led to lazy business practices and a failure to find out how best to use the talent and experience of an older workforce.

As Young eloquently put it, this provision meant that:

"When the clock strikes sixty-five, the magic wand of the State turns not coachmen into mice but men into **old men**…[with] no transition. When the wand is waved millions of people have at once to obey".

Well I am enormously proud that this Coalition Government acted on Young's admonition and finally consigned the Default Retirement Age to the dustbin of historical discrimination.

But that is only the start.

We need businesses to stop thinking of old people as having a "sell by date", and to look more closely at the skills and experience they bring with them.

At my Department we've been working with employers and employer organisations through the Age Positive initiative, challenging outdated assumptions about older people.

There certainly seems to be a trend in the right direction – the past decade has seen the age at which people leave the labour market increase.

And this is likely to continue, especially once you factor in the changes we're making to the State Pension age – changes that are difficult but necessary, given how much life expectancy has changed since the State Pension age was first set.

But to keep all of these changes on track, we have to challenge the damaging claim that older workers block employment opportunities for young people.

This is a fallacy, based on the idea that there is a fixed amount of work available in the economy.

In actual fact, evidence from both the UK and abroad suggests that this is far from the case, and that having more people in work is likely to **increase** the availability of jobs through the effect it has on growth.

Work-sharing

Nonetheless, I wonder if there is more society could do to match the work of younger and older people.

For example could UK businesses look more intelligently at sharing work between older people…

…who may be looking to do fewer hours...

…and the young, who are keen to start getting some experience?

I understand that Germany has some experience with intergenerational mentoring, where older people work with young school leavers to help them find their way into employment.

I leave this to the social innovators out there – the Michael Youngs of today – to think about some more.

Older people caring

But this isn't all about work.

Far from simply being members of the labour force, the role that older people can – and in many cases do – play in wider society, is enormous.

Whether it be volunteering, providing social care, or looking after grandchildren, we all gain hugely from the time and commitment that many older people give.

We ignore this at our peril.

Though the vast majority of older people give their time willingly…

…and indeed get great pleasure out of doing so…

…we should not forget that many of the jobs they undertake would otherwise fall on the state.

This is family doing what family does best – quietly, with great commitment, carrying out its duties.

But I've long believed that the state has become ambivalent about the importance of family structure.

Not just decent parenting but also the role of the extended family.

In an increasingly atomised society, and in a context of growing family breakdown, it is all the more important that we continue to support, celebrate and hold together these wider relationships.

Without them society would simply collapse.

So far from older people being “dependents” supported by the rest of us, it is worth reminding ourselves of the extent to which society is dependent on **them**.

The economic backdrop

As a country we face an immense economic challenge at the moment.

Sorting out our huge budget deficit and paying off our enormous debt is a priority if we are to restore growth at a sustainable level.

But we also need to recognise that this isn’t all just about economics.

It is also about how families can support each other so that they can take advantage of any work opportunities in the future.

Where possible we’ve tried to design our reforms so that they make this kind of support and caring easier and encourage it where it matters most.

Grandparent Credits and Childcare

This is something my colleagues at the Department for Health and the Department for Education have been working on carefully, from investing money in short breaks for carers to improving GP awareness of carer issues.

And at my Department one of the first changes we made on coming into Government was the introduction of “Grandparents Credits”, meaning that those below State Pension age can start building up credits for a State Pension if they are caring for young children rather than working.

This is about recognising the **hugely** valuable contribution this kind of caring makes to many children’s lives.

I also believe we’ve managed to strike an important balance with Childcare Support through the benefits system.

When we introduce the Universal Credit we’ll be saying – for the first time – that working parents can get help with their childcare costs even when they are working fewer than 16 hours a week.

This is about saying that it should pay to go back to work no matter how many hours you do – and I hope it has the potential to ease childcare responsibilities for the extended family as well as for parents.

Kinship care and conditionality

Another issue that I know has been raised is the conditionality regime in the benefits system.

Kinship carers accessing the benefit system under the new system will fall under the same conditionality rules as biological parents.

But, crucially, there is the flexibility available for the Jobcentre to take their particular circumstances into account.

We want kinship carers to be looked at on a case by case basis.

And the Jobcentre absolutely has the power – indeed the responsibility – to **not** impose full-time work search and availability requirements on carers of younger children.

There are **specific safeguards** on this in the Welfare Reform Bill.

Even where work-related requirements do apply, advisers will have broad discretion to limit these, taking account of an individual's caring responsibilities.

So I hope this strikes the right balance.

But I'm always willing to listen on this kind of thing – and we're currently talking to kinship care organisations to understand their priorities.

I've specifically asked my colleague Lord Freud to look at the kinship carer issue…

…as we have been approached by a number of people on this.

Not just about Government

But none of this is just about what Government can do.

As I think Michael Young would have agreed, most of the best ideas in the world come from outside Government.

I understand Lord Young pioneered a venture called LinkAge, bringing together older people without grandchildren, and young people without grandparents.

My own colleague Lord Freud has been personally involved for a number of years now with a very similar project known as Grandmentors – something he helped to set up.

And the organisation I founded – the Centre for Social Justice – recently gave an award to a project in Liverpool called "Growing Old Together" which takes young people into care homes and sheltered housing schemes to spend time with the residents and build relationships with them.

This brings me back to the point about atomisation – projects like these can help reconnect the stretched relationships we find in an increasingly mobile and fluid society.

But remember that these important projects have been driven largely from outside Government.

Out there, in our local communities…

…and amongst our social innovators…

…are where the real change will happen.

The change we need if we're to move from viewing our older people as dependents, to seeing them as one of the lynchpins of our society.

Ageing Well

I'm pleased to say this is something my Department have started to understand.

When we came in to Government we launched the Ageing Well programme, which is about driving better services for older people at a local level.

Although this programme was already being considered when we entered Government, we were insistent that it needed to be reconfigured so that it drew much more from local knowledge and expertise.

The Young Foundation has been playing a critical role in this project, and I thank them for their continued hard work.

Age Action Alliance

In addition to this we recently helped launch the Age Action Alliance…

…an ever-growing partnership of public, private and civil society organisations…

…which is taking forward a preventative, community based approach to improving the quality of life of the worst off older people.

This hardly involves central Government at all.

We provide a small secretariat, but that is really just facilitating the work of over one hundred organisations who **know what works** – including a number of those represented here tonight.

Conclusion

So these are some of the areas that we – and society at large – are working on.

But what is more important is that we recognise what each of these different projects **means**.

A rejection of the idea of older people as dependents, or a burden…

…and an acceptance that we will need to change our institutions to ensure this overarching narrative becomes a reality.

We need to redesign our retirement system so that older people are encouraged to work longer – and are able to do so if they want to.

We need to think hard about the way we recognise and reward caring, so that we don't lose the invaluable support from friends and family that currently exists.

And we need to work more closely with local groups to redesign projects, products and services so that they are better suited to an older society – and one which is increasingly active.

Lord Young once wrote about the UK as a society that has:

> "enjoyed a demographic revolution, even if it has not yet enjoyed it as much as [it] could".

With the right changes…

…and a firm commitment…

…perhaps we can fulfil Lord Young's vision…

…and start to enjoy our older society that little bit more.

In fact, maybe now is the time to say that this is the age of the older society.

Families and young people in troubled neighbourhoods

London School Economics

Thursday 1 December 2011

Introduction

I'd like to thank Anne Power for inviting me to speak to you tonight.

I first met Anne in my office in the House of Commons back in 2008.

It was there that she told me about the work she was doing up at Trafford Hall with the National Communities Resource Centre.

I immediately took the liberty of inviting myself up there to see what it was all about – and I was impressed by what I saw.

The book – Family Futures

And it's a pleasure to be here tonight to talk about Anne and her team's research.

It was while the study was being carried out that I entered the debate about the most disadvantaged areas of our society.

Back in 2004 I set up a think tank called the Centre for Social Justice.

The idea was to assess the poverty landscape in the UK...

...and to reassess how we as a society were responding to it.

We travelled around the country taking evidence from voluntary organisations and community groups.

And we put the facts down in our key reports, which laid bare the extent of the social challenge. We had:

- More than 4 million people on out of work benefits, many for 10 years or more
- Levels of family breakdown that were high and growing; and

- One of the highest levels of personal debt in Western Europe

This isn't to say there is no hope in our most disadvantaged areas.

Family Futuresmakes it clear that even on our most deprived estates there are large numbers of families who work hard, care about their childrens' education and play a huge role in their local communities, with some real progress being made.

But we cannot escape some of the basic facts that the study reveals:

- The disproportionate incidence of poor health in our poorest neighbourhoods
- The repeated complaint about a lack of things for young people to do, often leading to youth misbehaviour, a lack of respect for others and crime
- And the constant challenge of low skills and persistent unemployment, often passed down through generations.

Take the issue of crime.

While those taking part in the study saw some progress on crime, they were clear that the challenges they continued to face had a disproportionately big impact on their lives.

Listen to the following from Alan in West City, a neighbourhood in Inner City London:

"Living here on a day-to-day basis you're trying to build a community on our little estate of 85 homes and all we get is people moved here who the council are getting off their list, whether they're coming out of prison, or drug users, or mental health issues. They get dumped on the estate with next to no support and cause a nightmare for everybody else. You only need one crack house for everybody's lives to be a nightmare. You only need one nuisance neighbour who just doesn't give a regard for anybody else, whether it's loud music at night or whatever."

As Alan indicates the majority of those living on the estate were law-abiding families who played by the rules.

But it only takes a couple of families to go off the rails to make everyone else's lives a misery – seemingly minor or localised cases of crime and anti-social behaviour can have multiple negative effects in these areas.

Gangs

Take street gangs, an issue that the Government has been looking at carefully in recent months.

Gangs may only be in a minority in their community, but they have a disproportionately large effect on the lives of those around them.

They are a product of social breakdown, but they in turn further that process of breakdown by creating no-go areas that make impossible the very things that could help deprived neighbourhoods to rejuvenate – stable families, strong businesses, and community action.

As **Family Futures** finds, parents were clearly worried by the sense that their streets could be taken over by guns and gangs – an incredibly destructive environment in which to bring up a young child.

Economic backdrop

But perhaps the biggest challenge of all comes from the fact that these social problems persisted even during a period of unprecedented growth.

The UK economy created a lot of jobs in the period leading up to the recession – with employment levels up by some 2 million – yet huge numbers of those on benefits were unable to take advantage.

Businesses looked elsewhere, bringing in what they said were keener and more willing workers from abroad, with nearly half of the rise in employment accounted for by foreign nationals.

Of course things are even tougher now.

Resources are incredibly tight.

And we have a real challenge in the labour market.

But at the same time we see on our TV screens every day the consequences for countries that fail to get to grips with their debts and deficits.

We shouldn't forget that Italy had lower borrowing costs than Britain back in April of last year.

They are now around three times higher.

We cannot get caught up in that same debt spiral – breaking it is absolutely critical.

But this isn't all about the economy.

August's riots were a reminder – if any were needed – that those suffocating social problems I spoke about before are still alive and well.

Family Futures

So this brings me to **Family Futures**, and the lessons it can teach us about how we respond to the kinds of challenges faced by families in troubled neighbourhoods.

Let me start with the question of poverty.

Reading **Family Futures** reminded me of an issue we found time and again at the Centre for Social Justice – namely that poverty is about more than income alone.

The whole debate around poverty in the UK is constructed around the relative income measure – set at 60 per cent of median income.

If you sit below the line, you are said to be poor.

If you sit above it, you are not.

But we must remember that levels of family income are just an approximate – and by no means perfect – measure of family well-being.

And what do we know about the things that really improve well-being?

It's the kind of issues mentioned in **Family Futures**:

- Better health
- Lower crime and lower fear of crime
- Work
- A strong sense of community

This isn't to say that money isn't important.

Of course it is.

I'm not going to stand here and say that those interviewed for **Family Futures** wouldn't have wanted, or needed, higher incomes.

But I do believe that increased income and increased wellbeing do not always follow the same track.

Take a family headed by a drug addict or someone with a gambling addiction – increase the parent's income and the chances are they will spend the money on furthering their habit, not on their children.

According to the relative income poverty figures they might be above the line, but by any reasonable measure of long-term life chances they would be stuck firmly below.

Or take a family where no one has ever worked.

Increase their benefit income – while taking no other proactive action – and you push the family further into dependency, only increasing the chance that their child will follow that same path as an adult.

So while income is important we should be clear that the source of that income can have very different effects.

Income through benefits maintains people on a low income, whereas income gained through work can transform lives.

Of course for some people, such as those with severe disabilities, income from the welfare system will always play a vital role, and rightly so.

But money can never be the whole story, as it ignores so many other indicators of well-being.

Child Poverty – perverse incentives

This is an important conclusion – but we need to know what it means in practice.

My concern is that while we know what direction of travel is needed, we may be destined to repeat the failures of the past if we are not prepared to think much harder about the poverty challenge.

The public debate on poverty is still overwhelmingly focussed on the narrow relative income measure.

And this focus drives a number of perverse incentives in the way that governments have approached policy.

First, there is an incentive to move people who are just below the line to just above it, as this can prove the simplest and cheapest way to hit the poverty targets.

We find this borne out in some of the figures, which suggest that something like half of parental exits from poverty are to just above the income line.

This has been called the ‘poverty plus a pound' approach – doing enough to keep the poverty figures moving in the right direction, but without really changing anyone's lives.

Meanwhile those at the very bottom risk being left behind, too far from the line for anyone to bother trying to lift them out.

Second, there is an incentive for Governments to focus on lifting income through higher welfare payments, particularly through those aimed at children.

This is helpful in the public presentation of Government policy, because forecasts of future poverty trends rely mainly on changes in the tax and benefit systems.

But as I've already explained this approach is unlikely to make a real difference to outcomes.

And again we find this perverse incentive borne out in the figures – from 1998 to 2009/10 the likelihood of being in relative poverty declined 1.5 times faster for children living in workless families than for children living in families where somebody worked.

This is hugely expensive approach – and it looks set to have failed.

Though some progress has been made on poverty the last Government were set to miss their targets by a wide margin, having already missed their interim targets.

Let's have a more forward-thinking debate about how we can do more to promote a life chances approach, and one not so narrowly focussed on income alone.

Joseph Rowntree Foundation

It's interesting to see that the Joseph Rowntree Foundation have sparked off this debate with their report today.

Though we might not agree with everything they have to say, I think there are a couple of quite important points here:

First, they have argued that the focus on poverty has been too centred on the child alone, to the detriment of other groups in society.

You cannot somehow pull a child apart from its family.

A child's wellbeing is fundamentally linked to the wellbeing of its family, and nor can we ignore the plight of working age poverty.

Second, they warn against the risk of focussing too much on the social security system to lift people out of poverty

I think the social security system can be a critical tool – and I will touch on the Universal Credit in more detail in a moment.

But I agree with the Joseph Rowntree Foundation that simply pulling people out of poverty with increased welfare payments is a dangerous and ineffective strategy.

Life chances

So we need a change in the terms of the debate.

Government can – and does – do plenty of things that are likely to impact on poverty levels in the future through their effect on life chances.

But these are too often the kind of dynamic changes that it is much more difficult to measure.

Take the Fairness Premium, worth about £7.2bn, which the Government has introduced to support the poorest in the early years and at every stage of their education.

This is a huge investment by Government in changing children's lives, with the potential to completely alter a child's future.

With the right support a child who was destined for a lifetime on benefits could be put on an entirely different track, one which sees them move into fulfilling and sustainable work.

In doing so they may well move out of poverty.

But because we can't predict the effect on income in the future this is not given credit as a poverty-fighting measure.

Or take relationship support, to which the Government has committed in the coming years.

It may be that this investment has a huge impact on a number of children's lives, helping their families stay strong and stable and so providing a safe and loving environment in which to grow up.

But forecasting how this will impact on a child's income in the future is extremely difficult.

We find the same thing with Health Visitors, where we're upping the numbers by around 4,200.

Health visitors have been found to play an incredibly important role in helping families to cope and provide a stable environment for young children.

Yet, once again, we don't do enough to assess the impact of this investment on a family's life in the long run.

So I believe that we must look more closely at how we are measuring the impact of these interventions, and continue to push a debate about these wider measures of poverty.

Social investment and early intervention

We've kicked off a process here already.

Frank Field's work on life chances...

...Graham Allen's reports on Early Intervention...

...the small but significant growth of the social investment market...

...all this work is starting to change the way we look at the issue of poverty and life change.

We want to build a body of knowledge about what works and what doesn't.

This could provide the incentive for private investors to put their money into this agenda, and in doing so releasing more money into life change.

Also a side effect of this, but nonetheless a powerful social driver, will be the way such investment can re-engage the top of society with those at the bottom, reviving that sense of shared community which has been missing for too long.

Riots

And I think this speaks to the experience of the riots as well.

First, the need to re-engage the top and bottom of society, ending the feeling of disenfranchisement in many of our neighbourhoods.

But also – in getting to grips with a culture of dependency – we need to end the feeling of entitlement that also seemed to drive some of what we saw back in August.

By focussing on income levels rather than life chances we have created pockets of our society where too many know only of money which is given, rather than earned, and so were too easily prepared to go out and take on the night of the riots.

Tax Credits

But if we are to understand which policies actually change lives, and will actually start to turn this culture around, we have to understand the issue that we're dealing with.

That's why studies like **Family Futures** are so valuable – they provide an opportunity to hear testimony from people in troubled neighbourhoods about what really matters to them.

I just wanted to touch on two areas briefly:

First, the experience of those in the study who were claiming tax credits.

The introduction of tax credits was based on a sound principle.

Yet the way they were designed meant these incentives were too often perverse or incomprehensible.

As **Family Futures**makes clear the dominant problem for families was having to rely on a badly organised system that created confusion and uncertainty.

One person was so put off they weren't willing to even make a claim:

"Even if I'm entitled I don't want the hassle, I just put the form in the bin".

Others wanted to move into work, but felt paralysed by the complexity of the system:

"I want to work but I don't know how the benefit system works... Before they award Working Families Tax Credit, you have to deal with accountants, it's really confusing. I want to work but I'm worried I'll be in a worse situation".

Universal Credit

It is clear that this was a government project with sound principles, but one not built around the people it aimed to help.

So our aim is to build a system that replicates the positive points of tax credits, but one that is:

- Simpler to understand
- Fits around the hours that people want to work
- And doesn't create such significant perceived risks from moving into work

The system we're building is the Universal Credit, a simpler payment that is withdrawn at a clear and constant rate as people move into work.

Key to this is something called the Real Time Information system, meaning we'll receive information directly from employers about what people are earning and translate that into an accurate and up-to-date payment.

Small and local changes are important

So I believe the Universal Credit will start to make a difference to some of the issues which come out so strongly in **Family Futures**.

But this book also presents something of a challenge to Government.

For its findings suggest that the changes that make a real difference to people's lives aren't just the big projects – they are also the seemingly little ones, whether it be

- Fixing broken street lights
- Making repairs to the community park
- Or fixing that broken pavement slab that stops parents pushing their pram down the street

This comes out clearly in the later chapters of the book, which describe how residents worried about the one-off nature of big regeneration programmes and favoured more low-level, responsive investments and more gradual improvements.

Broken windows

Of course there is a lot of talk about big capital projects at the moment – and rightly so.

But let us not assume that only big can be beautiful.

Let me take you back to New York in the mid-1990s, where Mayor Rudi Guiliani had just appointed a new Police Commissioner – Bill Bratton.

Bratton's approach was a bit different.

Together with Guiliani he pioneered work on the 'Broken Windows Theory', the idea that what starts as low level degradation – faulty street lights, littering, broken windows – is the beginning of a continuum to much more serious anti-social behaviour and crime.

If people in the area get the sense that others don't care enough about the local environment, then the chances are that no one will care at all.

We hear this kind of testimony from the parents in Family Futures:

"It gets me down seeing so many derelict buildings and uncared for things...The block getting emptier and crying out to be vandalised".

And one mother felt strongly about something apparently as small as a McDonalds' carton.

"Before this estate was built, it was all old houses, terraces. But people were spotless, they'd come out and scrub the whole, you know, a whole bucket of water would go down the front path and down onto the pavement. They didn't have a lot of money but they were veryclean...You didn't see rubbish on the street. Perhaps it's because there wasn't Mcdonald's about at that point! I think people need to be a little bit more caring about their environment, wherever it is, you know...It doesn't mean to say they can throw a McDonald's carton or leave their rubbish behind".

On the other hand if you get in there early – and pick up that McDonald's carton or fix that window before it can impact on people's behaviour – then you can potentially have a huge impact on the local environment.

We talk a lot about early intervention when it comes to our youngest children – but perhaps we should be saying more about early intervention for our communities too.

Localism

But – as with early intervention for children – this is an agenda that is best when driven at a local level.

That's why the localism agenda is so important.

It's why we're trying to push power out – not just to local authorities but also to voluntary and community organisations.

We've tried to harness this local expertise in the Work Programme, where hundreds of voluntary and community sector organisations will be delivering intensive help to get people back to work.

And we're also working to turn round the lives of some of the countries most troubled families, again working with local authorities and the voluntary sector to drive this from a local level.

These are organisations that see people for who they are, not just as numbers on a spreadsheet or as a box to be ticked but as human beings.

Conclusion

So let me just finish by repeating some of the key principles that I think need to underpin real change for families in troubled neighbourhoods.

First, we need a new debate on poverty, based around life change rather than maintenance on benefits.

And second, we need to understand what really matters to people – how Government can design programmes of support that fit their aspirations and work with the grain of their lives – in short, humanising government, and making small that which is too big.

Whether it be simplifying the welfare system or making the small changes to the local area that make a really big difference, we owe it to those in our poorest communities to do better.

This is the challenge of our generation.

Social Market Foundation Conference

Thursday 15 December 2011

Risk and reward: can social impact bonds breathe new life into public services?

Introduction

It's good to see so many people here this morning. It can be easy to lose sight of why this issue is so important, but sometimes you have moments that give you a sense of perspective.

I was recently handed a report by a charity who work with extremely vulnerable children.

The report contained a number of difficult images and stories, but some of the most powerful were sculptures and scenes created by the children who the charity worked with.

One of the scenes was produced by ten young people whose parents were substance abusers, and the caption below the photo read as follows:

"The house of children whose parents are addicted to crack-cocaine. Dad has passed out on the mattress in his own vomit, mum is crouched over a table, preparing her fix. What you don't see is the child hidden in the corner crying."

This is how these children chose to represent their home lives.

The Centre for Social Justice

Some of you might be thinking: ‘That’s terrible, but it must be a pretty rare case.

It’s probably not as rare as you think.

When I was at the Centre for Social Justice we found that some 350,000 children had drug addicted parents, and one million had parents who were addicted to alcohol.

And this isn’t just about addiction.

We found that, even during a period of growth, we had:

· Some 4.5 million people on out of work benefits, many for ten years or more

· High levels of family breakdown, particularly affecting our poorest communities

· And a staggering level of personal debt, one of the highest in Western Europe, with too many condemned to the fear of violence from loan sharks on a daily basis

Perhaps most important of all, we found that poverty was about more than income alone.

Of course income is an important factor, but it is not the whole story.

Take the scene of the drug addicted mother and father that I described before – would the child’s life really have been changed if its parents had been given a couple of extra pounds a week in benefits or tax credits?

