

The severity of the financial crisis and our huge debt provides us with the opportunity to take radical action with the benefits system.

The cost of benefit payments is more than a quarter of Whitehall spending. In 2008-09 these payments reached £170bn. The Department for Work and Pensions (DWP) spent more than £135bn on benefits in 2008-09 which is a rise of £40bn in a decade. The largest single amount – £62.7bn – went on pensions, which due to increasing life expectancy is a fast increasing cost on the taxpayer.

Housing benefit accounted for £17.2bn of spend, disability benefit £16.2bn and income support £8.7bn. Whilst jobseekers' allowance only represented £2.9bn, the government acknowledges that spending on this work related benefit will soar as and [if] unemployment increases. In 2008/2009 HM Revenue and Customs spent a total of £34.1bn on benefits - £23.7bn on tax credits and £11.2bn for child benefit.

In total almost six million people of working age receive a share of the 51 different benefits that is paid to the sick, low-paid and unemployed.

Slashing the benefits bill is high on the priority list for all political parties. In the White Paper 'No one Written Off' the current labour government committed itself to achieving full employment by moving one million people off incapacity benefits, by assisting 300,000 lone parents and one million older people into work. In today's climate there are two practicable problems associated with this.

Firstly, we are seeing record numbers of company insolvency; employers are therefore reluctant to take on new staff.

Secondly, with 2.47 million people unemployed, our benefits bill is likely to rise. Analysts have predicted that at the time when the government is under pressure to cut costs, unemployment is set to rise to 3 million in 2010.

The government has however taken some decisive steps; the introduction of the new Employment Support Allowance (ESA) will see an increasing number of Incapacity Benefit claimants (IB) assessed and moved to a work related benefit. The changes to income support for lone parents will increase the movement of lone parents into work, the introduction of DWP's new commissioning strategy and the introduction of the government's flag ship employment programme, Flexible New Deal – which went live on October 5th 2009 – is seeing a concerted push by the government to move more people into work through increased work related support and the threat of increased conditionality and sanctions to those who fail to take up reasonable job offers.

The former Shadow Secretary of State for Work and Pensions Chris Grayling MP made bold steps into the debate on welfare reform. However, in recent months despite the rhetoric and the regular sound bites, there appears to be very little policy or ideological difference between Labour and the Conservatives on welfare reform. The main political battleground over the next 6 months will therefore be around which of the parties will be more aggressive in reducing the claimant count. For example, far from scrapping 'Flexible New Deal' (as was their policy) the Conservative party have successfully poached the architect of the government's welfare reform programme David Freud's (now Lord Freud) and unsurprisingly he is supporting the current policy but requiring that the government move quicker in its reform programme.

Where there is some departure however, is that whilst Labour's reform will give Jobcentre Plus responsibility for claimants in the first twelve months, the Conservatives will break this exclusivity and allow claimants to move to private providers at six months thus expanding the provider market and significantly diminishing Jobcentre Plus's role and staffing.

The Conservative party maintains that one in five IB claimant is not entitled to the benefit; this means that 500,000 claimants would be forced onto a lower benefit. To meet the target of clearing the backlog 3000 IB claimants would have to be processed every day. In contrast, the government has only committed to 10,000 assessments per week.

Where there is a significant difference is that whilst the government is piloting Work for Your benefits for Flexible New Deal participants who complete the programme without having found employment, the Conservative party's policy is that claimants who have been claiming for two out of the previous three years must do work of benefit to the community for up to one year in return for their benefits.

The Conservative party has proposed to simplify Labour's employment programmes into one single back-to-work programme for everyone on out of work benefits. We are still awaiting further details on this.

Whilst the government is committed to pilots, the Conservatives have unequivocally stated that they will abolish the Treasury's rule that prevents the Government paying providers using the benefits saved once someone has a job. This is the Invest to Save (AME-DEL transfer) funding mechanism.

Like the government, the conservatives will pay providers by results with a focus on increased sustainable jobs and bigger rewards for getting the hardest to help into work. A significant difference

I firmly believe however, that David Cameron failed to capitalise on the recommendations from the former Conservative leader Iain Duncan-Smith and his Centre for Social Justice.

Firstly, I am not suggesting that