But help the parents get clean from their addiction…

…support them to stay together and work at their relationship…

…and work with them to write a CV and find a job – and that’s when you really start to make a difference.

So while income is important, we should be clear that the source of income can have very different effects.

Income through benefits maintains people on a low income, whereas income gained through work is transformational.

What is critical is that we tackle the ‘pathways to poverty’:

- Family breakdown
- Educational failure
- Debt
- Addiction
- And worklessness linked to welfare dependency

We have to get in there early – investing money up front – to close these pathways off.

Social Investment

Now I am the first to accept that people should be wary of politicians talking about 'investment', when too often what they actually mean is more spending.

But we are trying to build an agenda that is a little bit different – an agenda that is about real investment, asking investors to put their money forward in pursuit of the social good while reaping a return at the same time.

These returns are potentially huge – Graham Allen's report on early intervention cited statistics showing that it costs:

- Around £59,000 a year on average for a youth offender to be placed in a young offender's institute
- Or hundreds of thousands of pounds to support an individual for a lifetime on benefits.

But it's not enough to know how much this is costing Government at the moment.

We need to know which interventions – if made early and up front – could change the course of someone's life so that they do not become the concern of the State for many years to come.

And we need to know what rate of return we can expect from these investments, allowing us to apply a price to social intervention and create an investment vehicle, such as a social impact bond.

Washington State Institute

This isn't just a pipe dream – there are organisations doing this already.

Earlier this year we held a seminar with Steve Aos from the Washington State Institute for Public Policy, and the work they are doing there is fascinating.

They've shown that it is possible to determine a social return on investment, monetise it, and say that, for some given intervention, you get £X return for every £1 invested.

This enables them to send out a clear message that these are quantifiable and hard savings, and they have been using this approach in Washington State for over 25 years now.

There is similar work being done at the Dartington Social Research Unit, led by Michael Little.

It's time that UK governments caught up, and this is exactly the kind of approach we are looking at now.

Work underway

But while there is work to do in building the evidence base for social investment, I'm pleased to say we are leading the way in building innovative funding mechanisms.

There are two things here.

First, through the Work Programme we have created a new payment by results regime, levering private investment up front and paying when outcomes are achieved.

This model operates well when success can be measured over the relative short-term.

For interventions that show results over the slightly longer-term we are building social investment vehicles, including social impact bonds.

Many of you will be aware of the reoffending Social Impact Bond in Peterborough – the first of its kind anywhere in the world.

We are also in the middle of procuring for the Innovation Fund, which will enable investors to back innovative projects which help disadvantaged young people.

This is about getting in there before people have left school, targeting kids from the age of 14 and up and tackling the root causes of disengagement from education and employment.

And the Cabinet Office is currently leading innovative pilot projects with four local authorities, looking at how social investment can be used to help turn around the lives of some of the most troubled families.

Need to build a market

But these are still just first steps – the question is 'what next'?

How can we encourage social investment on a big enough scale to achieve real life change?

And I don't just mean how can we get businesses to do this as an afterthought, or as part of their corporate social responsibility agenda – important though that is.

I mean how can we ensure that social investment becomes – as Sir Ronald Cohen has predicted it will – *'the new venture capital'*.

If we get this right, it could mean a change to the whole way that Government and the private sector work together to solve social problems.

Government could benefit from more capital up front to invest in savings to the public purse.

The private sector could get new opportunities to see returns on their investment.

And for society at large…

….for some of our most disadvantaged communities…

…potentially for those children I spoke about at the start…

…it could offer a real chance to change lives, potentially on a massive scale.

It could offer a chance to re-engage the top and bottom of society once more.

Financial sector

You don't need to look far to see that there are concerns in our society about some parts of the financial sector.

Without doubt there has been a dislocation between our wealth creators and those who have been left behind, and this cannot be good for society.

But I believe that this market offers a new opportunity…

…a chance to start afresh…

…and a vehicle for the wealth creators to feed that wealth back into the community.

This isn't about transferring social 'burdens' from the public sector to the private sector.

It's about sparking off a dynamic change in our poorest areas.

Get someone in to work in an area where worklessness is endemic and you have created a role model.

You have improved the prospects for a local business.

Or help someone to start their own business, and you have enabled them to start creating employment prospects for others.

This in turn helps to create more stable families, building a more positive environment for children to grow up in.

This is how a small intervention can spark off a chain of events that revives whole communities.

Building the evidence base

But this isn't just a call to investors – there is more for Government to do as well.

Investors have told us that they need more assurance about the measurement of – and evidence base for – social interventions before they are prepared to risk substantial funds.

The Innovation Fund is important here.

One of the reasons we have built the Fund is to test the extent to which it generates savings and delivers a wider social return on investment, and we will be applying these lessons to other projects in the future.

Work is also close to completion on 'Big Society Capital' – a major new source of social investment – and this is something the Chief Secretary will touch on in more detail later.

But we know that there is still more that could be done…

…and myself and a number of my colleagues have been clear that we support the principle behind the proposed Early Intervention Foundation, which would provide expert advice on early intervention as well as building the evidence base on social returns.

We will be able to provide more details on this shortly.

Conclusion

So my message to you today is this:

Government is committed to this agenda.

We are behind it, and we are sticking to it.

And where there is more work needed to build the evidence base, we will deliver it.

But now we need you to come with us.

For those who haven’t done so already – make that first move into the market.

For those who already have, help us to grow it in the future.

We are on the edge of something exciting – now help us make it a reality.

Social Investment

Broadway Property Fund launch

Mansion House

Wednesday 29 February 2012

Introduction

It's a pleasure to be here tonight, and a particular pleasure to be at the Mansion House.

It is here that my speech really begins.

Back in 1739, when the first stones in this building's foundations were being laid, a rather momentous occasion was taking place just two miles west of here at Somerset House.

There, an assorted group of aristocrats, merchant bankers, artists and other 'men of standing' had gathered for a celebration.

The reason?

They had just been granted a Royal Charter by King George II to build the Foundling Hospital, set up to look after 'the education and maintenance of exposed and deserted young children'.

But this wasn't just any old hospital – it was a hospital that helped lay the foundations for the great wave of philanthropic activity that took place during the 18th and 19th Century.

Self-made men and women, led in this case by Thomas Coram, were pouring their money back into a society in which they saw overwhelming levels of social breakdown.

Social breakdown

The work that Coram and his contemporaries did was entirely laudable – but I should stress that I'm not just here tonight to talk about philanthropy.

Nor am I here to harp back to an imagined 'golden era'.

The construction of the Foundling Hospital was both a symbol of a positive trend at the time – a rise in giving – and an overwhelmingly negative one – a rise in the level of street children and in overall levels of social breakdown.

I simply seek to make a point about what this philanthropic movement represented – namely the commitment of those at the top of society to putting their wealth back in to supporting those at the bottom.

I feel we may have lost our way a little since then.

Coram's ambition was to change lives – the problem at the time was a lack of money.

Today our problem is more a lack of ambition.

We have been content to sustain people and not to change their lives, allowing social breakdown to fester and thrive in our poorest communities.

Waste of potential

This isn't just a mark on our consciences.

It is also a criminal waste of potential.

I've frequently said that many young people in our country who are out of work, on the dole, or in some of our toughest street gangs are harbouring a range of skills that could rival some of our top-paid professionals.

They are just completely misdirected.

I'm talking about the young people who are mathematical whizzes when it comes to calculating their benefit claims.

I'm talking about the young people who are able to pull apart and unblock stolen mobile phones, or fix up old bikes and mopeds.

And I'm talking about young people who organise and lead highly complex gangs and drugs cartels.

These kids aren't stupid.

They have just never had the opportunities that many of us were able to take for granted.

It all started badly for too many of them – dysfunctional families…

…underperforming schools…

…intimidating street gangs…

…and then too often into the arms of a welfare system that acts as a crutch, rather than a springboard for change.

Unlocking human capital

Meanwhile, at the top end of society, we find some of our most successful and well rewarded professionals pouring – rightly – their skills into wealth creation…

…but too often they are detached from what is going on at the bottom.

In many cases…

…although not far away in miles from some of our most serious social problems…

…they do not have to see them, or do not believe they could be part of the solution for change.

The task seems too great, the gap between top and bottom too wide.

So the obvious question is: how do we bring these two groups together, using one set of skills to unlock the other?

Social investment

The answer to this challenge, I believe, lies with social investment, which is why we're here tonight.

Social investment could be the tool for unlocking human capital at both ends of society, without being forced to rely on the generosity of a few wealthy individuals.

I want to see a process by which the wealth creators in our society can be tied back into projects which yield BOTH a social return for the community AND a financial return for them.

Why is this different from charity?

Because you get the rigour and discipline that comes from someone risking their money on an investment…

…money that could otherwise be reaping a return elsewhere.

If our top businessmen and women are putting their cash and the cash of their companies into these investments you can guarantee they will be keeping an eagle eye on them, bringing their expertise and asking all the right questions.

That makes then whole process both more effective, and more sustainable.

When you give money charitably it is an act of selfless giving.

You give money – wonderfully – because you think it is right.

But when you invest, this is an act of hard-headed calculation.

And once this area is opened up there's no reason it shouldn't become a mass market – there's no reason that people shouldn't be investing their savings in social investment ISAs or pension funds with a social return element.

Growing market

So what chance this new golden age?

The Social investment market is still in its infancy.

It is worth around £190m today, a number that pales in comparison with the £3.6 billion annual outlay on philanthropic grant funding.

But the market also has serious potential.

Ronald Cohen, known to many as the father of venture capital – has commented that

"enterprise and impact investing…look like the wave of the future."

Indeed, in his view:

"Impact [social investment] capital is the new venture capital".

The challenge is how we get to that position from where we are now.

Government

In recent months I have made a number of calls to the market to get involved in this agenda…

…and that's why I congratulate Broadway for launching their Property Fund today.

But Government has to get the financial and regulatory conditions right, and we're very much in listening mode.

One of the things we've heard from a number of organisations is that before they can invest substantial funds in social returns they need to have a better understanding of what those returns might be – and how certain they are to accrue.

A number in particular have supported the idea of an Early Intervention Foundation, which would provide expert advice on early intervention as well as building the evidence base on social returns.

I recently made a speech where I promised I would provide more details on this Foundation shortly – we are about to do just that.

There are also a number of innovative projects going on across Government – from payment by results through the Work Programme…

…through to full-blown social investment projects like the Peterborough Social Impact Bond…

…my Department's Innovation Fund…

…and the Cabinet Office's local authority pilots.

At the same time, we are seeing a major new source of investment funds coming on stream via Big Society Capital.

There are already some really interesting projects here, including the setting up of the world's first 'Social Stock Exchange' for social enterprises, which will be located right here in London.

Conclusion

To me it feels like we're at a tipping point with this agenda.

There is good work going on everywhere we look…

…but it's now a question of how we piece it together and build a crescendo.

Shortly we will be publishing a new Social Justice strategy, setting out our ambition to use new and innovative delivery mechanisms…

…including social investment…

…to change the lives of our most disadvantaged individuals and families.

Our ambition is for the UK be a world leader in this field.

I want to build a new legacy for this nation, not just as a country of great givers…

…but as a country of savvy social investors…

This is – I believe – the best way we can start the tough but necessary process of reconnecting the top and bottom of society…

…by bringing together the city with the inner city, and…

…through that…

…helping mend our social fabric.

Social Justice: transforming lives

Social Justice strategy launch

Tuesday 13 March 2012

Introduction

It gives me great pleasure to be here today to launch the Government's Social Justice Strategy.

When I entered Office almost two years ago I came determined to bring change to a broken welfare system.

Last week we took a huge step towards that ambition, and I am delighted that the Welfare Reform Act has now been signed into law.

But for me welfare reform has always been about something much bigger than the welfare system alone – it is about social renewal.

When we came into Government the Prime Minister set up the Social Justice Cabinet Committee so that we could not forget about this wider challenge.

From day one the message has been clear: we cannot conduct our social policy in discrete parts, with one part of Government tinkering with the welfare system over here…

…another with the education system over there…

…a third with the criminal justice system, and so on.

It has to have a fundamental vision and a driving ethos – otherwise it will be narrow, it will be reactive, and it will not work.

Failure to look at the individual

When services for the most vulnerable aren't joined up they tend to collide, each pursuing its own narrow ends and failing to see the whole person or family caught in between.

This is the point the Prime Minister made recently when he spoke about the 120,000 most troubled families in this country.

He told a story of a family in the North-West who – in a single year – were the subject of a huge amount of disconnected state activity.

The police, the ambulance service, A&E, the council, youth offending teams, and more.

Each tried to deal with the problems in their own particular area.

But no one saw the whole family – there was management and maintenance of their problems, but no VISION for helping them change their lives.

Vision

A coherent social policy requires this coherent vision…

…a driving ETHOS...

…which means that whether in reform of the welfare system, the education system, the criminal justice system, addiction services, or whatever else…

…the work that Government does is underpinned by a fundamental set of principles.

Last year our social mobility strategy set out our vision for ensuring that all people have a fair opportunity to fulfil their potential and move up the social ladder.

Today, with the Social Justice strategy, we are setting out our vision for those who do not have a foot on the first rung – our vision for the most disadvantaged individuals and families.

The Strategy

So what is this vision, and why is it different from what has gone before?

Of course, a focus on the most disadvantaged is not new or unique to this Government.

But in recent years I feel that – while well-meaning – this focus has become distorted and incoherent.

First, we have seen a social policy overwhelmingly focussed on moving people above the income poverty line.

A laudable ambition surely?

Yes, if done in a meaningful and sustainable way.

But too often it has been the exact opposite, fuelled by out of work welfare transfers that marginally increase incomes, but do little to change lives.

So, for example, we know that between 1998/99 and 2009/10 the likelihood of being in relative poverty declined 1.5 times faster for children living in workless families…

…than for children living in families where somebody worked.

This approach isn't just unambitious, it has been shown to be ineffective.

Some £150 billion was spent on Tax Credits between 2004 and 2010, much of which was targeted at families with children.

Yet it seems highly unlikely that the previous Government's target to halve child poverty by 2010 will be hit.

We will find out in a few months time when we see the figures for 2010, but predictions – including those from the IFS – suggest that they will have been missed by a wide margin.

Moreover, we now know that under the previous Government income inequality rose to the highest level since records began.

So the old approach is ineffective.

It is also completely unsustainable.

If a family is suffering from a fundamental problem – for example addiction or serious debt – simply increasing their benefit income may push them above the poverty line temporarily…

…but the chances are they won't remain there, because you haven't tackled the real reason they find themselves on a low income in the first place – you haven't touched the root cause.

This has been called the ‘poverty plus a pound approach', doing just enough to push someone over the line.

Great for the poverty statistics…

…but no real change for the person or their family.

From maintenance to life change

The fact is governments have spent so much time measuring how much money is being poured in to the system…

…simply treating the symptoms of social breakdown…

...that they have hardly noticed what is coming out the other end.

It has been almost like a bidding war between politicians and lobby groups – the more you spend the more successful you are seen to have been.

Yet what does that spending mean for the people it's supposed to help?

For every pound we spend we should be asking – how does it promote LIFE CHANGE?

Yet so often the question has been: how will this pound affect the statistics?

Now that's fine when what you are measuring in the statistics is real change in people's lives.

But we have been measuring symptoms not causes…

…and what has so often resulted is the maintenance and containment of social problems.

Social breakdown

We see the results of this failure everywhere we look.

Huge numbers of people maintained on out of work benefits – one million for a decade or more.

Young people maintained in a culture of low expectations in schools, forced to accept that their level of attainment will be determined by their background rather than by their ability.

Family breakdown managed rather than prevented, with money spent overwhelmingly on picking up the pieces of breakup rather than in preventing it.

In a former life at the Centre for Social Justice we found that family breakdown was costing the Government £20bn a year, but Government was spending just 0.02% of that amount to prevent it happening.

We see addicts maintained in their condition, moved onto less harmful drugs but not offered sustainable help to get clean.

And we see offenders locked up and swept under the carpet rather than being worked with and rehabilitated.

This has been an approach based on managing social problems – on containing them – rather than investing in changing them.

That is what happens when Government policy is designed to hit a narrow and static target, based on the limited concept of income poverty alone.

And it is what happens when each Government department tries to manage and contain its own challenges, but no one has a vision for the person or the family as a whole.

New vision

It is that vision – for this Government – that I want to set out today.

First: we need a completely new focus on how we deliver support for the most disadvantaged.

This must be based on prevention throughout someone's life, intervening early to tackle the root causes of problems before they arise rather than waiting to treat the symptoms.

Family

That starts with the family, the most important building block in a child's life.

When families are strong and stable, so are children.

We know that children raised by parents reporting high relationship quality and satisfaction tend to have higher levels of wellbeing, while intense conflict between parents has been shown to be detrimental to children's outcomes.

And when families break down, the consequences can be severe.

That means we have to get behind stable families, not shrug our shoulders when they fall apart.

But in recent years Government has been sending out the message that stable families don't matter.

It has cloaked neglect of the family under the veil of neutrality, failing to invest in the prevention of breakdown and introducing rules and institutions – such as the couple penalty in the tax credit system – that made it more worthwhile for couples to live apart than to stay together.

Today we are sending out a clear message that stable families do matter.

They matter for the most vulnerable in society…

…and they are a priority for this government.

That's why this strategy sets out how we will ensure that families at risk and families who experience difficulties can get the help they need to stabilise and improve the quality of their relationships, and provide a stable environment for raising children…

…whether that be through our work on reversing the couple penalty in the welfare system…

…providing relationship support, acting early to help keep families together and so reducing the cost of family breakdown…

…or providing more money to give separated parents support to work together in the best interests of their children.

And at the heart of this, it means emphasising the Government's support for marriage – we are clear in this strategy that marriage should be supported and encouraged.

Schools

But if family is the most important building block in a child's life, school is often the second most important.

Yet our schools have been failing pupils from the most disadvantaged backgrounds time and again.

It's as if previous governments came to terms with the fact that some children would be disruptive or repeatedly absent from school…

…and grew accustomed to knowing that a proportion of children would leave school each year unable to read, write or do even quite basic sums.

Yet so often these are the early warning signs for much bigger problems later in life – one survey found that some 64 per cent of young men permanently excluded from school in adolescence had gone on to commit criminal offences.

This will no longer be tolerated – we've made it clear that an ‘educational underclass' is morally unacceptable to this Government.

Getting young people attending and engaged with school is one of the most powerful protections we can offer against social breakdown.

And this strategy brings together all the reforms underway to make this a reality, from the pupil premium for the most disadvantaged children to the work being done on attendance and alternative provision by Charlie Taylor.

Welfare system

Then – once our young people leave school – they have to be met by a welfare system that works, a system that acts as a springboard to independence, not as a crutch.

We have to do that through keeping the welfare system simple…

…through making sure that work pays more than benefits…

…and through ensuring that disability benefits do not trap people on the sidelines.

That's what the Act we have just passed is all about.

Second chance society

So prevention throughout the lifecycle is crucial.

But this strategy is not just about prevention – it is also about second chances.

When people's lives go off track – whether as a result of addiction, problem debt, homelessness or some other issue – we have a duty to offer a way out.

This involves recognising that the causes of poverty and multiple disadvantage are about more than income alone.

Income is critical, but it is frequently a symptom of some deeper and more complex problem – whether that be addiction, debt, educational failure or some other factor.

Solve that problem – get someone clean…

…get them engaging at school…

or get them into work…

…and you help them find a foothold in society again – you help them move, SUSTAINABLY, back towards independence.

Delivery

Finally, there is the question of how we make all of this happen.

How do we make the principles of social justice a reality?

Yesterday I visited a project called ‘ThinkForward', being run by the Private Equity Foundation and Tomorrow's People as part of my Department's Innovation Fund.

The project is getting ‘coaches' into schools and working with struggling students from the age of 14 right up to 19.

These coaches offer stable support to help children through challenges at home and school, with the ultimate aim of keeping them engaged in education and on track to employment later in life.

This project encapsulates the kind of change we need to see.

It is turning young people's lives around…

…and the voluntary sector provider is getting a secure income.

Yet at the same time the financial backer will reap a return from government if it achieves the results it says it will…

…and Government itself should see savings to the public purse from the reduced costs of social breakdown.

These are the kind of principles we want to promote in everything we do.

So first, that means prioritising early intervention and prevention, getting in there and tackling the root causes of disengagement before children leave school.

Second, it means being innovative and locally led, with partnerships between public, private and voluntary sector,

And third, it means building and growing a market for a new way of funding social interventions based on investment in social returns.

Social investment

As a society we possess great wealth, but we also have a massive disconnect between those at the top and those at the bottom.

I want to find a way in which we can bring the two together – the wealth creators and our most disadvantaged individuals and families…

…the City with the inner city…

…to unlock the skills of a generation.

The answer – and our answer in this strategy – is through social investment.

This is about enabling investors to put their money into projects which yield BOTH a social return for the community AND a financial return for them.

Next steps

But I won't stand here today and pretend we have all the answers.

This strategy explains some of the work that Government is already doing to create a more socially just society – but rather than marking the end of a process it marks the beginning of one.

It sets a framework, focussed on:

- prevention
- recovery and life change rather than maintainence

- and innovative, results-focussed delivery

…but it is also a call to organisations the length and breadth of the country – including those of you here today – to help us make this happen.

I have always been clear that it is organisations who are working in their communities, at a local level, that are best placed to understand why people's lives go off course – and the way that they can be turned around.

That includes so many of you here.

You deal with people, not just processes.

You work with the grain of human nature, rather than against it.

You take life as you find it, not as you would wish it to be.

So we need this to be the start of a conversation, building on the good work that many of you have already done…

…and my social justice team will be focussed on making that conversation a reality in the weeks and months ahead.

Early Intervention Foundation

One thing we are already committed to is providing a much sturdier foundation for the social investment market, so that more funds can flow to the kind of organisations I've just mentioned.

We are already seeing a major new source of investment funds coming on stream via Big Society Capital.

But I have been told time and again that if the market is going to grow investors have to have a better understanding of the returns they can expect from social investments.

That's why I am delighted that we have today announced the procurement process for the Early Intervention Foundation, a body that will be independent from Government and will use best in class techniques and analysis to provide expert advice on early intervention…

…as well as building the evidence base on social returns.

So when I spoke before about knowing what impact each and every pound government spends has on someone's life – this is what I meant.

This foundation should move us closer to that reality.

It comes off the back of a recommendation from Graham Allen, so I want to take a moment to thank him for all the hard work he has done on this.

He is someone who believes passionately in outcomes not inputs…

…and as a champion for early intervention in good economic times and bad he has put real change for the people of this country above questions of party politics, something all too rare in the modern political world

Conclusion

So this should be seen as a clear signal of our intent.

We are not willing to simply talk the talk – the launch of this strategy represents a change of ethos which we want to build into policy, processes, and institutions across Government.

For too long we have allowed millions of people in our society to sit on the margins – in many cases we, as a society, have put them there…

…writing them off…

…managing social breakdown…

…but not believing that there could be a path to fundamental change.

Meanwhile the disconnect between those at the top and bottom of society has grown ever larger, stretching our social fabric to near breaking point.

I hope today we can start the process of stitching that fabric back together and…

…through that…

… begin the difficult but necessary process of transforming lives.

15 March 2012

National Convention on Youth Employment, Dundee

Introduction

It is a pleasure to be here today.

And it is always a pleasure to be in Scotland.

There has – of course – been a lot of talk about independence recently.

But what we shouldn't lose sight of in all the noise and clamour is that – while we might spend a lot of time talking about these issues in the media or the corridors of power – the UK and Scottish Governments have actually been getting on…in partnership…with delivering support to secure independence for young people.

We are working to secure the independence that work brings – and freedom from the dependency that is too often the product of a broken welfare system.

Yesterday we saw the latest jobs figures – and once again they paint something of a mixed picture.

While unemployment remains far too high, we do continue to see some encouraging signs of stability.

Employment is up by 9,000 on the quarter, with an increase of 45,000 in private sector employment outweighing a fall of 37,000 in the public sector.

That brings the rise in private sector employment in the last two years to over 600,000.

Unemployment is up on the quarter, though we shouldn't lose sight of the fact that…though not quite as robust…the headline level is actually slightly lower than last month.

Moreover, the rise in unemployment on the quarter has to be seen in the context of falling inactivity, down another 27,000 on this quarter and, if students are excluded, now at the lowest level on record.

This is a sign that our welfare reforms are beginning to feed through, with more people coming off incapacity benefits and income support and so moving into the labour market.

Indeed, the number of people on out of work benefits since the election is actually down overall, by some 45,000.

That's what I mean when I talk about reducing dependency, and reducing the number of people who have been written off on the margins of society.

The fact is any Government can get unemployment down by putting people onto inactive benefits…but if we are serious about transforming our society we have to be focussed on getting inactivity down as well…tackling what I call the problem of the 'residual unemployed'.

We are also seeing some stabilisation in the youth unemployment figures.

We shouldn't forget that around a third of those described as unemployed in the headline figures are in full-time education.

Once you exclude this the level is essentially flat on the quarter.

I notice that there has been some talk of 100,000 young people unemployed in Scotland, but we should be slightly careful here – I think it is important that we separate out those who are in full-time education from those who are essentially NEET.

When we do that we find that there are just under 70,000 young unemployed people in Scotland who aren't in full-time education.

This is not good enough, and we take it very seriously, but it is important that we agree the baseline of the problem we are trying to solve before we begin to tackle it.

This is the same for the UK as a whole – the headline figure is often cited as being just over 1 million unemployed young people, but once we take out those in full-time education the figure is around 731,000.

It is also interesting to see where we sit in relation to the rest of Europe – the UK's employment rate remains well above the EU average…70.3% compared to 64.6%....and our unemployment rate well below – 8.4% compared to 10.1%.

So let me be clear: unemployment and youth unemployment are serious problems.

But I think it's important that we put the figures in some context, and show that it is possible to make some progress even in an immensely tough economic climate.

And before anyone suggests that the UK-wide figures mask a much worse picture in Scotland, let's consider the facts.

Unemployment is slightly higher than the UK average but – again – that has to be seen in context.

Scotland actually has a higher employment rate and lower inactivity rate than the UK.

That should be a wake-up call to anyone who tries to write Scotland off, stereotyping it as slower moving than other parts of the United Kingdom.

In fact, what has been particularly interesting in recent years is how little the regions of the UK have diverged compared to past recessions.

I do not mean to say that there aren't differences.

Some areas are being hit harder than others, and we will do whatever it takes to respond to that challenge.

But the regional spread of the claimant count across the UK is much narrower than it used to be.

There will be a number of reasons for this.

But part of it will be the active labour market support which is available to young people across the UK.

Let us not forget that there is huge dynamism in the labour market – in the last 3 months alone some 900,000 people moved onto Jobseeker's Allowance, but another 900,000 or so moved off.

That's true of Scotland as well – in the three months to February of this year around 80,000 people started claiming Jobseeker's Allowance, but another 81,000 flowed off.

A number of these will have found jobs under their own steam – but many will have benefited hugely from the employment support that the UK and Scottish Governments, working together…in partnership with the private and voluntary sectors…are delivering every day.

That includes helping young people get work experience.

I know there has been a lot said about this in recent weeks, so let me take this issue head on.

The Work Experience scheme is a programme I'm incredibly proud of.

What do young people need before they get a job?

Experience.

But too many are told they can't get that experience before they've had a job.

When I came into office I met young people who had done the right thing…and managed to fix up a work experience place…only to find out that they would lose their Jobseeker's Allowance if it lasted for longer than two weeks.

That didn't make any sense, when employers were telling us that one of the main problems they faced when taking on young people was lack of experience.

So we extended the time that someone could do a placement – while keeping benefits – to up to 8 weeks.

Since then we've had more than 34,000 young people take part in the scheme.

The fact is it has been immensely popular with young people…we've got people practically queuing up to get involved…and some 50% of those taking part are off benefits 13 weeks after starting their placement.

I should also be clear that this is a voluntary programme – despite some of the nonsense talked in recent weeks.

Meanwhile employers continue to flood into the scheme – in recent weeks more than 200 employers have expressed their interest in getting involved, including major employers like Center Parcs, Airbus and Hewlett Packard.

Here in Scotland we've already seen more than 2,000 Work Experience places, and I would urge all employers here today to sign the pledge to deliver even more.

You will be catching the crest of a wave – in just a few weeks time we will begin the process of expanding the scheme as we launch the new £1bn youth contract.

From April we will be rolling out an extra 250,000 work experience and sector-based work academy places, meaning there will be a place for every young person who wants one before they enter the Work Programme.

We will also be introducing 160,000 new wage incentives, worth up to £2,275 each, to encourage employers to take on young people from the Work Programme.

This is about recognising that businesses take a risk when they employ a young person, and there are costs attached.

We want to ease that cost a bit so it becomes much more straightforward to give young people a chance.

And these incentives will be targeted at the private, voluntary, community and social enterprise sectors so that we create real, sustainable, jobs.

We now have hundreds of employers across Britain who have pledged their support for the Youth Contract.

These employers have not just committed to a Government programme – they have committed to saving our nation's youth, and we should be immensely proud of them.

But Work Experience and wage incentives aren't the only components of the Youth Contract.

When I was in Ayrshire last year for the launch of this conference series my speech focussed on a seemingly forgotten group – 16 and 17 year olds who had seen their employment prospects diminish dramatically over the last decade, long before the recession started.

The Youth Contract gives us an opportunity to renew our support for this group, with a new £150m programme to help disengaged 16 and 17 year olds move into full-time education, apprenticeships or work with training.

It will build on the work we've already done in the Work Programme, paying private and voluntary sector providers largely for the results they achieve in moving disengaged young people into positive outcomes and keeping them engaged.

The details of this at the moment apply to England only, but Scotland will receive additional funding under the Barnett Agreement and we are working with Scottish colleagues to understand how the new funding will be used.

This is part of a much wider positive engagement between the UK and the Scottish government at the moment.

We have Skills Development Scotland advisers co-locating in Jobcentres, able to offer advice and guidance to young people as they look for work.

We have Skills Development Scotland advertising their apprenticeship vacancies via the Jobcentre network.

And most recently we have seen the Scottish Government, Scottish Prison Service and Jobcentre Plus working together to roll-out 'day one' access for offenders to the Work Programme.

This is a relationship that is stronger by the day.

I believe we are at our best when we do this together – finding opportunities, joining up support, and delivering for young people.

Helping to achieve the independence that work brings and…in doing so…starting to change lives.

Let that be our joint ambition in the coming months and years.

To get young people engaging…to make sure they can access quality and personalised support, and…most importantly…to get them into real and sustainable work.

Social Investment Conference
Madrid
Monday 16 April 2012

Introduction

I was here in Madrid last July to give a speech about the welfare reforms we are bringing in in the UK.

My reforms are about trying to change a culture of worklessness and dependency which has been on the rise in the UK and across Europe.

I am not simply talking about unemployment as a result of the economic downturn.

I am talking about **structural** welfare dependency and inactivity – people stuck on out of work benefits for many years, even while growth was booming.

The purpose of reform is to restore the economic balance between work and worklessness.

To do this we are going to simplify the system – replacing a confusing array of benefits with a single payment, which we have called the “Universal Credit”.

Having done this we can then – through this system – enable people to keep more of their money as they move into work, ensuring that **work pays more than being on benefit**.

This is about changing a **culture** – restoring the understanding that there has to be a link between success and hard work, and restoring the belief that work is both necessary and worthwhile.

Our Welfare Reform Act also contains reforms to single parent support and sickness and disability benefits, reconnecting those who have been written off back into the world of employment.

In doing this we are making good progress.

And now we are also set to make significant changes to our state pension system, introducing a much simpler payment that will provide a clear foundation for saving.

Europe

I would – in passing – like to take this opportunity to point out that this task of reform is not being made easier by a number of rulings on social security that have emerged from Brussels in recent months.

For example, the European Commission has stipulated that we have to pay benefits to migrants almost as soon as they arrive from another EU country.

We believe that workers should be able to move freely in Europe – but we do not believe that inactive migrants should be able to shop around for the best benefits.

At the same time, the European Court has ruled that we need to pay benefits to people for decades after they have left the UK.

And on pensions, we are currently facing the prospect of EU legislation which could add hugely to the cost of providing occupational pensions.

These rules seem to be imposed with little or no regard for their effects on national reform programmes or – indeed – national sovereignty.

I know we will each have our own views on these issues, but I hope that both the UK and Spain can work together to ensure that the EU remains true to its original purpose, and does not extend to areas never intended to be within its reach.

Stable finances

Whilst on the subject of Europe, I would like to take this opportunity to compliment the new Spanish Government for what I believe are bold and necessary steps to stabilise this economy…

…as well as undertaking reforms to the labour market.

These are steps that I believe will pay dividends in the long-term.

I know our two countries have worked closely together in the past to share our experiences of reform, and I hope we can continue to grow that relationship in the future.

Social reform

Of course Spain is not alone in its attempts to stabilise the public finances.

This is a task that we are firmly focussed on in the UK as well, and while there are – of course – difficult decisions to be made, I am convinced that we are following the right path.

A sound economy is – after all – the foundation of prosperity and social harmony.

However, a sound economy requires a properly structured social settlement.

We cannot leave social reform until another time.

That idea is not just irresponsible – it is incoherent, for without it, economic reform cannot endure.

For example, if you fail to build a welfare system that makes work pay and supports people into work, you pay the price further down the line in unaffordable welfare bills.

Yet I fear that this is exactly the kind of short-sighted approach has taken root in government – not just in the UK but across much of the world.

In the last three decades or so most countries in the Western World have modernised their economies – freeing up markets, and moving power away from the state and handing it back to individuals.

Yet we seemed to forget about the need for accompanying **social reform**, assuming that the renewed economy alone would do the trick of creating a more prosperous and more cohesive nation.

That isn't to say that governments didn't spend more money on the social side of things.

But there was a fundamental flaw in the way that money was spent.

While plenty of cash was poured in to funding social programmes, hardly any attention was given to the result at the other end.

In other words, too little attention was given to the impact that the spending was having on **people's lives**.

Poverty

In the UK this process has been driven by the common discourse around poverty, which has focussed overwhelmingly on how many people are sitting below or above the relative income poverty line.

If a family has less than 60% of the median income in the UK it is said to be poor, if it has 60% or more it is not.

So guess what comes next – if you have a family who sit one pound below the poverty line you can do a magical thing.

Give them one pound more, say through increased benefit payments, and you can apparently change everything – you are said to have pulled them out of poverty.

Simple, isn't it?

Except until you actually look at the families in question and ask whether their lives have really changed because of the extra pound a week.

Too often you will find that the money has had little or no impact at all, because you haven't tackled the **reason** that someone finds themselves on a low income in the first place.

It may even make things worse.

For example, if you have a family in poverty where the parents are suffering from a drug addiction, simply giving more money to the parents may do little more than feed their addiction, leaving the dependents locked into a cycle of poverty.

A failure to understand their condition only leads to wasted money and damaged lives.

Unsustainable approach

And this obsession with inputs has infected whole social programmes, with an entire lobbying industry dedicated to putting pressure on government to prove how much it cares about the most vulnerable by spending more and more.

The media has played its part here as well, fuelling a simplistic narrative which says that "more money equals good", "less money equals cuts…which equals bad".

I believe that the internal contradictions of this approach made it inherently unstable, and it was destined to end in a crash.

What do I mean by the internal contradictions?

First, it was unaffordable.

It may not have caused the financial crisis, but it put us in a terrible position when the storm hit – take the fact that the UK had the highest structural deficit in the G7 even before the crisis began.

If you just look at spending on welfare benefits you can see that it increased by a staggering 35% in real terms in the decade before the recession – a decade of rising employment.

But – and this is the second key contradiction – the spending didn't seem to be solving our society's deep social problems.

Even when huge numbers of jobs were being created – with employment up by some 3 million in the decade before the recession – we were continuing to pay for more than 4 million people to sit on out of work benefits.

In fact more than half of the rise in employment under the previous Government was accounted for by foreign nationals – businesses were forced to look elsewhere because they couldn't find what they needed at home.

I understand this is an issue that may have some relevance here in Spain too, where some analyses suggest that around half of the jobs created in the lead-up to the recession were occupied by immigrants.

So rather than tackling the problem of welfare dependency and worklessness at its **source** – asking why those on benefits weren't able to take advantage of the job opportunities being created – the UK Government did what government does best and just kept paying out.

This brings me back to the point I made earlier – we reformed our economy and we created more jobs…

…but we didn't have the society to match, so we plastered over the problem by paying people to sit on benefits while we imported labour from abroad.

And this wasn't only about welfare.

We saw spending on social programmes rising almost across the board, yet the statistics on social breakdown continued to appal:

- levels of family breakdown were high and rising
- we had one of the highest teenage pregnancy rates in Western Europe
- and around a million children were growing up in households with parents addicted to drugs or alcohol.

I note that here in Spain unemployment remained stubbornly above or around 8%, even during the boom years…

…and that even when long term unemployment reached its lowest point, it still accounted for around 1 in 4 of all those unemployed.

So my contention is that in the UK – and perhaps in other countries too – we have seen a growing underclass **at the same time** as a massive growth in public spending.

The question we need to ask is: “why didn’t all the money change things?”

Treating symptoms

The problem is that when you have a social policy that is conditioned to focus on how much money is spent, rather than the impact it has, three things are liable to happen.

First, there is a tendency to treat the **symptoms** of social problems rather than the causes.

But treating symptoms is hugely expensive, partly because they tend to persist over time unless a cure can be found.

Funding programmes that don’t work

Second, not enough attention is given to funding programmes that actually work.

Because the big publicity wins for government come from spending the money, and not necessarily from **how** it is spent, there simply isn’t enough energy devoted to establishing which programmes have the potential to really change lives.

Lack of spending commitment

And third, there is a lack of **commitment** in spending.

If all that matters is how much money is going **in**, then funds can be changed and moved at a whim.

This is a problem that has hit many excellent charities down the years, as grants are given and taken away depending on the political expediencies of the time.

Change

You might ask how we found ourselves in this destructive cycle.

It wouldn’t be right to point the finger at any one government or group.

This “poverty of social policy” is deeply embedded in the culture and institutions of modern policy-making across the Western world.

The challenge is **how we change** it, and I want to use the rest of my time to touch on the ways we are doing this in the UK at the moment.

Treating causes not symptoms

To start, we are trying to change the whole culture of government so that we steer focus and spending away from inputs and symptoms and towards outcomes and root causes.

We published a new Child Poverty Strategy last year – and a Social Justice Strategy this year – which set out our commitment to expand the debate around poverty so it is not focussed on the income poverty target alone, but considers a whole range of factors in determining whether someone is poor.

Payment by results

But we won't be able to change our dysfunctional culture on paper – real change comes through reforming institutions.

This reform is no less radical than Universal Credit – it is called the "payment by results" system.

In the past governments lavished money on programmes they hoped would succeed.

As a result, taxpayers carried the risk when they failed.

The history of such programmes is of great hope followed by embarrassing failure.

Payment by results programmes are government-funded but delivered by a range of non-government providers – drawn from the private and voluntary sectors as well as the public sector – and these providers **are paid for the results they achieve.**

The most significant example in the UK at the moment is what we call the Work Programme.

When people have been out of work and on benefits for a year – or for less time in certain cases – they are referred to an organisation in their local area that can offer intensive and tailored support to get them back to work.

That provider then has two years to help the person back into employment, and it's up to them how they do it – there's no top-down instruction from Government.

At the start of the programme they will be paid a small amount of money for taking the person on, but the vast majority of their fee will only be paid when they find that person a job, and then…

…and this is the really important bit…

…they get the biggest payments when that person **stays in work** for 6 months, a year, 18 months, and up to 2 years in some cases.

It is **not enough** to just help someone into work.

If they do not have "the work habit" – in other words they are not used to the workplace, or convinced that working is right for them, the risk is that they will soon fall out of employment again.

That's why the Work Programme providers are incentivised to help people stay in work until they get that habit.

Payments are also higher for those groups who face the biggest barriers to work.

For example, a provider can earn £4,400 for getting someone who is on unemployment benefit back into work, but they can earn almost £14,000 – or over 16,500 Euros – if they help someone who had previously been on disability benefits and keep them in work for two years.

These payments are funded from the savings made when the individual comes off benefits.

Importantly, the contracts that Government has in place with the Work Programme providers are for 7 years, meaning that providers can plan ahead without the fear of funding being cut off without good cause.

And because we are paying for results **we will only pay for what works**, therefore hugely reducing the risk on the taxpayer.

Social investment

Payment by results works best when the timescales for success are short and the metrics relatively straightforward.

But beyond payments by results there are other areas as well.

In particular, we are really trying to open up the social investment market.

I see this as a huge opportunity to get much more private money working in pursuit of the social good.

Historically it has been assumed that people could either be “good citizens” and put their money into charitable works, but without expecting anything in return…

…or they could be “profit maximisers”, who invest their money in commercial ventures and have to forget about the social consequences.

Social investment is a way of uniting the two – it is about saying to investors:

“You can use your money to have a positive impact on society, **and** you can make a return.”

In some cases the return will come from supporting a social enterprise which has profitable revenue streams.

However some of the most interesting recent projects have involved government money as well, with investors paying up front to fund the delivery of social programmes, and then government paying for the returns, funded by the reduced costs of social breakdown.

This is the model being used in the Social Impact Bond project in Peterborough in the UK, where investors are paying charities to run rehabilitation programmes with prisoners.

If reoffending falls by 7.5% then the investors will receive a 7.5% return – paid for by government out of the reduced costs.

But such bonds require that the programmes have a real chance of success.

They need to be proven to be effective.

And that is why we have agreed to establish an independent foundation that will accredit programmes of work and provide a rigorous assessment of their likely social returns.

Huge potential

This social investment market may still be in its infancy, but I believe it has huge potential.

First, it has the potential to greatly increase the amount of funding available for social programmes, by bringing in private investment money **on top of** that provided by government or pure philanthropy alone.

Second, it brings a whole new level of discipline and rigour to this funding because people are investing their own money in expectation of a return – money that could otherwise be reaping a profit elsewhere.

But third – and perhaps most importantly – social investment could be a powerful tool for building a more cohesive society.

The gap between the top and bottom of society is in many cases larger than it has ever been.

We have a group of skilled professionals and wealth creators at the top of society who have little or no connection to those at the bottom.

We have created an underclass.

Yet in so many cases what divides the two is little more than a different upbringing, or a different start in life.

I believe social investment is our best hope for tying not just the wealth but also the skills of those at the top of society back into our most disadvantaged communities.

Big Society Capital

But if we want this market to be transformative it has to **grow** – and grow substantially.

Last week our Prime Minister launched something called Big Society Capital.

This is a new fund, capitalised with £600 million from dormant bank accounts as well as from our four largest high street banks…

…and its sole mission is to grow a new social investment market so that it is easier for charities, social enterprises and community groups to access affordable finance.

Our Chancellor also announced at the UK’s recent Budget that our Treasury will conduct a review into the financial barriers to social enterprise.

Through all of this we are trying to send out a clear message: “we want to support those who want to put money into social investment”.

This use of private money has the capacity to change the way we fund programmes that change lives, rather than using limited amounts of government money to gain a few media headlines.

If we can build this market I believe we can bring a whole new level of rigour to charitable giving – ensuring that spending has a demonstrable **purpose**…

…and that each pound goes towards changing lives.

Conclusion

Our failure to make each pound count has cost us again and again over the years.

As a society we've become too comfortable with the idea that a certain portion of people will be out of work, on benefits, not playing a productive role.

Businesses have assumed that this didn't affect them – they could just bring in workers from abroad to do the jobs they needed.

People in work didn't think it affected them either – as long as these pockets of deprivation were out of sight and out of mind it didn't need to be their problem.

But actually we all pay – we pay in higher taxes to support people for the long-term on welfare…

…we pay in lower productivity, as potentially productive people sit idle…

…and we pay in a fundamentally divided society.

So I repeat my message from the beginning – the economy and society go hand in hand.

You cannot reform one without reforming the other.

And where one is broken, it tends to drag the other down too.

The path to change will not be an easy one.

It will require government to completely change the way it thinks about spending – rejecting the old mantra…

…"More spending equals good, and less spending equals bad"...

…and opening up a whole new dimension – one focussed solely **on the impact that spending has**.

In other words, whether it actually works.

But the prize for doing so could be immense.

Sound public finances and a modern economy, matched by a more prosperous and cohesive society.

If we get it right, it could just turn out to be the smartest decision we ever made.

4Children's 2012 Annual Children and Families Policy Conference

London, Wednesday 25 April 2012

Troubled families

Introduction

Thanks to Anne Longfield, CEO of 4Children for her welcome.

I’d like to congratulate you for bringing together so many of the people who will be delivering the Troubled Families Programme.

I want to start by explaining why I think it is so important.

My focus on troubled families started back in 2004 when I set up the Centre for Social Justice. I spent time in the UK’s most disadvantaged neighbourhoods, where I met a section of British society that had been completely left behind.

Nationally, the evidence of social deprivation was clear to see:

- over 4 million people stuck on out of work benefits – many for a decade or more
- levels of family breakdown high and rising
- around a million children growing up with parents addicted to drugs or alcohol

All of this while the economy was booming **before the recession even started**.

Money

The problem was that too much focus was put on how much money was going **in**, and not enough on what was coming **out** the other end – in other words, a focus on inputs not outputs.

Just take child poverty. It seems the debate has centred around a relative income measure, so that a family with less than 60% of the median income is deemed to be poor, and those with 60% or more are not.

What this means is that if you give the family just one pound more, say through increased benefit payments, you can apparently change everything – you can lift them out of poverty.

Under the previous Government, this approach fuelled a huge amount of spending:

£150 billion on tax credits from 2004 to 2010…

… and this in the context of a total welfare bill that increased by 35% in real terms in the decade before the recession – a decade of rising employment.

It just about kept the poverty **figures** moving in the right direction, but there was little focus on what difference that extra pound was making to families’ **lives**.

In some cases, it may even have made things worse.

For example, if you have a family in poverty where the parents are suffering from a drug addiction, simply giving more money to the parents may do little more than feed their addiction, leaving the dependents locked into a cycle of poverty.

So while social spending was up… social breakdown was rising as well.

The result: too many people left on the margins of society – the 120,000 families who last year cost the state an estimated £9 billion… some £75,000 per family.

The question no one seemed to ask was why didn't all that money **change** the fundamentals?

I believe there were three reasons.

Dysfunctional government

First, there was a tendency for Government to work in silos – departments looking at their own particular problem, but no one looking at the person or the family as a whole.

This is the point that the Prime Minister made back in December, when he launched the Troubled Families work.

He told the story of a family in the North-West who – in a single year – were subject to a huge amount of disconnected state activity.

The different arms of government, carrying out endless schemes and interventions – from the police, to the ambulance service, the Council, and youth offending teams…

… all of them working **on** the family administering selective help, but no one working **with** the family to understand what the underlying problem was.

Treating symptoms

Second, not enough attention was given to tackling the root causes of social breakdown.

There was a tendency to think many people were beyond help, and it was easier to manage the consequences:

- easier to prop up on benefits than to support back into work...
- easier to maintain on less harmful drugs than help towards sustainable recovery…
- easier to lock up than rehabilitate.

So governments treated the symptoms – with all the extra spending that brings with it.

After years of containing social breakdown, of the £9 billion that went on troubled families last year, £8 billion of it was spent reactively – on police call outs, visits to A&E, and so on.

In other words, on **managing problems rather than taking action to solve them**.

Inputs not outcomes

Finally, the third flaw was that social interventions were underpinned by the very simplistic idea that ‘more money equals good’ and ‘less money equals cuts…which equals bad’.

So as long as politicians could show that money was going in, the results didn’t really matter.

Just look at the tower blocks of the 60s and 70s – the deprived estates of today, but at the time heralded as the greatest example of Government ‘investment’ in disadvantaged communities.

This is another legacy of focusing on inputs rather than outcomes.

Had we stopped to ask the most important question – whether the spending was changing people’s lives – we might have realised sooner that a disconnected, reactive approach just wasn’t working.

Change

Now that we do understand both the financial **and** the social cost, continuing like this is unaffordable.

So we’re going to change it.

Early intervention

In March we published the Social Justice strategy which is based on a belief that through the right interventions, delivered in the right way, we can help people turn their own lives around.

The strategy shows the value of early intervention – tackling the causes of problems before they arise rather than waiting to pick up the pieces later.

You’ll be hearing today from Kate Billingham, director of the Family Nurse Partnership – an excellent programme putting this into practice.

So instead of leaving a single teenage mother struggling to cope with her newborn baby, and waiting for the health and welfare bills to add up…

… we have committed to doubling the number of family nurse places by 2015, so that young mothers will receive support and advice in their child’s early years.

This steers the focus and the spending away from symptoms and towards the root causes of disadvantage.

Second chances

But our strategy is not just about prevention – it is also about second chances.

In 4Children’s recent ‘Give Me Strength’ campaign, 95% of the people surveyed thought that most families in crisis would be capable of turning their lives around – **with some help and support.**

So if people’s lives go off track, we have a duty to offer a way out.

And where families are facing multiple disadvantages, simply throwing money at the problem isn’t enough.

Unless you solve the problems I touched on earlier – siloed government, treating symptoms, not asking what works – you are destined to repeat the failures of the past.

Troubled Families Programme

That is where the Troubled Families work is different.

I'll leave it to other speakers to go into the details, but I just want to focus on the motivating principles:

- one point of contact for families – someone who knows them and understands the issues they face
- a focus on root causes
- and a commitment to funding what works, paying at least in part by results.

What the programme must achieve is life change. Only in so doing can we set people on a path to life beyond the state – sustainable and productive.

That means support to get children back into school… to reduce criminal and anti-social behaviour… get people off drugs… help arrest family breakdown… and to move parents back into work.

Where people can, work is the best route out of poverty and dependency.

That is why provision paid for by DWP through the European Social Fund is a core strand of this work.

We have £200 million to help families with multiple problems overcome their barriers to employment.

But it's not going to work if Ministers direct it from Whitehall.

You are the ones who know and can identify the families in need. You make the home visits… you support them in local offices… week in, week out, you are already delivering vital services for them.

Surely pooling that knowledge so all may understand who and where these families are is the first step to recovery?

Reform agenda

This work will require a culture shift across local and national Government.

That is why, in my Department, we are creating a dynamic welfare system that acts as a springboard not a trap.

We are introducing the Universal Credit, a single payment withdrawn at a single rate, so it is always clear to people that work pays more than benefits.

We are delivering the Work Programme – offering people personalised back to work support that is focused on achieving long-term, sustainable job outcomes.

We are reforming disability benefits, moving from a system based on what individuals can't do, to one that looks at what they can.

And across the board, by taking a radical approach to funding social interventions…

… from the payment by results model which underpins the Work Programme, through to social investment projects like those supported by the Innovation Fund…

… we are getting much more private money working in pursuit of the social good.

These are dynamic changes we are making.

Conclusion

The message I want to leave you with today is this: our most disadvantaged families will not be helped by the same old approaches under a different name.

Of course, focusing on troubled families is not new or unique to this Government.

But co-ordinating the services of seven Departments, getting all of them to rally behind a single cause…

… incentivising local authorities to do the right thing, in delivering support which actually has a measurable impact on people's lives…

… all of it sustained by a belief that by tackling the root causes, we can make a real difference…

Now that **is** different to what went on before.

We have set out a vision for change, which has at its heart a driving ethos.

We are not just reforming welfare but transforming lives.

Using interventions targeted and coordinated to restore stability and hope to those who have been left behind – trapped in a twilight world where life was what was administered to you, not what you controlled.

You are part of that change.

I ask you to seize this opportunity and make it happen.

Leonard Steinberg Memorial Lecture
Policy Exchange, Westminster, London
Wednesday 9 May 2012

Introduction

It’s a pleasure to be here to give the second Leonard Steinberg Memorial Lecture.

I knew Leonard personally. He was a remarkable man.

In his inaugural speech in the House of Lords, he described his life as follows:

“I was born in Belfast into a Jewish middle-class family. When I grew up … I joined the Ulster Unionist Party; when I emigrated to Manchester, I became a member of the Conservative Party…. Along the way, I became a bookmaker and an ardent Zionist. Therefore, [you] can well imagine the heavy burden that I have had to bear.”

Though said in a deadpan manner, it was true – Leonard was different in almost every way.

But instead of sitting back and saying that he couldn’t succeed in such an environment, with his background, it drove him on.

Against the odds – and even in the face of death threats – he became a successful businessman, a public-spirited citizen, and a great philanthropist – and I am proud to say my good friend.

Leonard embodied the principle that life is not what is given to you, but what you make of it and what you leave behind for others.

How we apply that principle in reforming our welfare system and renewing our society is the topic of my lecture tonight.

Cultural change

I note that this week marks the two year anniversary of the formation of the Coalition government.

I don’t intend to use this evening for an in depth analysis of that period.

But I do want to spend some time reflecting on the particular challenges which we face in my area of interest – the welfare system…

…as well as explaining how we are dealing with that challenge.

My lecture – you might be relieved to hear – will not be primarily a technical one.

The real purpose of this speech is to set out my mission in the job.

Put simply, what we need to achieve in the coming years is not political and technocratic welfare reform, but internal and external cultural change.

By this I mean cultural change both within society, and within government itself.

Beveridge

To explain what I mean let me start by taking you back to the early 1940s, when Beveridge was laying out his vision for the modern welfare state.

Beveridge was driven by a desire to slay the ‘five giants’ that he identified in society at the time: Want, disease, ignorance, squalor and idleness.

But he was also clear about the risks that were attached to this laudable cause.

He warned that:

“The danger of providing benefits, which are both adequate in amount and indefinite in duration, is that men as creatures who adapt themselves to circumstances, may settle down to them.”

And he was clear that the system should not be allowed to *“stifle incentive, opportunity, or responsibility*”.

In other words he was focussed on the kind of culture that the welfare system could underpin.

Would it be one that fostered a society where people took responsibility for themselves and their families, and treated welfare as a temporary safety net in times of need…

…or one that conditioned people to grow dependent on state support, and in turn treat it as a long-term crutch?

His fear was that if the balance was wrong it would lead to the creation of a semi-permanent underclass.

I wonder what he would think now…

Welfare dependency

Let me just give you a flavour of some of the figures we were confronted with when we came into office:

- 5 million people on out of work benefits
- 1 million there for a decade or more
- 1 in every 5 households with no one working
- And almost 2 million children growing up in workless households

So this was the first cultural challenge we faced – entrenched and intergenerational worklessness and welfare dependency.

And before you protest that this was just a product of the recession, remember that there were over 4 million people on out of work benefits throughout the years of growth.

Under the previous Government employment rose by some 2.5 million, yet more than half of that was accounted for by foreign nationals.

And I’m not just talking about computer scientists or smart bankers – I’m referring to the low-skilled jobs.

To be clear I am not trying to make a point about immigration – rather the facts serve to remind us that we had a huge challenge with our workforce at home.

Put simply, it was a question of supply and demand.

Large numbers were on out of work benefits, yet many were unwilling or unable to take advantage of the job opportunities being created.

It became increasingly apparent that while we had a modern economy, transformed under Mrs Thatcher…

…the nature of one section of society was left lagging behind.

Broken welfare system

The problem was that while our economy was subject to a fundamental overhaul, our systems of social support received little more than a patch-up job.

It was an incredibly reactive process – a new challenge would emerge in the system and governments would respond by tweaking things…

…adding new rules, new supplements, even new benefits.

But it was all built on a creaking edifice, and the result was a system of monstrous complexity.

More than 30 different benefits, complicated by additions within each benefit.

This was then compounded by the fact that when an individual started work part time, they found it impossible to calculate if they would be better off or not.

Some of their benefits were withdrawn at 40% as they moved into work, some at 65%, some at 100%...

…some net, some gross…

…some were only available at 16 hours, some at 24, some at 30.

Feed all of that into a complicated computer system – because no normal person can calculate what it all means for their income – and you find that something extremely damaging happens…

People on low wages lose up to 96 pence in every pound they earn as they increase their hours in work.

In other words for every extra pound they earn, 4 pence goes in their pocket and the rest goes back to government in tax and benefit withdrawals.

So suddenly you have a system that is incomprehensible to those that use it, except for one thing that seems clear – it’s not worth the risk of working.

Debt and consumption

And so what did we find as a result?

Even in the decade before the recession, while growth was booming, jobs were being created, and welfare bills should have been falling, spending on working age welfare actually increased by some 35%.

And this wasn't just about welfare – in healthcare, in crime, in education, Government paid out to manage and maintain social problems rather than tackling them at their root.

This then is the second cultural challenge I want to touch on tonight – understanding how we, as a society, got to a place where we were unable to pay our way, with an economy built on debt and consumption.

I think the problem lies, to a large extent, with the culture of government spending which has developed.

This is a culture marked by an obsession with inputs – with pouring money into social programmes – so that governments are seen to be doing something.

Of course big spending is attractive because it brings big media headlines.

But my concern is that no one asks what will come out at the other end – in other words what impact the spending will have on people's lives.

Child poverty

Let me give you the example of the approach to child poverty which has predominated in recent years, which has frequently focussed on the task of moving people from just below the poverty line, to just above it.

Some £150 billion was spent on tax credits for families and children between 2004 and 2010, much of it in pursuit of this ambition.

Some people were indeed moved over the poverty line – and in government and amongst lobby groups that was seen as a cause for great celebration.

Yet I am concerned that these celebrations may have been premature.

Moving someone from one pound below the poverty line to one pound above it might be enough to hit a target.

But what about the people stuck at the very bottom?

There are people who weren't even touched by this poverty drive – for example many of those trapped far below the line on less than 40% of the median income.

But – equally importantly – when you do lift someone above the 60% relative income line, do you really have any idea what impact it actually has on their life?

Do we have any idea what kind of sustainable change has been achieved?

Because if it hasn't made a sustainable change you won't be celebrating for long – the family you have moved over the line are liable to fall back again if you haven't tackled the real reason they find themselves on a low income in the first place.

Let me give you the example of a family with seriously drug addicted parents – simply giving more money to the parents may do little more than feed their addiction, leaving them and their children locked into a cycle of poverty.

But invest the same money in targeting the root causes of poverty, intervene early, and you can make a more sustainable change…

…AND one that is likely to be more affordable in the long term, as you put people back on the path to independence and reduce the churn in the system.

But too often reductions in poverty have been achieved simply through out of work welfare transfers.

That is what I mean when I speak about inputs versus outcomes – we have become comfortable with the idea of measuring the money we put in, but without really caring to ask what that money achieves in terms of life change at the other end.

Saving

In many ways the problem I've touched on here is also relevant to our pension system.

Runaway government spending is a symptom of a wider problem – it is symptomatic of a society built on debt and consumption, rather than saving and investment.

We now know that some 7 million people in our country aren't saving enough for their retirement.

Why?

Because saving simply isn't seen to pay.

This is the problem we currently face with the means-test.

There are honest and hard-working people on low wages who work all their lives and pay in to the system, only to find that when they reach retirement their neighbour – who has never worked – can receive the same level of support through claiming for Pension Credit.

What kind of message does that send out?

It tells people on low incomes that it's not worth saving – it's not even worth working. Just sit back and wait for the government to pay out when you retire.

Over the years we seem to have become addicted to debt instead – in the lead-up to the recession we accumulated one of the highest rates of personal debt in the whole of Western Europe, around £1.3 trillion even before the recession started.

We embraced a culture of 'live now, pay later' and looked to future generations to pick up the bill.

The fact is that debt fuelled booms feel good while they last, but like all addictions the detox is long and painful.

The challenge

So we are now faced with a fundamental challenge.

Millions of people stuck out of work on benefits.

Millions not saving nearly enough for their retirement.

And politicians – of all hues – addicted to spending levels as a measurement of success, rather than life change as a measurement of success.

Three areas ripe for reform – but how do you reform when there is no money?

The answer – you change the way you reform.

Not just cheese-slicing, but recalibrating whole systems so that you change behaviours, and change the culture that allowed spending to get out of control in the first place.

This is absolutely critical, and I want to take a moment to explain why.

When welfare spending balloons – as it has done – the temptation for successive governments has been to squeeze it back down again.

But – rather like a balloon – when you squeeze it at one end it will tend to grow at the other.

So whilst savings must be made, they must also be sustainable.

Otherwise, once the public finances are back in order, and the economy grows again, so the bidding war starts once more.

Lobby groups put pressure on government to spend more.

Government in turn dip its hands into all of your pockets to buy media headlines, and the vicious cycle continues.

Welfare Reform

Structural change – leading to cultural change – is the key to this dilemma.

In other words you have to tackle the demand itself, changing the effects of welfare by changing the incentives in the system.

Let me explain what I mean by this.

My belief is that everyone in the welfare system should be on a journey – it should be taking them somewhere, helping them move from dependence to independence.

So if you are looking for work the system should make work worthwhile and it should both support and encourage you.

If you are a lone parent the system should support you with your caring responsibilities while your child is young, but it should also keep you in touch with the world of work and ensure at the earliest that you move back to the world of work.

If you are sick but able to work in time the system should support you, stay with you as your condition improves and make sure you can take the opportunities to work when you are able.

What we will not do is put anyone on benefits and then forget about them, as was so frequently the case for those on Incapacity Benefits.

But if a journey for people is our purpose, we have to recognise that our current welfare system is not fit to provide it.

That’s why we are redesigning it almost from scratch – making the journey more attractive, smoother, quicker, more supportive.

And we will do so in a way that brings welfare spending back under control….

….whilst changing lives at the same time.

In other words we reduce the effective demand on the system by changing people’s incentives.

In the words of Beveridge, now is “a time for revolutions, not for patching”.

Universal Credit

But if we are to build a new journey, we have to recognise a simple fact.

Not everyone is starting from the same place.

There is no point assuming – for example – that everyone understands the intrinsic benefits of work…
…the feelings of self-worth, or the opportunity to build self-esteem.

If you are dealing with someone from a family where no one has ever held work, or no one in their circle of peers has ever held work, there is no point in simply lecturing them about the moral purpose of work, or in just wielding a bigger and bigger stick.

Politicians have tried this tactic over and over again – and to limited effect.

What you must tackle is the biggest demotivating factor that many people face – the fact that the complexity of the system and the way it is set up creates the clear perception that work simply does not pay.

Thus, after generations in key communities, worklessness has become ingrained into everyday life.

The cultural pressure to conform with this lifestyle is enormous, underscored by the easy perception that taking a job is a mug’s game.

It is this factor which can stop someone’s journey back to work in its tracks.

Changing this is what the Universal Credit and the Work Programme are all about.

Universal Credit is a new system we are introducing from next year, which will replace all work-related benefits and tax credits with a single, simple, payment.

It will be withdrawn at a single, constant rate, so that people know exactly how much better off they will be for each extra hour they work.

And this rate will be significantly lower than the current average, meaning that work will pay for everyone, and at each and every hour.

This requires investment up front – we are spending some £2 billion to get it right.

But if we do so, and start reaping the effects of cultural change, it will save government huge amounts down the line, as workless households become working households.

Work Programme

But Universal Credit alone is not enough.

When you are dealing with people who are a long way from the workplace, who do not have many skills, and do not have the work habit, you need to provide a system that supports them and helps them to get work-ready.

That’s what we are doing with the Work Programme, and we have asked some of the best organisations in the private and voluntary sectors to deliver it for us.

They are tasked with getting people back to work, and then helping to keep them there.

They are given complete freedom to deliver support – I don’t tell them how to do it, and nor does the Minister for Employment.

This is about trusting that these organisations are best placed to know what works.

Universal Credit and the Work Programme are two sides of the same coin.

Either without the other would not have the same impact.

Together, they will become formidable tools for taking people on this journey.

Of course we need that warning of benefits being removed if some of the unemployed don’t try, but imagine how much more effective that becomes when the majority are motivated to succeed.

Housing Benefit

And what about the other areas where we are making savings?

Again – the journey is key.

Let me give you a couple of examples.

We are making savings in Housing Benefit, but this is in part about removing a major stumbling block as people try to move back to work.

Under the system we inherited some people on Housing Benefit were living in areas with incredibly high rents – it was actually possible for families to claim over £100,000 a year for help with housing costs in certain cases.

Think about what this means for someone who is considering taking a job.

There's a good chance they won't, because they will fear losing their home as their Housing Benefit is tapered away – they cannot take that positive step.

That is why we have capped the amount of Housing Benefit that a household can receive.

Incapacity Benefit

And take our reforms to Incapacity Benefit.

Again, this is about moving people who can work back towards work…

…but it is also about staying with those who cannot work at the moment – not parking them for years without being seen, as under the previous system.

Pension reform

And we are plotting out a journey in our pensions system as well – except here we are looking to set people on a journey to a decent and sustainable retirement, whilst also reducing the pressure on the public purse.

The solution here is to get people saving – and to get them started early.

The first battle is to make saving the norm – that's why we are pushing ahead with plans to automatically enrol all of those without pension coverage into pension schemes.

But that still leaves us with the problem of the means test that I mentioned earlier.

So the second thing we are doing is pushing ahead with plans to radically simplify the State Pension system – creating a 'single tier' pension which is set above the level of the means-test, so that people know that it makes sense to save.

Cultural change

This is cultural change.

The renewal of a welfare system that is seen as a means of temporary support – the beginning of a journey back to independence.

As Leonard once said:

"*Our culture should allow us to make choices, not to be told what to do.*"

Government spending

Yet there is one final piece to the puzzle.

I have covered what I call external cultural change, change in society at large.

But we must also achieve an internal cultural shift – changing the culture of government spending.

And it is here that I think we still have much work left to do.

We have to reject the old focus on inputs…

…the old mantra which says that 'more spending equals good, less spending equals cuts…which equals bad'…

…and open up a whole new dimension – one focussed solely on the impact that spending has on people's lives.

Every pound for life change.

That means changing not just how much we spend, but how we spend it.

Work Programme

So let me return to the example of the Government's Work Programme, where we have been pioneering the use of payment by results.

While supporting someone into work obviously has a cost attached, you find that cost is quickly outweighed by the reductions you can make to the welfare bill when you get someone back into work and paying tax.

The trick is to use these future savings to pay for the Work Programme now.

We do that by putting the onus on the 18 Prime Providers who compete to deliver the Work Programme in different parts of the country.

They raise the money to deliver the programme alongside their subcontractors – we then pay them when they deliver the results.

That means first, getting people back into work.

But from day one we've been clear that getting people into work – on its own – isn't enough.

If people do not have 'the work habit' – in other words they are not used to the workplace, or convinced that working is right for them – the risk is that they will soon fall out of employment again.

So the providers get the biggest payouts when they keep someone in work for 6 months, one year, 18 months, or up to two years in some cases.

In so doing we remove the risk from the taxpayer, and we make sure that every pound spent is only being paid out because it has a positive impact on people’s lives.

Social investment

A payment by results system works best when the timescales for success are short and the metrics relatively straightforward.

But in addition to Payment by Results there are other areas as well.

In particular, we are really trying to open up the social investment market.

I see this as a huge opportunity to get much more private money working in pursuit of the social good.

Historically it has been assumed that people could either be ‘good citizens’ and put their money into charitable works, but without expecting anything in return…

…or they could be ‘profit maximisers’, who invest their money in commercial ventures and have to forget about the social consequences.

Social investment is a way of uniting the two – it is about saying to investors:

‘You can use your money to have a positive impact on society, AND you can make a return.’

But to get this investment you need to have programmes that are tested and accredited.

That then allows you to create a social bond that people can invest money in.

That is why we have we have agreed to establish an independent foundation that will accredit programmes of work and provide a rigorous assessment of their likely social returns.

It’s why we’re testing a variety of cutting edge programmes through our Innovation Fund, which will help build the evidence base around social investment models.

And it’s why the Government has launched Big Society Capital, capitalised with £600 million, and tasked it with the sole mission of growing the social investment market.

Huge potential

This market may still be in its infancy, but I believe it has huge potential.

First, it has the potential to greatly increase the amount of funding available for social programmes by bringing in private investment money.

Second, it brings a whole new level of discipline and rigour.

Too often in the past good, proven programmes have been introduced by Government but haven't worked.

This isn't necessarily due to a problem with the programme itself – rather it is because as the programme has trickled through the system bits have been added or subtracted, modified and changed, so that in many cases the programme has been neutered.

Why?

Because when Government care more about inputs than outcomes it doesn't have much interest in whether the programme actually works – once it is underway the nature of the programme itself becomes largely irrelevant.

But if the money follows the outcome – as it does with payment by results, or with social investment – we can bring a whole new level of fidelity to the way that civil servants, local authorities, and government at large do social programmes.

It is my personal belief that if we can truly grow the social investment market it will mark the single biggest change to the culture of spending in Government.

Conclusion

So the prize could be enormous if we get all of this right.

Cultural reform – of society, and of government – in a way that restores effectiveness in public spending, and restores the idea of mobility in our welfare system.

In other words it restores the idea that no matter how hard things get for you we will be there with you to help you on an upward path.

But we've got to lock this process in – as with the process of making savings that I spoke about earlier, it has to be done in a sustainable way or the problems will pop back up again just a few years down the line.

That means we need to change the incentives in the system.

In welfare that means understanding that work has to be seen to pay, and people have to know that there is support available for them.

In pensions it means understanding that saving has to be seen to pay, and it has to be easy for people to save.

And in government spending it means making the money follow the outcome, so that it is no longer possible to fiddle around with quality programmes or not see them through.

Through this process, and through the tool of social investment, I think we can achieve something else as well.

We can start to lock those at the top of society back into to our most disadvantaged families and communities at the bottom.

We can get our biggest and best businesspeople bringing their time and their skills to some of society's most intractable social problems.

I hope and believe that as both a great entrepreneur and a great philanthropist this is an agenda that Leonard would have supported.

He had an instinctive sense that with wealth comes responsibility – and he invested a remarkable amount of time, effort and money in giving back to the community.

Ironically, perhaps, it has taken difficult times to create a driver for change.

When the economy was growing it was just too easy to say 'not now, but later'.

For after all, this does involve very tough choices.

As we try to reshape our economy, and revitalise and refloat the entrepreneurial spirit that has historically characterised the citizens of this global trading nation, we must accept that we will fail unless we can lock all in society to the benefits of this change.

We must no longer allow ourselves to accept that some in society are beyond our reach.

As our economy moves into the 21st Century, these welfare reforms are about ensuring that a previously disconnected section of society gets there at the same time.

"Social Consequence of Poor Infant Attachment...Two is Too Late"

Northamptonshire Parent Infant Project (NORPIP) conference

Whittlebury Park

Friday 18 May 2012

Introduction

I'd like to offer my thanks to Andrea Leadsom for her introduction.

It is a pleasure to be here today.

When Andrea asked me to become a founding patron of NORPIP, I had no hesitation in accepting.

Tackling family and social breakdown is an issue that has been close to my heart for many years now.

It was back in 2004 that I set up the Centre for Social Justice. Spending time in disadvantaged communities up and down the country, what I found was a section of British society that had been completely left behind.

In many cases, I saw children following the same dysfunctional path as their parents, confined to the margins of society because of where they had started out in life.

By the time they reached school, many of these children had already been the victims of violence, had witnessed parents on drugs or suffering depression.

And from the back of the classroom it was a slippery slope to truancy, to school exclusion, and from there to addiction, debt and crime.

At the Centre for Social Justice, we recognised that making a real difference to these families' lives meant targeting the pathways to poverty that led had them there.

Treating symptoms

All too often, however, Government social policy was conditioned to focus on managing problems – on containing them – rather than investing in changing them.

The failures of this approach were clear to see.

Huge numbers of people maintained on out of work benefits – one million for a decade or more.

Young people forced to accept that their level of attainment depended on their background rather than their ability.

High and rising levels of family breakdown – with money spent on picking up the pieces of breakup rather than in preventing it.

Addicts moved onto less harmful drugs but not offered sustainable help to get clean.

And offenders locked up and swept under the carpet rather than being worked with and rehabilitated.

All this, a legacy of treating symptoms rather than tackling root causes.

Dysfunctional government

Part of the problem was that Government tended to work in silos – each department focused on their own narrow brief, but no one was looking at the individual or family as a whole.

This is the point the Prime Minister made when he launched the Government's Troubled Families Programme.

He told a story of a family in the North-West who in a single year were the subject of a huge amount of disconnected state activity.

The police, the ambulance service, A&E, the council, youth offending teams, and more.

Each tried to deal with the problems in their own particular area.

But no one saw the family as a whole – there was management and maintenance of their problems, but no vision for helping them change their lives.

Social Justice Cabinet Committee

On coming into office, the challenge was how to change all this.

When the Prime Minister invited me to lead the Social Justice Cabinet Committee, it was a real opportunity.

First, to end the culture of siloed government.

But more than that, with departments taking a holistic approach to tackling social disadvantage, we could go back to an even earlier stage in children's development – intervening early, and helping parents in order to give their children a better start in life.

It is as the Chair of this Committee – and as a representative of the different departments involved – that I speak to you today.

Early intervention

One of the first steps we took after forming the Committee was to commission a series of reports on children's early years, including Frank Field's report on poverty and life chances, and two reports from Graham Allen that focused on early intervention.

This was about developing a cross-party consensus on what needed to be done in this space. And then building the principles of this into policy, processes, and institutions across Government.

I wanted early intervention to be a golden thread weaving through everything the Government was doing to tackle social problems.

And both on paper and in practice, we have made real progress.

Early intervention runs through both the child poverty and social mobility strategies. And it's a defining principle on page 1 of our Social Justice strategy – central to transforming the lives of our most disadvantaged families.

What we are doing

Let me explain what this means in action.

It means that instead of leaving a single teenage mother struggling to cope, feeling detached from her newborn baby, and waiting for problems to stack up down the line, we are seeking to ensure that parents receive expert support and advice from pregnancy and into their child's early years.

Retaining a strong network of children's centres is crucial, so that all families can access a core set of vital services.

But we also need clear examples of best practice in the field – and I want to take this opportunity to acknowledge the importance of the work being done by OXPIP and NORPIP.

Offering therapeutic support for mothers and babies, helping them to develop a strong and loving attachment – this work is leading the way.

Following the example set by innovative local projects such as this, Government is making the foundation years a priority.

Whether it be in terms of health, where we have committed to doubling both the number of Family Nurse places and the number of health visitors by 2015…

… or education, where we are extending free early education to the most disadvantaged two-year-olds…

… or families, where we are trialling universal parenting support for mothers and fathers with a child under five.

You may have woken up to the Prime Minister talking about this this morning.

What we are trying to do is take the stigma out of the idea that needing help means you have somehow failed as a parent.

In fact, statistics show that two in five of all new mums are struggling to cope with the demands of their newborn.

And almost three quarters said they would have liked more professional help before the baby was born.

For parents with a child under 3, the figure is even higher – with 85 percent saying they had sought help in the last year.

So this is not a case of the nanny state intervening, but government responding to a need that is present across the social spectrum.

Through all this,we are steering the focus and the spending towards areas which we know can make a real difference to improving children's life chances.

The future

Yet there is one final piece to the puzzle.

Together with achieving a cultural shift towards early intervention and tackling root causes, we must also change the culture of government spending, opening up a whole new dimension – one focussed solely on the impact that money has on transforming people's lives.

It is here that I think we have a really exciting opportunity still to exploit – with the social investment market offering a real chance to get more private money working in pursuit of the public good.

Social investment

Historically it has been assumed that people could either be "good citizens" and put their money into charitable works, but without expecting anything in return.

Or they could be "profit maximisers", who invest their money in commercial ventures and have to forget about the social consequences.

Social investment is a way of uniting the two – it is about saying to investors:

"You can use your money to have a positive impact on society, **and** you can make a return."

In some cases this financial return will come from supporting a social enterprise which has profitable revenue streams.

However some of the most interesting recent projects have involved Government money as well, with investors paying up front to fund the delivery of social programmes, and then Government paying for the returns, funded by the reduced costs of social breakdown.

This is the model being used in the Social Impact Bond project in Peterborough, where investors are paying charities to run rehabilitation programmes with prisoners.

If reoffending falls by 7.5% or more, then the investors will receive a return – paid for by Government out of the reduced costs.

Growing the market

But in order to grow the market, you need to have programmes that are proven to be effective, that are tested and accredited so that investors have a clear understanding of what the returns might be and how certain they are to accrue.

Government's job here is to sow the seeds, and to get the financial and regulatory conditions right so that the market can flourish.

That's why we have launched Big Society Capital, capitalised with £600 million, and tasked it with the mission of growing the social investment market.

It's why we're testing a variety of cutting edge programmes through our Innovation Fund, which will help build the evidence base around social investment models.

And it's why we have we have agreed to establish the Early Intervention Foundation, which will accredit programmes of work and provide a rigorous assessment of their likely social returns.

The potential

If we get this right, the potential prize could be enormous.

First, there is the potential to greatly increase the amount of funding available for social programmes, by bringing in private investment money on top of that provided by Government or pure philanthropy alone.

Second, social investment brings a whole new level of discipline and rigour to this funding because people are investing their own money in expectation of a return – money that could otherwise be reaping a profit elsewhere.

But third – and perhaps most importantly – it could be a powerful tool for building a more cohesive society.

The gap between the top and bottom of society is in many cases larger than it has ever been.

We have a group of skilled professionals and wealth creators at the top of society who have little or no connection to those at the bottom.

Yet in so many cases what divides the two is nothing more than a different upbringing, or a different start in life.

I believe social investment is our best hope for tying not just the wealth but also the skills of those at the top of society back into our most disadvantaged communities.

The social investment market is in its infancy, but it is my personal belief that if we can truly develop this market, it will mark the single biggest change to how social interventions are funded in future – having a powerful effect on the way innovative early intervention programmes such as NORPIP are delivered.

PIPUK

With PIPUK on the horizon, I believe this change is coming at just the right time.

I know Andrea will elaborate on this later, but I would like to congratulate her now – together with everyone involved in OXPIP and NORPIP – on how far you have come.

Having already helped hundreds of mothers and babies, the work you are doing is invaluable and I would like to offer my full support for developing a national network of PIPs in future.

Conclusion

So let me finish by returning to my message from the beginning.

Giving children the right start in life is critical.

Every aspect of human development – physical, intellectual, and emotional – is established in early childhood.

Equally, many of the social problems we face are a product of children's earliest experiences in life.

If we can invest in the early years – effectively and efficiently, and through the tool of social investment – the rewards may be great.

Not only in terms of an **economic** return, but also a **social** return.

With our early intervention community bringing their time and their skills to some of society's most intractable social problems, and what's more, using interventions targeted to restore opportunity and hope to the most disadvantaged families, we can set children on the path to a productive and independent life beyond the state.

Laying the future foundations for a strong and stable society.

Institute of Grocery Distribution, Skills Summit 2012

London

Wednesday 13 June 2012

Introduction

It is a pleasure to be here today.

It’s a little known fact that Britain’s food and grocery sector employs over 3.5 million people – some 13% of the national total.

Adam Smith declared it in *The Wealth of Nations* back in 1776, but we are still "a nation of shopkeepers".

The food sector is a crucial part of UK industry, and it is businesses such as those gathered here today that will drive this country’s financial recovery.

Though the overall economic outlook is still poor, last month’s jobs figures at least showed some encouraging signs of stability, particularly stronger than expected growth in jobs from the private sector.

Latest statistics show that even with a 37,000 fall in public sector employment...

... private sector employment was up 45,000 on the latest quarter.

Indeed there are currently 370,000 more people in work than in there were in 2010.

What’s more, the total number on out-of-work benefits is down by nearly 70,000 over the same period – because of the changes we have introduced to move more people off inactive benefits and into the labour market.

We are reassessing claimants on incapacity benefit at a rate of 11,000 people a week, and of the first 129,200 outcomes, 37% – some 47,400 people – were found fit for work.

And with a further reduction in the age limit for single parents with young children claiming income support, almost 100,000 lone parents have moved off inactive benefits since 2010.

These are important signs that that our welfare reforms are beginning to impact...

... because if we are serious about transforming both our economy and our society, we have to be focussed on getting welfare inactivity down...

... tackling what I call the problem of the ‘residual unemployed’ – reducing the number of people who been more or less permanently out of work, even throughout the years of growth.

Entrenched worklessness

This is a task I have been committed to for many years, even before coming into office.

Back in 2004 I set up an organisation called the Centre for Social Justice.

Spending time in Britain's most disadvantaged neighbourhoods, I saw whole communities blighted by worklessness – even before the recession started.

All too often, generations of the same family were stuck in a vicious cycle.

Growing up in dysfunctional homes where no one had ever held a job...

... attending underperforming schools... too many even abandoning school in their early teens or dropping out aged 16 without any qualifications.

Finally, young people ended up in the jobcentre aged 18, too often set to live the same failed lives as their parents – out of work even when job opportunities were being created.

Employment was up by some 3 million in the decade before the recession, yet between 1996 and 2010, the number of UK household where no one had ever worked doubled...

... and we continued to pay for almost 5 million working-age people to sit on out of work benefits.

In fact more than half of the rise in employment under the previous Government was accounted for by foreign nationals – businesses were forced to look elsewhere because they couldn't find what they needed at home.

A lack of incentives and a culture of welfare dependency played a part...

... but in too many cases, the potential workforce just didn't have the skills for the job.

Institutional failure

This isn't just bad news for growth and productivity. It's also a real waste of people's potential.

There are currently 954,000 NEETs in England – young people aged 16-24 'not in employment, education, or training'.

Yet many of the young people who are out of work and on the dole are harbouring a range of skills that could well be put to use in growing our economy.

These young people aren't stupid.

But their potential is left unrealised, sometimes perverted by the wrong peer group to criminal ends.

All because, too often, their dysfunctional families have failed to give them a proper start...

... then their schools have failed them...

... and finally the welfare system has just parked them unwanted and unready for the world beyond the jobcentre.

Academic versus vocational

A big part of the problem is that as a society, we have majored on academic achievement as a measure of young people's success.

What's gone missing is the understanding that there should be another route – a way of gaining top qualifications that doesn't involve going to university.

Our technical education remains weaker than most other developed nations – particularly in contrast to other European countries.

Take the example of Germany, where the 'dual system' allows pupils to combine on-the-job experience with career-specific lessons.

Or the example of the Netherlands, where all 16-year-olds are assessed in foreign languages, arts, sciences, maths and history...

... but where children can move onto a technical route from as young as 12.

Research by the think tank Demos suggests that in England, of those in employment 11 out of every 1,000 people completed an apprenticeship, compared with 40 out of every 1,000 in Germany and 43 in Switzerland.

The same trend is found in business too, with under a third of big UK companies offering apprenticeships compared with 100 per cent of big companies in Germany.

So it's no coincidence that our international competitors also boast more robust manufacturing industries – Europe's most competitive export economies are built on valuing practical skills alongside academic ones.

Holland

It was on a visit to the Netherlands as Conservative Party leader, that I realised what was meant by giving academic and vocational learning equal weight.

I met a headmaster who had worked in both English and Dutch schools.

He pointed out the similarities between the UK and the Netherlands – both advocates of the free market, with a strong financial sector and opportunities for smart graduates.

But he also pointed out a crucial difference.

As he described it, in the UK, we consider bankers, IT consultants and businessmen to be most important people in the world.

What we in this country don't value is the fact that when someone goes home from their city job, they need a home to go to – and one that has been built with some skill.

They need to be able to open the front door without it falling down.

To turn on the lights without electrocuting themselves.

To run the bath without it flooding.

In the Netherlands, the headteacher told me, people want those jobs done properly, by someone with qualifications – rather than by a cowboy.

So the builder, the electrician, the plumber – the grocer, any tradesmen in fact...

... all of them are as valuable as the city worker, and qualifications gained through school and college lift the status of those who occupy these positions.

Here in the UK, however, our education system has long failed to reflect that value.

Action for change

On coming into Government, I was not alone in thinking we had to put this right.

The Coalition Agreement confirmed the Government's intention to improve the quality of vocational education – making sure it was no longer second best to academic study.

One of the first steps we took was to commission an independent review led by Professor Alison Wolf.

Published in March 2011, the Wolf Report made 27 recommendations to improve the quality of vocational education for young people aged 14 to 19.

Michael Gove accepted them all – and across different Departments we are now beginning to see progress being made.

Schools

At the Department for Education, Michael Gove is doing a great deal to develop a more diverse schools provision.

The first 6 studio schools are already open – offering 14-19 year olds the opportunity to split their time between work placements and project-based learning.

And just two weeks ago, the Department for Education gave the go-ahead for 15 new University Technical Colleges, which will work in partnership with local universities and employers.

From Southwark to Stoke-on-Trent, Norfolk to Newcastle, a total of 12 studio schools and 24 University Technical Colleges are set to open in the coming years...

... providing young people with the technical knowledge and skills that industry demands.

Apprenticeships

There has also been a real push on apprenticeships as a practical route into employment.

This not only means delivering at least 250,000 more apprenticeships than the previous Government had planned. ...

... but also taking steps to make it as simple and rewarding as possible for employers to take on an apprentice...

... reducing bureaucracy around the process and introducing 40,000 incentive payments worth £1,500 for small employers who take on their first new apprentice aged 16-24.

I am keen to see apprenticeships being offered, not only in technical fields such as engineering and manufacturing – but also in other industries, I hope such as market trading.

After all, what better way to teach a young person about commerce than to get them into the marketplace, experiencing the roar of business on a stall?

By developing apprenticeship programmes in different trades, we can ensure young people are equipped with the skills that Britain's businesses need to prosper.

DWP measures

Finally, in my own Department, we're doing more to try and help young people address particular barriers they face in moving into work.

We know that a lack of experience often proves a problem.

So we are working with employers to provide an extra 250,000 work experience places over the next three years.

These places will last up to 8 weeks – some with pre-employment training and guaranteed interviews – and we'll provide funding for another month where places are linked to an offer of an apprenticeship or a job.

We know that for businesses, employing a young person comes with both a cost and a risk attached.

That's why we're introducing 160,000 new wage incentives, worth up to £2,275 each to encourage employers to take on young people from the Work Programme. By easing the costs a bit, it becomes much more straightforward to give young people a chance.

Across the board, from the £30 million Innovation Fund where a proportion of funding is specifically targeted at supporting disadvantaged young people to turn their lives around...

... to an almost £1 billion investment in the Youth Contract, providing intensive support to those who do end up on the unemployment register...

... and to the Work Programme, where we are paying private and voluntary sector providers for the results they achieve in moving disengaged young people into work and keeping them there...

... all of this is about trying to make sure young people don't end up stuck on the margins of society – intervening before worklessness becomes entrenched.

Feeding Britain's Future

It's great to see British businesses – both large and small – pledging their support for these initiatives.

These employers have not just committed to a Government programme – they have committed to saving our nation's youth, and we should be immensely proud of them.

In return, I would like to take this opportunity to express my support for 'Feeding Britain's Future', an event which we're looking forward to seeing more of in the Autumn.

With businesses showcasing the diversity of jobs available and giving young people an insight into the skills needed to succeed...

... I hope this event will inspire young people to put their talents to use in the food and grocery sector.

Conclusion

That is the message today.

Work is a vital component in our daily lives.

It is about more than money – it shapes us, develops us, helps us create friends and contacts.

The money we earn gives us choices, and the work we do helps us to develop so we can make the most of those choices.

This industry is all about that...

... for it is an industry with a great enterprising spirit – nothing illustrates this better than Margaret Thatcher, famously the daughter of a grocer.

As she said: "pennies don't fall from heaven, they have to be earned here on earth".

The money we earn is always more powerful than the money we are given.

My reforms are about changing our system so that young people can feel the satisfaction of a day's pay for a day's work.

The Abbey Centre, Westminster

Child poverty

Thursday 14 June 2012

Introduction

Thank you all for coming today.

Tackling poverty and social breakdown is an issue that has been important to me for many years now.

It was the reason I set up the Centre for Social Justice back in 2004: to better understand the drivers of social breakdown, and to find effective solutions.

We spent a great deal of time travelling up and down the country, taking evidence from community groups and voluntary organisations.

And we documented the evidence in our key reports, which laid bare the extent of social disadvantage and breakdown across Britain – even before the recession started.

So having spent many years engaged in how poverty affects our poorest communities, I am not altogether surprised by today's statistics.

Today's statistics

The figures published this morning confirm that the last Government missed the target they had set themselves to halve child poverty by 2010.

In 2010/11, 18% of children – some 2.3 million children – were growing up in households under the relative poverty line…

… meaning overall, the previous Government missed their target by 600,000 children.

It is sad that in our wealthy society, such a large number of people remained stuck on the margins, trapped in poverty throughout a period of unprecedented growth.

Government spending

Yet that's not to say this went unnoticed.

The last Government spoke about the need to tackle poverty, and poured vast amounts of money into the pursuit of this ambition.

Looking back at their track record, we can see the earlier and easier successes on child poverty being made between 1999 and 2001 – when the rate of relative child poverty fell from 26 percent to 23 percent.

The next significant drop occurs between 2002 and 2005…

… but coinciding with rise in spending on tax credits from £13.2 billion to £22.9 billion – an increase in expenditure of around 75%, with much of it targeted at families with children.

From then until the 2009, the last Government just about managed to keep the poverty rate flat…

… but at a cost of over £300 billion in working age welfare and tax credits.

In 2009/10 alone, around £90 billion was paid out in welfare payments to working age people and their families – about the same as the entire education budget.

The welfare bill increased by some 40% in real terms, even in a decade of rising growth and rising employment.

Overall, spending in the years when the last Government's child poverty reductions went flat was remarkable.

£171 billion on tax credits and an almost £30 billion net increase in welfare spending in the years from 2003/04 to 2010 **just** to sustain their position.

Of course big spending is attractive because it brings big media headlines.

But today's statistics clearly show that over the course of the last Government, the money failed to have the impact it was supposed to.

I'll say it again: 2.3 million children still live in poverty.

'Poverty plus a pound'

I believe the problem lay to a large extent in the common discourse around child poverty – which, in recent years, has become overwhelmingly focused on relative income.

If a family has less than 60% of the median income it is said to be poor, if it has 60% or more it is not.

By this narrow measure, if you have a family who sit one pound below the poverty line you can do a magical thing.

Give them one pound more, say through increased benefit payments, and you can apparently change everything – you are said to have pulled them out of poverty.

Yet moving someone from one pound below the poverty line to one pound above it might be enough to hit a target.

But what about the people stuck at the very bottom?

Looking beyond the headline statistics, we also find that in 2010 there were 600,000 children living severe poverty and 1.4 million in households suffering from absolute low income.

These are the families hardest hit, with the lowest incomes, and unable to afford essential day-to-day items.

But – equally importantly – even when someone is lifted above the 60% relative income line that isn't enough.

There must be some kind of change in their life or they will risk slipping back.

Fuelling dependency

Of course money is important.

But increased income from welfare transfers is temporary if nothing changes.

Just take the example of a poor family where the parents are suffering from a drug addiction. Giving the parents extra money moves them over the line and out of 'poverty' on paper.

Yet because much of the money will almost certainly go on drugs, the family still lives in poverty. Coming off drugs is a therefore a vital step for them getting out of poverty and staying there.

Or take a family where no one has ever worked. Simply increasing the household's income – while taking no other proactive action – will only push the family further into dependency and weaken the incentive to take up work.

So while income is important we should be clear that the source of that income can have very different effects.

Income through benefits maintains people on a low income and can risk feeding social problems.

Whereas research shows that work and the income it brings can change lives – boosting confidence and self-esteem, providing a structure to people's lives and giving them a stake in their community.

What today's figures make clear is that as the years rolled by, the 'poverty plus a pound' approach did not do enough to transform the lives of those in need.

Treating symptoms

On coming into Government, we could have continued on this path.

The Institute for Fiscal Studies estimated in 2009 that the 2020 child poverty targets could be hit through an extra £19 billion in welfare transfers.

But that would have been £19 billion spent as a one-off, without hope of transformation for those living in poverty.

For although income transfers might treat the symptoms, maintaining people just above the relative income line…

… all too often, the root causes remain unchecked.

Root causes

This Government is committed to eradicating child poverty, and across departments our aim is to tackle the problem **at its source**.

Whether it be worklessness and welfare dependency… addiction… educational failure … debt … or family breakdown…

… these are the multiple and overlapping problems that underpin social disadvantage – and if we are to make real inroads to tackling child poverty we need to address them.

Government strategy

In March, we published the Social Justice Strategy – which establishes new principles for ensuring the most disadvantaged families and individuals can put a foot on the first rung of the social ladder.

This strategy concentrates on two major principles. Early intervention – preventing people from falling into difficulty in the first place.

And providing second chances for those whose lives do go off track, with a focus on recovery and independence as the ultimate outcome.

This builds on last year's Social Mobility strategy, in which we set out our commitment to making sure people are able to move up that social ladder and realise their potential.

Together, these combine as our strategy for ending child poverty – supporting parents and their children to overcome the barriers that trap them in poverty, and setting them on the path to an independent life beyond the state.

Culture change

But we won't improve children's life chances on paper – real change comes through reforming the whole culture of government interventions…

… getting to the root causes of problems early, instead of waiting to manage the symptoms.

That's why we're investing in the Pupil Premium, ensuring that pupils from the most disadvantaged backgrounds have fair access to a decent education.

It's why we're providing relationship support, ensuring that the most vulnerable families receive the support they need to provide a stable home life for their children.

Family breakdown is too often the scourge of the poorest in society. Children from broken homes… underperforming at school… and mothers unable to 'cope'.

At the CSJ, we found that the Government was spending £20 billion a year on the results of family breakdown and too little on support for families in difficulty.

That is changing.

And so too elsewhere in government.

Wherever we see a maintenance culture, we will replace it with a transformational one.

That's why we're protecting the role of the money advice service and supporting Credit Unions, to make sure people can get the advice and help they need to manage their finances, to help get them clear of the loan sharks.

It's why we're abolishing the National Treatment Agency – which spawned an industry soaking up government money to maintain people on drugs and alcohol, rather than using rehabilitation to get people free from a life of addiction.

And it's why we're introducing the Universal Credit, which will support more people into work, which we know is the best way for families to lift themselves out of poverty.

Universal Credit

This last point is particularly important.

For some people, such as those with severe disabilities, income from the state will always play a vital role – and this Government has promised to protect the most vulnerable.

However, for those who are able to work, this has to be seen as the best route out of poverty.

For work is not just about more money – it is transformative.

It's about taking responsibility for yourself and your family…

… playing a productive part in your community…

… creating an environment where success through hard work is celebrated, so that children can aspire to even more.

So we also have a simple message for those who can work: we will make work pay more than a life on benefits.

Under Universal Credit, by stripping away the complexity of the current system, we will make the journey into work smoother and more rewarding…

… and in doing so, make a real difference to people's lives.

It is estimated that Universal Credit could lift 350,000 children and 550,000 adults out of poverty.

And our latest analysis suggests that Universal Credit will ensure the vast majority of children will be lifted out of poverty if at least one parent works 35 hours a week at the minimum wage – or 24 hours if they are a lone parent…

… which is why we are placing such a high priority on work incentives.

If people take steps with us to find and stay in employment, they will see the rewards.

We are investing £2 billion to make work pay – and together with the other programmes we are delivering across Government, this has the potential to completely alter a child's future.

Because getting a family into work…

… supporting strong relationships, getting parents off drugs and out of debt …

… all this an do more for a child's wellbeing than any amount of money in out of work benefits.

With the right support a child growing up in a dysfunctional household, who was destined for a lifetime on benefits could be put on an entirely different track – one which sees them move into fulfilling and sustainable work.

In doing so they will pull themselves out of poverty.

Economic climate

I could stand here today and claim that today's statistics are good news for the Coalition in the first year of government.

For at a first glance, that is what they show.

The decrease in child poverty by 2% points looks like a step in the right direction.

But the reality, like poverty itself, is more complex.

In 2010/11 the economic downturn brought with it the largest drop in median income since 1980, dragging the relative poverty threshold down with it.

But even as relative poverty fell, absolute poverty remained flat at 11%.

So these figures make the powerful point that while some families may have crossed an arbitrary threshold, real incomes did not rise and the lives of the poorest did not change.

How perverse that the simplest way of reducing child poverty is to collapse the economy.

When in fact, deficit reduction is vital if we are to generate sustainable growth and job creation – which in itself is a pre-requisite for ending child poverty.

Gone are the days when taxpayers' money could be poured into politicians' pet projects in the pursuit of short term goals.

Resources are incredibly tight.

In such economic circumstances we must focus our actions where they will be most effective and long lasting.

That is why our reforms are about changing the **culture** of welfare, so that it acts as a springboard rather than a trap…

… reducing the costs of treating poverty further down the line, and changing lives at the same time.

A new measure

Today I have published a practical guide on what we know works – the Government can't tackle child poverty on its own and we need the support of local providers, and community and voluntary organisations.

But alongside dynamic interventions to tackle poverty, it is important that also look more closely at the effect they have.

We remain committed to the targets set out in the Child Poverty Act but it is increasingly clear that poverty is not about income alone.

Today, I am pleased to announce that the Government is very interested in developing better measurements of child poverty – which include income but do more to reflect the reality of child poverty in the UK today.

We will be seeking a wide range of views in the autumn as part of a consultation on how best to measure child poverty.

This is not an easy task and we will need help from experts in the field.

But it is vital work, for unless we find a way of properly measuring changes to children's life chances…

… rather than the present measurement of income alone…

… we risk repeating the failures of the past.

Conclusion

The decade from 2000 to 2010 saw a huge amount of money transferred to meet a poverty target increasingly more difficult to achieve.

However what become clear was that all that spending failed to meet its objective…

… because the process failed to understand that unless something changes in the lives of the recipients then they become **more** dependent not **less**.

The objective should be to show that life change is the key to moving people out of poverty…

… helping them to effect the change they need to rise above the dependency which has so reduced the quality of their lives.

Today’s figures show that we must bring an end to the tick box culture that cost so much and progressively failed to achieve its aim.

What we need is a system that understands that government policy should be measured by the effect social programmes have on changing lives…

… not just counting how much money is put in.

Ways and Means Committee, House of Congress

Washington D.C., United States of America

Wednesday 27 June 2012

Introduction

Thank you, Chairmen Davis and Tiberi, Ranking Members Doggett and Neal, and Members of the Subcommittees. It is a pleasure to appear before you today, to share my views on the case for welfare reform in the UK and to offer an overview of the changes I am implementing.

The Government’s inheritance

When the Coalition Government entered office in 2010, it faced an enormous problem. A country with a debt burden of 75% of GDP which was set to grow by 16% of GDP over the years to 2013, fuelled by one of the largest current account deficits amongst advanced economies.

Our budget deficit was larger than every economy in Europe with the single exception of Ireland and compared to US gross debt in 2010 of 99% of GDP, expected to grow by 12% of GDP over the same period. Spending on the public sector rose by 68.3% between 1997 and 2010.

This runaway government spending was a symptom of a wider problem, of a society built on debt and consumption rather than saving and investment. Partially fuelled by some policies which encouraged spending over saving and hugely assisted by the incredibly easy access to cheap credit, the public borrowed more than ever before. Over the years, we seemed to become addicted to debt.

In the lead-up to the recession, the UK accumulated one of the highest rates of personal debt in the whole of Western Europe: around £1.4 trillion – some 98% of GDP – even before the recession started. That compares to £9.1 trillion in the United States, equivalent to 120% of GDP. Interestingly, in Spain, personal debt stood at around only 83% of GDP.

We embraced a culture of "live now, pay later" and looked to future generations to pick up the bill. The fact is that debt-fuelled booms feel good while they last, but like all addictions the detox is long and painful.

The first reason for this economic crisis was that we had become too reliant on financial services. This once great manufacturing nation had given up on the idea of being a world leader in production.

Over the last decade, manufacturing as a share of total output in the UK declined from 14% to 10%. 10 years ago, 1 in 4 jobs in the UK was in manufacturing, today it’s less than 1 in 5 – a decline of 6 percentage points as a proportion of the workforce. The UK too easily believed a modern western economy couldn’t compete in manufacturing.

However look at Germany. Their record shows that after their labour market reforms in the first decade of the millennium, their productivity rose again. Over the same period, Germany’s manufacturing has grown such that it has managed to maintain a much higher 22% share of its economic output. Equally, although the USA experienced a decline in terms of manufacturing as a proportion of the national output, in the last decade the sector grew by some 23% from around $1,500 billion to $1,800 billion.

The second important reason was a benefit system of such fiendish complexity that too many chose a life on benefits over work. This was compounded by a lack of conditionality so far too many were able to sit on benefits unchallenged, and was made worse by the pursuit of a poverty target which cost more and more just to stand still. The safety net had become a cage.

The welfare challenge

Take some of the figures we were confronted with when we came into office: 5 million people – some 12% of the working age population – on out of work benefits, 1 million of them stuck there for a decade or more. 1 in every 5 UK households had no one working, and almost 2 million children were growing up in workless families. This was the cultural challenge we faced – entrenched and intergenerational worklessness and welfare dependency.

This problem was not just a product of the recession, as some might have us believe. In the UK, we had over 4 million people – 11% of the working age population – on out of work benefits throughout the years of growth.

Employment rose by some 2.5 million, yet more than half of that was accounted for by foreign nationals. To be clear, this is not a point about immigration, rather the facts serve to remind us that we had a huge challenge with our workforce at home.

Put simply, it was a question of supply and demand. Large numbers were on out of work benefits, yet many were unwilling or unable to take advantage of the job opportunities being created. This is an issue that I understand may have some relevance in the USA too, where according to the OECD, the inactivity rate actually increased by 2 percentage points from 22.6% to 24.6% in the decade between 1998 and 2008.

So what we need to achieve in the coming years is not political and technocratic welfare reform, but internal and external cultural change.

To explain what I mean let me start by taking you back to the early 1940s, when William Beveridge was laying out his vision for the modern welfare state.

A great economist and social reformer, appointed as Under-Secretary in the Ministry of Labour during the war years, Beveridge was driven by a desire to slay the "five giants" that he identified in society at the time: want, disease, ignorance, squalor and idleness.

But he was also clear about the risks that were attached to this laudable cause. He warned that:

"The danger of providing benefits, which are both adequate in amount and indefinite in duration, is that men as creatures who adapt themselves to circumstances, may settle down to them."

And he was clear that the system should not be allowed to "stifle incentive, opportunity, or responsibility".

In other words, Beveridge was focussed on the kind of culture that the welfare system could underpin. Would it be one that fostered a society where people took responsibility for themselves and their families, and treated welfare as a temporary safety net in times of need, or one that conditioned people to grow dependent on state support, and in turn treat it as a long-term crutch? His fear was that if the balance was wrong it would lead to the creation of a semi-permanent underclass.

Beveridge’s warning went unheeded and our welfare system received little more than a patch-up job, under an incredibly reactive process. A new challenge would emerge in the system and Government would respond by tweaking things, adding new rules, new supplements, even new benefits. But it was all built on a creaking edifice, and the result was a system of monstrous complexity. More than 30 different benefits, complicated by additions within each benefit.

This was then compounded by the fact that when an individual started work part time, they found it impossible to calculate if they would be better off or not. Some of their benefits were withdrawn at 40% as they moved into work, some at 65%, some at 100%; some net, some gross; some only available at 16 hours, some at 24, some at 30.

Feed all of that into a complicated computer system – because no normal person can calculate what it all means for their income – and something extremely damaging happens. People on low wages lose up to 96 pence in every pound they earn as they increase their hours in work. In other words for every extra pound they earn, 4 pence goes in their pocket and the rest goes back to the Government in tax and benefit withdrawals.

So suddenly you have a system that is incomprehensible to those that use it, except for one thing that seems clear – it's not worth the risk of working.

Debt and consumption

As a result under the last Government, the amount spent on welfare was remarkable, increasing by 40% in real terms even in a decade of unprecedented growth and rising employment. In 2009/10 alone, around £90 billion was paid out in benefit payments to working age people and their families – about the same as the entire education budget. Yet even as money was poured in, scant attention was paid to the results the other end.

Take the example of child poverty, where in the years from 2003/04 to 2010, there was an almost £30 billion increase in welfare spending and £171 billion paid out in tax credits – that's to say benefits for those in work but on a low income. Yet over the same period, there was no actual reduction in child poverty. The last Government spent all this just to keep the poverty rate flat.

So too in healthcare, in crime, in education, where Government paid out to manage and maintain social problems, rather than tackling them at their root.

This is a culture marked by an obsession with inputs – with pouring money into social programmes – so that governments are seen to be doing something. Of course big spending is attractive because it brings big media headlines. But my concern is that no one asks what will come out at the other end, in terms of what impact the spending will have on people's lives.

So we are now faced with a fundamental challenge. Levels of social breakdown high and rising; millions of people stuck out of work on benefits; millions not saving nearly enough for their retirement; and politicians – of all hues – addicted to spending levels as a measurement of success, rather than life change as a measurement of success.

These are areas ripe for reform, but how do you reform when there is no money? The answer – you change the way you reform. Not just cheese-slicing, but recalibrating whole systems so that you change behaviours, and change the culture that allowed spending to get out of control in the first place.

This is absolutely critical. When welfare spending balloons, as it has done, the temptation for successive governments has been to squeeze it back down again. But rather like a balloon, when you squeeze it at one end it will tend to grow at the other.

So whilst savings must be made, they must also be sustainable. Otherwise, once the public finances are back in order, and the economy grows again, so the bidding war starts once more. Lobby groups put pressure on government to spend more. Government in turn dip its hands into taxpayer pockets to buy media headlines, and the vicious cycle continues.

Welfare reform

Structural change, leading to cultural change, is the key to this dilemma. In other words you have to tackle the demand itself, changing the effects of welfare by changing the incentives in the system.

My belief is that everyone in the welfare system should be on a journey – it should be taking them somewhere, helping them move from dependence to independence.

So if you are looking for work, the system should make work worthwhile and it should both support and encourage you. If you are a lone parent the system should support you with your caring responsibilities while your child is young, but it should also keep you in touch with the world of work and ensure at the earliest opportunity that you move back to the world of work. What we will not do is put anyone on benefits and then forget about them, as was so frequently the case for those on sickness benefits in the UK.

But if a journey for people is our purpose, we have to recognise that our current welfare system is not fit to provide it. That's why we are reforming it in a way that brings welfare spending back under control, whilst changing lives at the same time.

Universal Credit and the Work Programme

But as we reform, we also have to recognise a simple fact. Not everyone is starting from the same place. There is no point assuming, for example, that everyone understands the intrinsic benefits of work, the feelings of self-worth, or the opportunity to build self-esteem. If you are dealing with someone from a family where no one has ever held work, or no one in their circle of peers has ever held work, there is no point in simply lecturing them about the moral purpose of work.

What you must tackle is the biggest demotivating factor that many people face – the fact that the complexity of the system and the way it is set up creates the clear perception that work simply does not pay.

Thus, after generations in key communities, worklessness has become ingrained into everyday life. The cultural pressure to conform to this lifestyle is enormous, underscored by the easy perception that taking a job is a mug's game. It is this factor which can stop someone's journey back to work in its tracks.

Changing this is what the Universal Credit and the Work Programme are all about.

Universal Credit is a new system we are introducing from next year, which will replace all work-related benefits and tax credits with a single, simple, payment. It will be withdrawn at a single, constant rate, so that people know exactly how much better off they will be for each extra hour they work. This rate will be significantly lower than the current average, meaning that work will pay for everyone, and at each and every hour.

This requires investment up front and we are spending some £2 billion to get it right. But if we do so, and start reaping the effects of cultural change, it will save government huge amounts down the line, as workless households become working households.

But Universal Credit alone is not enough. When you are dealing with people who are a long way from the workplace, who do not have many skills, and do not have the work habit, you need to provide a system that supports them and helps them to get work-ready.

That's what we are doing with the Work Programme, and we have asked some of the best organisations in the private and voluntary sectors to deliver it for us.

They are tasked with getting people back to work, and then helping to keep them there. They are given complete freedom to deliver support, without Government dictating what they must do, through what we call the "black box". That means trusting that these organisations are best placed to know what works.

Universal Credit and the Work Programme are two sides of the same coin. Either without the other would not have the same impact, but together they will become formidable tools for taking people on this journey.

Through the two, we are creating a contract with clear obligations. Each unemployed person will understand that we support them to find work and ensure they are better off in work than they are on benefits. In return, they are required to be permanently work ready, attend interviews and try to get work and take work when it is offered. Failure to comply and we take their benefit away – for 3 months the first time, 6 months the second time and 3 years the third time.

The wider reform agenda

More than that, we are capping the total amount an individual can earn whilst on benefits so that even if different benefits add up to more than the cap, they don't get it. Yet this isn't about punishing people, rather it is about removing a major stumbling block as people try to move back to work.

Under the system we inherited, some people with large families on Housing Benefit were living in areas with incredibly high rents. It was actually possible for families to claim over £100,000 a year for help with housing costs in certain cases, and on top of that they received other benefits. Well from next year this will no longer be the case. No matter how the different benefits add up, claimants will not receive more than average earnings.

We are also reforming the culture that allowed people to avoid work by languishing on a sickness benefit for years – almost one million for a decade or more.

Large numbers are being checked – of some 130,000 initial outcomes, 37% were found fit for work and some 34% were placed in what we call the "work-related activity group", ready to move back to work when their condition improves. So more than 70% who once would have languished unseen on a sickness benefit, will now be engaged on a journey to independence through work.

We are plotting out a journey in our pensions system as well, except here we are looking to set people on a journey to a decent and sustainable retirement whilst also reducing the pressure on the public purse.

We are pushing ahead with plans to automatically enrol all of those without pension coverage into pension schemes to make saving the norm, and we are making progress with plans to radically simplify the State Pension system – creating a "single tier" pension which is set above the level of the means-test, so that people know that it makes sense to save.

Together with raising the retirement age alongside rising life expectancy which alone will save around £90 billion, these measures are set to deliver enormous savings to the exchequer in due course.

Cultural change

This is not just welfare reform, rather cultural change. The end of the something for nothing entrapment and the renewal of a welfare system that should be seen as a means of temporary support, the beginning of a journey back from dependence to independence.

We are already seeing positive signs that this cultural change is beginning to happen. Though the overall economic outlook is still poor, the jobs figures for the last 3 consecutive months in the UK showed some encouraging signs of stability, particularly stronger than expected growth in jobs from the private sector.

Latest statistics show that even with a big fall in public sector employment, private sector employment was up 205,000 on this quarter. There are now 419,000 more people in work than in there were when this Government came into power in 2010.

What’s more, the total number on out-of-work benefits is down by 80,000 in the same period because of the changes we have introduced to get more people looking for work and into the jobs market. We are reassessing claimants on old incapacity benefits at a rate of 10,000 people a week, and with a further reduction in the age limit for single parents with young children claiming what we call "Income support", almost 100,000 lone parents have moved off inactive benefits since 2010.

In this year, we have reduced the economic inactivity level to its lowest since 1992, and we will get welfare inactivity down even further, as our other reforms start to bite.

Just take the changes we are making to cap Housing Benefit. Research published this month shows that of those Housing Benefit claimants affected, a third said they would be looking for a job in future.

This is what I mean by dynamic reform – creating a welfare culture that incentivises work and promotes independence over dependency. In other words, reform that is not just about the benefits system, but about social renewal, part of a wider vision for stable families, with educated children, growing up in areas of low crime.

Government spending

Yet there is one final piece to the puzzle. I have covered what I call external cultural change, change in society at large. But we must also achieve an internal cultural shift, changing the culture of government spending.

It is here that I think we still have much work left to do. We have to reject the old focus on inputs – the old mantra which says that "more spending equals good, less spending equals cuts…which equals bad" – and open up a whole new dimension, one focussed solely on the impact that spending has on people’s lives. That means changing not just how much we spend, but how we spend it.

So let me return to the example of the Government’s Work Programme, where we have been pioneering the use of payment by results. While supporting someone into work obviously has a cost attached, you find that cost is quickly outweighed by the reductions you can make to the welfare bill when you get someone back into work and paying tax. The key point is that we use these future savings to pay for the Work Programme now.

We do that by putting the onus on the 18 Prime Providers who compete to deliver the Work Programme in different parts of the country. They raise the money to deliver the programme alongside their subcontractors; we then pay them when they deliver the results. That means first, getting people back into work. But from day one we’ve been clear that getting people into work on its own isn’t enough. If people do not have "the work habit" – in other words they are not used to the workplace, or convinced that working is right for them – the risk is that they will soon fall out of employment again. So the providers get the biggest payouts when they keep someone in work for 6 months, one year, 18 months, or up to two years in some cases.

Because we are paying for results we will only pay for what works, therefore hugely reducing the risk on the taxpayer, and we make sure that every pound is only being paid out because it has a positive impact on people's lives.

A payment by results system works best when the timescales for success are short and the metrics relatively straightforward. But in addition to Payment by Results there are other areas as well. In particular, we are really trying to open up the social investment market.

I see this as a huge opportunity to get much more private money working in pursuit of the social good. Historically it has been assumed that people could either be "good citizens" and put their money into charitable works, whilst not expecting anything in return, or they could be "profit maximisers", who invest their money in commercial ventures and have to forget about the social consequences. Social investment is a way of uniting the two – it is about saying to investors: "You can use your money to have a positive impact on society, AND you can make a return."

But to get this investment you need to have programmes that are tested and accredited. That then allows you to create a social bond that people can invest money in.

That is why we have we have agreed to establish an independent foundation that will accredit programmes of work and provide a rigorous assessment of their likely social returns. It's why we're testing a variety of cutting edge programmes through our Innovation Fund, which will help build the evidence base around social investment models, and it's why we have launched Big Society Capital, capitalised with £600 million, and tasked it with the sole mission of growing the social investment market.

This market may still be in its infancy, but I believe it has huge potential. First, it has the potential to greatly increase the amount of funding available for social programmes by bringing in private investment money.

Second, it brings a whole new level of discipline and rigour. Too often in the past good, proven programmes have been introduced by Government but haven't worked.

This isn't necessarily due to a problem with the programme itself, rather it is because as the programme has trickled through the system bits have been added or subtracted, modified and changed, so that in many cases the programme has been neutered.

Why? Because when Government care more about inputs than outcomes it doesn't have much interest in whether the programme actually works. Once it is underway the nature of the programme itself becomes largely irrelevant.

But if the money follows the outcome – as it does with payment by results, or with social investment – we can bring a whole new level of fidelity to the way that civil servants, local authorities, and government at large do social programmes.

It is my personal that if we can truly grow the social investment market it will mark the single biggest change to the culture of spending in Government.

Social renewal

So the prize could be enormous if we get all of this right: cultural reform of society, and of government, in a way that restores effectiveness in public spending, and restores the idea of mobility in our welfare system. In other words restoring the idea that no matter how hard things get for you we will be there with you to help you on an upward path.

But we've got to lock this process in, and as with the process of making savings that I spoke about earlier, it has to be done in a sustainable way or the problems will pop back up again just a few years down the line.

That means we need to change the incentives in the system. In welfare that means understanding that work has to be seen to pay, and people have to know that there is support available for them. In Government, it means making the money follow the outcome.

Through this process, and through the tool of social investment, I believe we can achieve something else as well. We can start to lock those at the top of society back into to our most disadvantaged families and communities at the bottom. We can get our biggest and best business people bringing their time and their skills to some of society's most intractable social problems.

Ironically, perhaps, it has taken difficult times to create a driver for change. When the economy was growing it was just too easy to say "not now, but later". For after all, this does involve very tough choices.

But as we try to reshape our economy, and revitalise and refloat the entrepreneurial spirit that has historically characterised the citizens of this global trading nation, we must accept that we will fail unless we can lock all in society to the benefits of this change.

I believe the economies are beginning to show that more manufacturing will return to modern western societies if they have the skills to make it work. Technologies and the best of transport offer a new opportunity to revitalise our countries as manufacturing hubs of sophisticated goods.

None of this will happen unless we reform our societies, so that those now left behind are enabled to play a full part in this future.

Welfare to Work conference 19.09.12

Introduction – Glasgow

It is a pleasure to be here today.

And it is always a pleasure to be in Scotland.

Glasgow in particular holds a special significance for me – as a place where my political priorities were refocused.

My time visiting and meeting people in Glasgow led me to found the Centre for Social Justice (CSJ)…

… to better understand the drivers of poverty and find effective solutions, solutions forged on the ground in communities like Gallowgate and Easterhouse.

In 2006, the CSJ published a report called “Breakthrough Glasgow”, in which we found that almost a quarter of Glasgow’s total population lived in the most deprived 5% of Scotland’s neighbourhoods – almost half in the most deprived 15%.

So in Glasgow, and across the UK, the challenge we face is how to rebalance the distribution of wealth and work – enabling those previously stuck at the bottom to play a productive role in society.

Root causes

On coming into Office in 2010, the Prime Minister invited me to chair the Social Justice Cabinet Committee.

With 7 different departments taking a joined up approach, this was an opportunity to do more to tackle the root causes of social breakdown – rather than, as has too often been the case, simply treating the symptoms.

Whether it be worklessness and welfare dependency, addiction, educational failure, debt, or family breakdown…

… these are the multiple and overlapping problems that underpin disadvantage – and if we are to make real progress on closing the poverty gap we must to address them.

Social Justice

In March this year, we published the Social Justice strategy, establishing a set of guiding principles.

First, early intervention – preventing problems before they arise, rather than waiting to pick up the pieces.

This means investing in stable families and improving children’s life chances – as we are doing by working with Devolved Authorities to expand the Family Nurse Partnerships scheme and through putting £30 million into relationship support across the UK.

But as well as prevention, the strategy is also about second chances.

That’s why, for example, we’re protecting the role of the money advice service and supporting Britain’s Credit Unions, to help people manage their finances and get clear of the loan sharks.

All this is underpinned by a belief that through the right interventions, delivered in the right way, we can help people turn their own lives around.

Work as the route out

Importantly, the Social Justice strategy shows that where families are facing multiple disadvantages, making a sustainable difference to their lives requires more than money alone.

So whilst this Government has promised to protect the most vulnerable and financial support will always be available to those in need…

… we must also do more to help people towards an independent life beyond the State – moving from dependence to independence.

For those who are able to work, we must promote this as the most sustainable route out of poverty.

For work and the income it brings is transformative – boosting confidence and self-esteem, providing a structure for people and giving them a stake in their community.

If we are serious about helping people find a foothold in society, we must do all we can to support them into work.

Work Programme

Take the example of someone recently released from prison.

Evidence shows that being in employment reduces the risk of re-offending by between a third and a half.

So although those with a criminal record often face difficulties obtaining work, if we are to break the cycle of re-offending it is vital to help them secure a job.

That's why, working together with the Scottish Government and Prison Service to overcome differences in the prison release process, we have introduced a new provision in the Work Programme to ensure day one access for ex-offenders.

Instead of waiting for individuals to be released, we are now taking Jobseeker's Allowance claims in prisons…

… ensuring that offenders are prepared for the transition from the prison to the community, and receive immediate support to get them work-ready, find a job and stay there for a sustained period.

What's more, the Work Programme actually incentivises providers to support the hardest to help…

… pioneering the use of payment by results, with the biggest payouts for successfully keeping individuals in work for 6 months, one year, 18 months, or up to 2 years in some cases.

Because we are paying by results, we will only pay for what works – ensuring that every pound of Government money is only being spent where it has a positive impact on people's lives.

Local providers

The Work Programme is a huge investment in local providers, giving them complete freedom to deliver support.

In Scotland, almost 70% of the supply chain and 83% of those delivering specialist interventions are made up of voluntary and community organisations.

It comes as no surprise to me that these figures are higher than the UK average.

Scotland's third sector has long played an invaluable role in helping people to rebuild their lives and achieve their potential.

So as well as representatives from Local Authorities and the public sector, I am pleased to have so many representatives from the voluntary sector here today.

Working together with central Government, Jobcentre Plus and local businesses, I believe we can achieve even more.

Youth unemployment

Nowhere is this a more vital task than in tackling youth unemployment.

In Perth and Kinross, the £30 million Innovation Fund has already created Scotland's first Social Impact Bond, targeted at supporting disadvantaged young people to turn their lives around.

The idea here is to unlock private finance in the pursuit of the social good, getting investors to do something positive for their community while seeing a return on their investment at the same time.

Equally, through our £1 billion investment in the Youth Contract, we now have hundreds of employers across the UK committing to help young people into work.

This is about working together to support young people in addressing the barriers they face.

We know that a lack of experience often proves a problem.

So we are working with employers to provide an extra 250,000 work experience places over the next three years, lasting up to 8 weeks – and with funding for another month where places are linked to an offer of an apprenticeship or a job.

We know that for businesses, employing a young person comes with both a cost and a risk attached.

That's why we're introducing 160,000 new wage incentives, worth up to £2,275 each to encourage employers to take on young people from the Work Programme – targeted in hotspots where youth unemployment is particularly high, including 3 areas in Scotland.

By easing the costs a bit, it becomes much more straightforward to give young people a chance.

All of this is about trying to make sure young people don't end up stuck on the margins of society – intervening before worklessness becomes entrenched.

Promising signs

There are no quick fixes or easy routes to engaging people in the labour market – particularly in difficult economic times.

But whilst unemployment is still unacceptably high, the latest jobs figures do show some promising signs both in Scotland and across the UK – with the labour market holding up better than many might have expected.

Nationally, we have seen 3 consecutive quarters of positive job growth – 2 consecutive quarters in Scotland – with over one million more people employed in the private sector now than in 2010, over 50,000 of them here in Scotland.

This is more than offsetting job losses in the public sector, much to the credit of the British businesses that will drive our economic recovery.

Overall, there are 700,000 more people in work now than there were in 2010 – 54,000 in Scotland.

Yes, unemployment in Scotland is 0.1% higher than the UK average, but this in part reflects the changes we are making to move people off inactive benefits and into the labour market…

… helping more people to fill the vacancies available now, and ensuring that Scotland, as much as other parts of the UK, has the labour market it needs to support economic growth in the future.

And before anyone suggests that the UK-wide figures mask a much worse picture in Scotland, let me say that Scotland actually has similar employment rate than the UK – 71.4% compared to 71.2%...

… and like the UK, has seen two consecutive months where the claimant count has fallen.

Scotland also has an inactivity rate broadly equivalent to that of the UK – against a backdrop of economic difficulty, we have managed to get the national rate down to its lowest since 1992.

In fact, what has been particularly interesting in recent years is how little different parts of the UK have diverged compared to past recessions.

I do not mean to say that there aren't differences.

Some areas faced a more difficult situation before the recession, some have since been hit harder since – and we will do whatever it takes to respond to these challenges.

Unemployment remains my top priority – and we are making some progress even in an immensely tough economic climate.

Universal Credit

We still have more to do…

… getting welfare inactivity down even further as our other reforms take effect.

This is particularly pressing in Scotland where the workless household rate, at 20.3%, is 2.4 percentage points higher than for the UK as a whole.

From next year, we will begin to tackle the biggest disincentive that many people face…

… the fact that the current mess of benefits and tax credits creates a clear perception that work does not pay.

It is this factor which can stop an individual's journey back to work in its tracks.

Changing this is what the Universal Credit is all about.

A single, simple payment… withdrawn at a clear and consistent rate when people move into work…

… it will make work pay, at each and every hour – removing the stumbling block in the current system whereby some people lose up to 96 pence of every pound they earn.

Universal Credit is dynamic.

In Scotland alone, around 100,000 people will have a better incentive to increase their hours in work – on average keeping an extra 37 pence per pound they earn.

And UC is progressive.

With 80% of the gains going to the bottom 40% of the income distribution, reforming the system will start to redress the imbalance between the top and bottom of society that has persisted for too long in places like Glasgow.

Implementation

Let me be very clear. Universal Credit is on time and within budget.

The delivery programme is challenging, but we are handling the risks.

There is an investment of £2 billion to get the infrastructure and IT system right – and we have made good progress so far, ready for phased roll-out across the country in October 2013.

Before that, we are running a range of projects to learn valuable lessons about what works and what doesn’t.

This includes 5 projects to trial direct payments to landlords…

… 12 council-led pilots that will test the online claims service, including 3 in Scotland…

… and the Universal Credit Pathfinder which will be launched in Greater Manchester in April 2013.

There is no big bang launch here.

And rightly so, since the safe delivery of Universal Credit is our primary objective.

The staged Agile approach means the transition from current benefits and tax credits is expected to be completed by the end of 2017…

… with scope to continually improve and develop the service along the way.

Conclusion – working together

It is my belief that we need to work together on delivering these changes, both in Scotland and the rest of the UK.

For although Scotland now has its mandate to hold a referendum on independence, while we might spend a lot of time talking about these issues in the media or the corridors of power…

… from day to day, the UK and Scottish Governments will be getting on…

…in partnership… with supporting our most disadvantaged groups.

I believe we’re better off, stronger, and fairer doing so together.

Take the fact that having a single welfare system allows Scotland to absorb spending per person at a level 6% higher than the rest of the UK.

Or the fact that Scotland’s population is ageing faster than the rest of the UK.

In Scotland over a quarter of the population will be over 65 by 2033, and this proportion is rising further, increasing cost pressures in pensions, health and social care.

The UK as whole does not reach this point until after 2050, a generation later.

So while some want the debate about independence to be about raising welfare provision…

… the reality is that these increased pressures would need to be dealt with.

Together, the UK – with a broader and more sustainable tax base – is in a stronger position to tackle these challenges and to maintain public services in the process.

And just as our welfare union is of considerable benefit to Scotland, by pooling both the resources and risks, we all share in the benefits of a unified UK.

This doesn’t need to be an all or nothing choice – through devolution, I believe Scotland can have the best of both worlds.

So I hope that when the Scottish people come to vote, Scotland will continue to play a central role in shaping Great Britain’s future.

Let welfare reform be a joint ambition – with solidarity between everyone in the UK.

As we take steps to reshape the economy…

… investing in infrastructure, business and regeneration…

… we must accept that we will fail unless we can lock all in society to the benefits of this change…

… so that those now left behind are enabled to play a full part in this future.

Cambridge Public Policy lecture:

Reforming welfare, transforming lives

25 October 2012

Introduction

Thanks to Simon Heffer, Miranda Gomperts and others for arranging tonight's event.

It is a pleasure to be here this evening.

With a new Masters degree in public policy starting at the University next year, I hope that vigorous policy thinking in Cambridge will filter through to Westminster…

… strengthening the links I know my Department already has with the Centre for Science and Policy...

... and bringing a network of knowledge, evidence and expertise to bear on what we are delivering in Government.

In my area of responsibility – welfare policy – the challenge we face is not an abstract one.

Nor is it simply a question of institutions and systems.

My mission has always been about **people** – improving the life chances of the most disadvantaged and providing effective support to those in need.

That was the reason I founded the Centre for Social Justice back in 2004, an organisation set up to better understand the drivers of poverty and to find effective solutions.

And it remains my purpose in office – where tens of millions of people rely on the Department for Work and Pensions every day.

We are currently delivering an extensive reform of the benefits system, and I do want to spend some time reflecting on this programme.

But if we are to make a real difference to people's lives, what we need to deliver is **cultural change** – both in society and even in Government itself.

Beveridge

To explain what I mean let me start by taking you back to the early 1940s, when Beveridge was laying out his vision for the modern welfare state.

Beveridge was driven by a desire to slay the 'five giants' that he identified in society at the time: want, disease, ignorance, squalor and idleness.

But he was also clear about the risks that were attached to this laudable cause.

He warned that:

"The danger of providing benefits, which are both adequate in amount and indefinite in duration, is that men as creatures who adapt themselves to circumstances, may settle down to them."

And he was clear that the system should not be allowed to "stifle incentive, opportunity, or responsibility".

In other words he was focussed on the kind of **culture** that the welfare system could underpin.

Would it be one that fostered a society where people took responsibility for themselves and their families, and treated welfare as a **temporary** safety net in times of need…

…or one that conditioned people to grow dependent on state support, and treat it as a long-term crutch?

His fear was that if the balance was wrong it would lead to the creation of a semi-permanent underclass.

70 years after the publication of Beveridge's seminal report, I wonder what he would make of the system now?

Welfare inheritance

Some 4.6 million people –12% of the working age population – on out of work benefits.

1 in every 5 households with no one working, and 2 million children living in workless families – a higher proportion than almost any country in Europe.

This culture of entrenched worklessness and dependency was not just a product of the recession.

There were over 4 million people on out of work benefits throughout the years of growth.

Under the previous Government whilst employment rose by 2.4 million, more than half of that was accounted for by foreign nationals.

Let me be clear, this is not even a point about borders.

It was an issue of supply and demand.

The facts serve to illustrate an issue with our workforce at home – and the enormity of the first cultural challenge we faced.

Large numbers sitting on out of work benefits unchallenged, many unwilling or unable to take advantage of the job opportunities being created.

Whilst companies were unable to get British people to fill these jobs, workers from overseas stepped in.

Overburdened system

Part of the problem was that while our **economy** was subject to a fundamental overhaul – freeing up the markets and moving power away from the state...

… after Beveridge, governments of all hues seemed to forget about the need for **social** reform.

They assumed that the renewed economy alone would do the trick of creating a more prosperous and more cohesive nation and so our welfare system was subject to an incredibly reactive process of change.

A new challenge would emerge and governments would respond by tweaking things…

… creating add-ons to employment support – at one stage, the New Deal for young people, the New Deal for those 50+, even the New Deal for musicians…

...and introducing new supplements, even new benefits into the welfare system.

Small wonder we were left with a hugely overburdened system, comprised of over 30 benefits.

For disabled people alone a complicated muddle of 7 additional payments, 3 different premiums, 4 components in the main out of work benefits and tax credits... each with separate rules, rates and purposes... some means-tested, others linked, many overlapping.

On top of this over 25 passported benefits in England, and around 20 in Wales and Scotland.

For example:

Non-repayment of children's welfare loans. Healthy Start vouchers and vitamins . Exemption from paying the cost of board and lodging on residential trips. Energy Assistance Package Stages 3 and 4. WaterSure.

Ah yes, WaterSure. I had to ask around to find out what this was, and it turns out it is to cap the bills of certain utilities customers who have a water meter.

You might think this is an isolated benefit – but no, there is also one for reduced telephone tariffs called BT Basic.

All these benefits introduced with the best of intentions – yet each with different eligibility criteria and each giving rise to confusion, fraud and error.

It is a system of byzantine complexity.

Worse still, it is a system set around the minority.

An exemption here, an addition there, all designed around the needs of the most dysfunctional and disadvantaged few.

Instead of supporting people in difficulty, the system all too often **compounds** that difficulty – doing nothing for those already facing the greatest problems, and dragging the rest down with it.

Obsession with spending

What do we find as a result?

Under the last Government, spending on benefits and tax credits increased by over 60%, rising even before the recession – when growth was booming, jobs were being created, and welfare bills should have been falling.

More money spent on welfare than ever before – by 2010, costing every household in Britain an extra £3,000 a year in tax.

Small wonder that the Government racked up the largest deficit since the Second World War.

We were unable to pay our way, with an economy built on debt and consumption.

This then is the second cultural challenge I want to touch on tonight – a problem which lies, to a large extent, in the culture of government spending which has developed.

This is a culture marked by an obsession with **inputs** – with pouring money into social programmes – so that governments are seen to be doing something.

Of course big spending is attractive because it brings big headlines.

Chasing media attention and placating lobby groups in the short term.

But my concern is that no one asks about the **outcome** – in other words what impact the spending will have on people’s lives.

Take the fact that 120,000 of the most disadvantaged families cost the Government some £9 billion per year in special interventions, from an array of agencies.

The police, the ambulance service, the Council, youth offending teams…

… all of them administering selective help, most often without discussion with other groups, trying to manage their own bit of the problem rather than addressing what was holding the family back.

We were paying out some £75,000 per family, yet without doing anything to transform their dysfunctional lives.

So we saw social breakdown on the rise at the same time.

And income inequality stretched to its highest level since records began.

That is what I mean when I speak about inputs versus outcomes – we have become comfortable with the idea of measuring the money we put in, but without really caring to ask what that money achieves in terms of life change at the other end.

Pensions

In many ways the problem I’ve touched on here is also relevant to our pension system.

Irresponsible government spending is symptomatic of a wider problem – of a society reliant on debt, rather than saving and investment.

Currently, some 11 million people the UK aren’t saving enough for their retirement.

Why?

Because under the pensions means test, hard-working people who try to save can find themselves retiring on the same income as their neighbour – someone who hasn't saved at all but is eligible to claim for Pension Credit.

What kind of message does that send out?

It tells people on low incomes that it's not worth saving – it's not even worth working. Just sit back and wait for the government to pay out when you retire.

Over the years we seem to have become addicted to debt instead.

Even before the recession we accumulated one of the highest rates of personal debt in the whole of Western Europe, around £1.5 trillion – the size of the whole UK economy.

We embraced a culture of 'live now, pay later' and looked to future generations to pick up the bill.

Reform

How far from Beveridge's original vision.

And clearly a system ripe for reform.

But how do you reform when there is no money?

Gone are the days when governments could buy their way out of a problem.

This Government is rightly committed to the vital task of cutting the deficit – and no department is exempt when it comes to getting the public finances in order.

We have already taken action to reduce welfare bills by £18 billion by the end of this Parliament, and with continuing economic uncertainty we will have to find further savings.

But from day one we have resisted an approach which focuses solely on the amount of money to be saved.

The solution, I believe, lies in structural change – leading to a complete shift in the welfare culture in this country.

We are bringing spending back under control.

But instead of simply top-slicing the budget, we are focused on tackling the demand for welfare…

… changing the incentives in the system so that it acts as a springboard rather than a trap, rewarding those who move into work...

… and redesigning the system in a way that restores fiscal stability **whilst restoring lives at the same time**.

Journey to independence

This Government will always stand by its promise to protect the most vulnerable and provide support for those whose sickness or disability puts them in difficulty.

Nevertheless, my belief is that where they are able, those in the welfare system should be on a **journey**. It should be taking people somewhere, helping them move from dependence to independence.

So if you are able to work the system should make work worthwhile and should both support and encourage you.

What it should **not** do is tug you in the wrong direction, to a place where you receive so much in benefits that a return to work is unaffordable.

If you are sick but able to work in time the system should support you, stay with you as your condition changes or improves, and make sure you can take the opportunities to work when you are able.

What it should **not** do is consign you to a life on benefits, never check on your condition, assuming that you are better off languishing there indefinitely – as has been the case for the 1 million people on incapacity benefits for a decade or more, many unseen for the whole duration.

To achieve this journey requires an internal and external cultural change – whereby the welfare system supports people in need, but not to **remain** in need.

Early action

Midway through this Parliament, we have already taken action to remove stumbling blocks on people's way to independence.

Let me give you just a few examples.

First the changes we are making to cap Housing Benefit.

Under the system we inherited, in certain cases where families were living in areas with incredibly high rents, it was actually possible for them to claim over £100,000 a year for help with housing costs.

Think about what this means for someone who is considering taking a job.

There's a good chance they won't, because they will fear losing their home as their Housing Benefit is tapered away.

Unable to pay their rent from a salary, they cannot take that positive step.

That is why we have limited the amount of Housing Benefit that a household can receive…

… a change which means families face the same choices about where they live and what they can afford, regardless of whether they are on benefits or in work.

Take our reforms to **incapacity benefits**.

We are reassessing everyone, at a rate of 11,000 claimants per week.

This is about staying with those who cannot work at the moment – regularly checking whether their condition has changed, worsened or improved.

And again, for those who can, it is about moving back towards work, and an independent life beyond the state.

Work Programme

In many cases this process requires us to address the factors that cause people to be in difficulty in the first place.

When you are dealing with people who are a long way from the workplace, who lack skills or the work habit… who are homeless or recently released from prison… you need a system that addresses these barriers in order to get them work-ready.

That is what we are doing with the Work Programme.

We have tasked the best organisations in the voluntary and private sectors to get people into employment, and then to help keep them there for up to 2 years.

The Work Programme is already helping some 700,000 people – and is due to support 3.3 million over the lifetime of the contract.

Results

Without a doubt, there are no quick fixes to get people back to work – particularly in difficult economic times.

But whilst the overall economic outlook is still unsure, the labour market is holding up better than many might have expected.

Nationally, we have seen 4 consecutive quarters of positive job growth – up 212,000 this quarter alone – and 3 consecutive quarters of falling unemployment.

There are now more people overall – and more women – in work than ever before…

… and the latest migration data shows that over the past 2 years a majority of the increase has come from UK nationals.

What’s more, we are seeing some positive signs that our reforms are having an effect.

There are now 170,000 fewer people claiming the main out of work benefits than when this Government entered office – driven by falling numbers on incapacity and lone parent benefits.

This is important. It means even though we’ve had four years of difficult economic times, we no longer let people just drift away from the labour market.

Let’s contrast this with what has happened in America.

There the **unemployment** rate has been similar – last month it fell to 7.8%, just below the UK figure of 7.9%.

But since the recession, the inactivity rate in America has risen by 2 percentage points, that's 2% of the working age population giving up on work.

In the UK, despite the recession, and despite more young people staying on longer to study, the inactivity rate is close to **the lowest in a generation**.

The biggest demotivating factor

Despite these promising signs, there is still more to do.

For if we are to build a new journey, we have to recognise a simple fact.

Not everyone is starting from the same place.

There is no point assuming – for example – that everyone understands the intrinsic benefits of work, the feelings of self-worth, or the opportunity to build self-esteem.

For someone from a family or peer group where no one has ever held work, the pressure to conform is enormous, underscored by the notion that taking a job is a mug's game.

Thus, across generations and throughout communities, worklessness has become ingrained into everyday life.

Take somewhere like the London Borough of Hackney, which has a high number of people claiming Jobseeker's Allowance – almost 10 thousand people in just one district.

Yet in September alone, Jobcentre Plus took some 8,000 new vacancies in Hackney and the neighbouring boroughs.

Overall, there were over 40 thousand new vacancies across London, and across the UK there are almost half a million unfilled vacancies at any one time – many in low skilled jobs.

So as well as providing people with support to get back to work, it is vital to tackle the biggest demotivating factor that many people face…

… the fact that the complexity of the system and the way it is set up creates the clear perception that **work simply does not pay**.

Under the current mess of benefits and tax credits, people on low wages face losing up to 96 pence in every pound they earn as they increase their hours in work.

In other words for every extra pound they earn, 4 pence goes in their pocket and the rest goes back to government in tax and benefit withdrawals.

It is this factor which can stop someone's journey back to work in its tracks.

Universal Credit

Changing this is what Universal Credit is all about.

From 2013, it will replace the main out of work benefits and tax credits with single, simple payment withdrawn at a clear and consistent rate.

By removing the cliff edges in the current system which mean it's worthwhile working either 16 hours, 24 hours, 30 hours or not at all...

... Universal Credit will make work pay – at each and every hour.

80% of financial gains will go to those in the bottom 40% of the income distribution, lifting some 900,000 adults and children out of poverty.

Rebalancing the system

Importantly, our guiding principle in designing the new system is that it should be set around the majority.

Over 75% of people in work are paid monthly in arrears.

Over 78% of working age benefit claimants use the internet now.

And over 71% of those receiving housing benefit in the private sector already take responsibility for paying their own rent.

That is why as a default, Universal Credit will be paid monthly, online, and directly to claimants themselves.

We are rebalancing the system so that it caters to the needs and expectations of the mainstream, and making it a seamless transition into work – meaning Universal Credit will be simpler both to use and to administer.

But more than that, because we are no longer going by the lowest common denominator, Universal Credit will enable us to **identify** the most vulnerable people much more quickly than now.

For the minority who cannot budget, cannot pay their debts, or are struggling to manage...

… instead of maintaining them on benefits or waiting for them to crash out of work…

…. we should be doing more to address the root cause of this hardship – whether it be financial illiteracy, addiction, mental illness, or another problem.

Using interventions targeted and coordinated to restore stability to those who have been left behind, Universal Credit offers an opportunity to help these individuals rejoin the rest of society.

A new contract

Underpinning this improved support is **conditionality**.

By this I mean the set of obligations that claimants must meet in return for benefit – too often confused, poorly communicated and inconsistently applied in the current regime.

Under Universal Credit we are changing this, requiring everyone to sign up to a claimant commitment as a condition of entitlement to benefit.

Just as those in work have obligations to their employer, much like a contract, this commitment will clearly set out claimants’ responsibilities to the taxpayer.

Those who can work but are unemployed will be expected to engage with us, treating their search for work as a full-time job.

If someone fails to do so without good reason, the commitment will also spell out the robust set of sanctions they face – losing their benefit for 3 months for the first offence, 6 months for the second and 3 years for the third.

This marks the renewal of personal responsibility within the welfare system, just as for those in work.

Clarity that will lead the claimant to commitment or to conditionality.

By ending the something for nothing entrapment we can make a meaningful, sustainable change to people’s lives…

…**and** one that is likely to be more affordable in the long term, as we put individuals on the path to independence and reduce the churn in the system.

Pensions

As in welfare, so too in my other area of responsibility. We are plotting a journey in our pensions system as well.

Here we are looking to set people on the road to a decent and sustainable retirement.

The solution here is to get people saving – and to get them started early.

That is why we have introduced auto enrolment, helping up to 9 million people into a workplace pension scheme – making saving the norm.

But that still leaves us with the problem of the means test, which acts as a disincentive to saving.

So the second thing we are doing is pushing ahead with plans to radically simplify the State Pension system – creating a ‘single tier’ pension set above the level of the means test, so that if you contribute, you will see the rewards.

Universal Credit and the single tier pension are two sides of the same coin – ensuring that it pays, **first to work** and **then it pays to save**.

Positive action which will change lives.

Going further

In all this, we take our lead from Beveridge.

His guiding belief, that a “revolutionary moment in the world's history is a time for revolutions, not for patching" is as true now as it was in the 1940s.

All too often, Government’s response to social breakdown has been a classic case of "patching" – a case of handing money out… containing problems and limiting the damage… but supporting – even reinforcing – dysfunctional behaviour.

This has to change, and is beginning to.

Yet if we are committed to a radical overhaul, there is scope to scrutinise the existing system further still, driving out perverse incentives.

First, you have to ask which bits of the system are most important in changing lives.

And you have to look at which parts of the system promote positive behaviours, and which are actually promoting destructive ones.

Should families expect never ending amounts of money for every child… when working households must make tough choices about what they can afford?

Is it right that young people should be able to move directly from school to a life on housing benefit, without finding a job first… when so many of their peers live at home, working hard to save up for a flat?

As Beveridge said: “The insured persons should not feel that income [from the state] can come from a bottomless purse.”

Especially so, when the economy isn’t growing as we had hoped, the public finances remain under pressure **and** the social outcomes have been so poor.

So these kind of questions need to be asked as we develop this theme.

Government spending

Yet there is one final piece to the puzzle.

I have covered a cultural change in society at large, and cultural change in the welfare system.

But we must also achieve a shift in the culture of government spending.

We have to reject the old tendency to lavish money on programmes in the hope that they will succeed.

The history of such programmes is of great hope followed by embarrassing failure… with taxpayers carrying the risk when they failed.

Instead of focussing solely on money going in, we must open up a whole new dimension – one focussed solely on the impact that spending has.

Every pound for life change.

That means changing not just **how much** we spend, but **how** we spend it.

Work Programme

So let me return to the example of the Government's Work Programme, where we have been pioneering the use of payment by results.

We do that by putting the cost of helping people back to work onto the 18 Prime Providers who compete to deliver the Work Programme in different parts of the country.

They raise the money to deliver the programme alongside their subcontractors…

… we then pay them when they deliver the results – with the biggest payouts of up to £14,000 for supporting the hardest to help into work, and sustaining them there.

Because we are paying for results we will only pay for what works, reducing the risk on the taxpayer…

… **and** making sure each pound is having a transformative impact on someone's life.

Early intervention

A payment by results system works best when the timescales for success are short and the metrics relatively straightforward.

But across Government, we are prioritising early intervention – getting to the root of social problems before they arise, rather than waiting to pick up the pieces.

Whether in welfare, health, education or family policy, we are focusing our attention and spending on improving life chances.

Take an example in my own Department, where we are acting on Dame Carol Black and David Frost's Sickness Absence Review...

... preventing workers from dropping out of the labour market altogether when they become sick, rather than trying to catch them in the benefits system once they've fallen.

In doing so, we will reap the benefits further down the line – alleviating the social problems which so are often more difficult to tackle once they become entrenched.

But because these are dynamic interventions, the impact is trickier to measure and more difficult to forecast.

So beyond payment by results, this makes it vital to establish a measurable quality to programmes that deliver over a longer period...

... whilst unlocking new streams of funding.

Social investment

In particular, we are making good progress in opening up the social investment market.

I see this as a huge and exciting opportunity to get much more private money working in pursuit of the social good.

Historically it has been assumed that people could either be ‘good citizens’ and put their money into charitable works, but without expecting anything in return…

…or they could be ‘profit maximisers’, who invest their money in commercial ventures and have to forget about the social consequences.

Social investment is a way of uniting the two – it is about saying to investors:

‘You can use your money to have a positive impact on society, **and** you can make a return.’

We are leading the field in putting this idea into practice.

Of the 7 Social Impact Bonds established in the UK, 6 of them are being delivered by the Department for Work and Pensions...

... with government money working in partnership with businesses and charities.

This is the model being piloted in Peterborough, where investors are funding charities to run rehabilitation programmes with prisoners.

If reoffending falls by 7.5%, the investors receive a return paid for out of the reduced costs of social breakdown.

Just last week the Prime Minister announced his intention to roll out an outcome-based approach across the probation and rehabilitation services, making payment by results the norm.

But to replicate the success of social bonds elsewhere, we need programmes that have a real chance of seeing a return.

They need to be proven to be effective.

That’s why we’re testing a variety of cutting edge programmes through our £30 million Innovation Fund, so practitioners can develop a proof of concept – in turn making it easier to access alternative funding streams.

And it’s why we are establishing the Early Intervention Foundation which will accredit programmes of work and provide a rigorous assessment of their likely social returns.

Huge potential

There is still more to do to grow the market – with researchers and academics playing a crucial role in developing evidence-based policy.

But if we can get it right, I believe social investment has huge potential.

First, it has the potential to greatly increase the amount of funding available for social programmes by bringing in private investment money on top of that provided by Government or pure philanthropy alone.

Second, it brings a whole new level of discipline and rigour to how government delivers social programmes. Because the money follows the outcome, it therefore requires that spending has a demonstrable purpose – we must invest in proven programmes that change lives, rather than chasing a few media headlines.

But third – and perhaps most importantly – social investment could be a powerful tool for building a more cohesive society.

The gap between the top and bottom of society is in many cases larger than it has ever been.

We have a group of skilled professionals and wealth creators at the top of society who have little or no connection to those at the bottom.

Yet in so many cases what divides the two is little more than a different start in life.

I believe social investment gives us an opportunity to lock not just the wealth but also the skills of those at the top of society back into our most disadvantaged areas.

Imagine you create a social bond in a particular deprived neighbourhood. Investors buy into it and as with any investment, will want to see it flourish – taking an interest in that community where they would otherwise be totally detached.

At the same time, these wealth creators can have a dramatic effect on the communities themselves – showing those at the bottom that they have an opportunity to turn their own lives around and move up the social ladder.

Conclusion

Our failure to make each pound count has cost us again and again over the years.

Not only in terms of a **financial** cost – higher taxes, inflated welfare bills and lower productivity, as people sit on benefits long-term.

But also the **social** cost of a fundamentally divided Britain – one in which a section of society has been left behind.

We must no longer allow ourselves to accept that some people are written off.

Our reforms are about improving the life chances of the most disadvantaged – not changing people but restoring them.

Breaking the spirals of deprivation, and giving them the opportunity to take control of their own lives.

The prize for doing so could be immense.

It pays to work...

.... it pays to save...

... and spending is about outcomes not inputs.

Amounting to sound public finances and a modern economy, matched by a fairer and more unified society.

GovKnow Conference:

'Social Justice: Transforming Lives'

31.10.12

Introduction

Thanks to Tim Smith and Government Knowledge for organising, to Mark Fisher and the whole of the Social Justice Directorate at DWP.

It is a pleasure to be here, at an event which brings together so many people in the cause of social justice.

Collectively you have decades of experience and a wealth of expertise in addressing our most pressing social problems...

... vital resources in our mission to transform the lives of Britain's most disadvantaged individuals and families – those without a foot even on the first rung of the social ladder.

It was enterprises and charities such as the many gathered today which inspired me to establish the Centre for Social Justice (CSJ) back in 2004...

... set up to champion the cause of the most disadvantaged communities and to help grassroots organisations make their voices heard in Government.

Centre for Social Justice

At the CSJ, our starting point was listening to what organisations such as yourselves had to say – through 3,000 hours of public hearings and over 2,000 written submissions, we learnt what worked and what didn't.

Our findings showed that even in the most dysfunctional and deprived households... in estates blighted by worklessness and dependency... it is possible to turn people's lives around.

Yet what was also clear was the necessity of tackling the root causes of social breakdown, not just treating the symptoms.

You don't cure drug dependency by parking addicts on methadone.

You don't help someone who's ill by writing them off on benefits and forgetting about them.

You don’t stop spiralling debt by leaving people to the loan sharks.

And you don’t help families by shrugging your shoulders when parental relationships fall apart.

Making a meaningful, sustainable difference to those in poverty means addressing the problem at its source.

I hope this is a principle that all of us here would subscribe to.

And it is important to acknowledge how far the debate has moved on in the last decade or so.

Even in the face of scepticism and doubt, we are now seeing signs that this approach is guiding how the whole of Government delivers social programmes.

A driving ethos

When the Prime Minister invited me to lead the Social Justice Cabinet Committee, it was a real opportunity to take that aspiration and root it in a Government mechanism.

By ranging across different departments, the Cabinet Committee ensures that whether in reform of the welfare system, the education system, the criminal justice system, addiction services, or whatever else…

… Government social policy is collaborative, joined-up and underpinned by a single driving ethos.

It is much to the credit of those working in my Department and others that we have achieved such traction in such a relatively short time.

In March this year, we published the Social Justice strategy – establishing a radical new set of principles for transforming the lives of the most disadvantaged individuals and families.

First, prioritising early intervention, preventing the root causes of disadvantage – whether it be family breakdown, educational failure, worklessness, addiction, or crime.

Second, building and growing a market for a new way of funding social interventions, based on investment in social returns – so that the money follows the outcome, and we pay for what works.

And third, being innovative and locally led, in partnerships with the private and voluntary sectors.

These are the principles at the heart of the social justice agenda.

Today marks another milestone in putting them into practice.

Outcomes not inputs

The launch of the social justice outcomes framework highlights our priorities and sets out a new approach to how we measure our progress.

It is about shining a light on the challenge we face, taking an unflinching look at the outcomes we are achieving, and holding ourselves to account.

For too long, I believe, the success of social programmes has been judged on inputs – with politicians pouring money into projects so they are seen to be doing something...

... and an entire lobbying industry measuring how much a government cares by the amount it spends.

In this high level debate, too few stopped to ask what the results of all this were.

Nothing illustrates this more clearly than the latest child poverty figures.

Despite spending a vast amount of money in the pursuit of halving child poverty, in June we learnt that the last government failed to meet their target.

Notwithstanding some £171 billion spent on tax credits between 2003/04 and 2010... and £90 billion on working age welfare in 2010 alone...

... this strategy did not do enough to transform the lives of the poor, and too many of the root causes of poverty remained unchecked.

Instead of big spending to grab media headlines and placate interest groups in the short term...

... for every pound we should be asking – how does it promote lasting life change?

Social Justice outcomes framework

Now, drawing on our discussions with the voluntary and community sectors, we have designed a set of outcome measures that will actually track whether our policies are doing just that...

... turning the focus away from inputs...

... and towards the impact that social programmes are having in terms of transforming people's lives.

The framework is not a set of targets.

Nor an additional burden on providers.

It is about encouraging a cultural shift in how local authorities and government at large deliver services for the most vulnerable – driving programmes that make a real difference.

Families

That starts with the family, the most important building block in a child's life.

When families are strong and stable, so are children – showing higher levels of wellbeing and more positive outcomes.

But when things go wrong – either through family breakdown or a damaged parental relationship – the impact on a child's later life can be devastating.

Take the fact that in a survey of offenders, 41% reported witnessing violence in their home as a child.

That’s why we have already invested £30 million in relationship support, to prevent family breakdown rather than waiting to pick up the pieces.

And it’s why we're working across Government to improve the support available for families who experience abuse at home – more effectively punishing the perpetrator and doing more to educate young people about domestic violence.

The very first indictor in our outcomes framework makes clear that stable, loving families matter.

They matter for this Government, and they matter for the most vulnerable in society.

By measuring the proportion of children living with the same parents from birth **and** whether their parents report a good quality relationship...

... we are driving home the message that social programmes should promote family stability and avert breakdown.

Education

But if family is the most important building block, school is often the second most important in a child’s life.

All the more shocking then, that schools are failing pupils from the most disadvantaged backgrounds.

By the age of 10, a bright child on free school meals can be overtaken by more advantaged children who showed less promise when they were younger.

From the back of the classroom it is all too often a slippery slope to truancy, and from there to a life of benefits, and in extreme cases, gangs and crime.

More than half of young offenders were permanently excluded from school.

This is a bleak future, and we must end it.

Across Government... from extending free early education to the most disadvantaged two-year-olds, to the pupil premium to ensure poor children get fair access to a decent education...

... we are putting provision in place to ensure that where a child starts out in life does not determine where they end up.

The second and third of our key indicators are about measuring our progress towards this goal – focusing on whether children from disadvantaged backgrounds are attaining the same educational outcomes as their peers, and the percentage of young people falling into a pattern of offending.

In other words, measuring how far we are enabling children and young people to realise their potential.

Worklessness

But as well as preventing people from falling into difficulty in the first place, when people’s lives do go off course we have a duty to offer a way out.

How ironic, then, that the welfare system has often played a part in conditioning people to grow dependent on state support, and treat it as a long-term income stream.

After the recession, some 5 million people claiming out of work benefits, 1 million of them for a decade or more.

This entrenched culture of worklessness and dependency is not only the source of soaring welfare bills...

... more than that, there is a fundamental unfairness in confining people to the margins, leaving them to languish there unseen for years.

This Government will always stand by its promise to protect the most vulnerable and provide support for those whose sickness or disability puts them in difficulty.

But if we are serious about making a sustainable difference to those in poverty, for those who can, we must do all we are able to help them into work – moving from dependence to independence

This belief underpins the whole package of reforms that I am driving in the Department for Work and Pensions.

We are introducing the Universal Credit, a single payment withdrawn at a single rate, so it is always clear to people that work pays more than benefits.

And we are delivering the Work Programme – offering personalised support to get people back into employment and keep them there.

Almost 60% of those who currently claim working-age benefits have been doing so for at least three of the past four years.

By measuring the proportion of those who are capable of work, or moving towards work in future, but have been on benefits for long periods...

... the new outcomes framework will mean we concentrate our efforts on reaching those individuals for whom worklessness has become a way of life.

Tackling multiple problems

This marks a change in the welfare culture in this country, the renewal of a system that acts as a springboard rather than a trap.

Part of social justice is about extending this cultural shift across the whole of Government – doing more to help individuals on a journey to an independent life beyond the state.

Indicators 5 and 6 in the framework prioritise sustainable, full recovery – focusing on outcomes for those in treatment for addiction, and re-offending rates for those who have committed crime...

... recognising that such problems are often linked and overlapping.

Take the example of someone recently released from prison.

Evidence shows that being in employment reduces the risk of re-offending by between a third and a half.

So although those with a criminal record often face difficulties obtaining work, if we are to break the cycle of re-offending it is vital to help them secure a job.

That’s why we have introduced a new provision so ex-offenders can access the Work Programme from day one.

By taking Jobseeker’s Allowance claims in prisons, we ensure that offenders are prepared for the transition from the prison to the community.

They receive immediate support to get them work-ready and find a job – rather than going back to a life of crime.

Payment by results

What’s more, the Work Programme actually incentivises providers to support the hardest to help…

… pioneering the use of payment by results, with the biggest payouts for successfully keeping individuals in work for 2 years.

Because we are paying by results, we will only pay for what works – reducing the risk on the taxpayer **and** ensuring that every pound of Government money is targeted where it has a positive impact on people’s lives.

Our intention is to see an outcome-based approach extended across Government services...

... as the best way to shift focus towards the delivering meaningful, sustainable results.

Just this month the Prime Minister announced his intention to roll out payment by results across the probation services, making it the norm by 2015.

Back in April we launched 8 national drug and alcohol recovery pilots, paying providers not just for putting addicts through treatment but for the results they achieve in rehabilitating addicts.

In this case, for the outcomes to be sustainable, one thing is absolutely clear – rehabilitation means getting individuals off drugs and alcohol altogether rather than dependent on a substitute.

No one knows this better than Noreen Oliver, whom you will have heard from earlier – an inspirational woman putting this idea into practice.

She and Bac O’Connor have been championing this approach for years...

... but we are now starting to embed the same principle into the benefits, health and justice systems.

Solve that problem – get someone clean…

…get them free of crime…

... get them into work…

…and you help them find a foothold in society again – and stay there.

Early intervention

A payment by results system works best when the ways we measure are relatively straightforward.

But across Government, we are prioritising early intervention – getting to the root of social problems early, rather than waiting to pick up the pieces.

It’s very promising to see other organisations doing the same, and I’d like to welcome the announcement by the Big Lottery Fund today, of new funding for children’s early years.

By improving life chances, we stand to reap the benefits further down the line – alleviating the social problems which so are often more difficult to tackle once they become entrenched.

But because these are dynamic interventions, the impact is trickier to measure and more difficult to forecast.

So if we are to unlock new funding streams it is vital to establish a measurable quality to programmes that deliver over a longer period...

... giving potential investors a better understanding of what the financial outcomes might be.

That is why we’re establishing the Early Intervention Foundation which will provide advice on social finance... assisting local commissioners with their own procurement and evaluation... as well building the evidence base around what works and for whom.

And it’s why we’re testing a variety of cutting edge programmes through our £30 million Innovation Fund, so practitioners can develop a proof of concept – in turn making it easier to access alternative funding streams.

Today, I am pleased to announce the successful bidders in a second round of funding, focused specifically on supporting the most disadvantaged 14 and 15 year olds – those in care, disengaged from school, or involved in gangs, crime and drugs.

These bidders – Prevista, Social Finance and 3SC – join a growing list of organisations bringing together government money in partnership with businesses and charities...

... making the UK a world leader in Social Impact Bonds.

Social investment

We are making progress in opening up the social investment market – the final piece of our outcomes framework.

You will all have heard of the Peterborough pilot, where social investment is funding charities to run rehabilitation programmes with prisoners.

But from Perth to the Midlands, Merseyside to London, we are channelling private money to help improve the employment prospects of our most disadvantaged young people.

In all cases, investors see a return only if a meaningful outcome is achieved – reoffending falls, more teenagers engage in education – paid for by the Government out of the reduced costs of social breakdown.

The challenge is how to build on these early successes – something I'm sure that the Minister for Civil Society will be talking about in more detail later.

Social investment is worth around £190 million, a number that pales in comparison with the £3.6 billion annual outlay on philanthropic grant funding.

So clearly, there is more to do to grow the market – and now, we have an indicator to measure just that.

Reconnecting the top and bottom

If we can get it right, I believe social investment has huge potential.

Because someone is risking their money on an investment – money that could otherwise be reaping a return elsewhere – it brings a whole new discipline and rigour to how Government delivers social programmes.

But more than that – perhaps most importantly – social investment could be a powerful tool for building a more cohesive society.

The gap between the top and bottom of society is in many cases larger than it has ever been.

We have a group of skilled professionals and wealth creators at the top of society who have little or no connection to those at the bottom.

Yet in so many cases what divides the two is little more than a different start in life.

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Imagine you create a social bond in a particular deprived neighbourhood. Investors buy into it and as with any investment, will want to see it flourish – taking an interest in that community where they would otherwise be totally detached.

At the same time, these wealth creators can have a dramatic effect on the communities themselves...

... showing those at the bottom that they have an opportunity to turn their own lives around and move up the social ladder.

Partnerships

This takes me back the point I made at the very beginning.

At the heart of everything we are doing is a focus on communities and local solutions.

Charities and social enterprises are the true heartbeat of social reform, leading local regeneration, reaching the most marginalised individuals, and challenging us to work with them to resolve society's most pressing problems.

If we are harness this power, Government's approach to commissioning support services has a crucial part to play.

I am pleased to announce that the Department for Work and Pensions is actively reviewing its approach to commissioning, looking at how this can support the wider aims of reform and social justice.

Wherever possible, we want to ensure that we pay for results, provide value for money...

... **and** support a vibrant voluntary and community sector.

Conclusion

Our purpose should be to put in place the mechanisms to restore people...

... enabling those trapped on the margins to take control of their lives, and giving them hope and aspiration for their future and their children's futures.

You told us what you needed to achieve that kind of life change.

And although we're not there yet, we are pushing hard to put the right structures in place and remove the barriers that hinder your work.

Now is not the time to slow the pace of reform, and we must work collaboratively across and beyond Government to push harder and do more.

For those people who feel trapped, dependent on a broken society, there is no time to waste.

For their sake we must change the ethos of government, from one obsessed with inputs...

... to one concerned about outcomes...

... having the courage to be open and honest about whether those outcomes are being achieved.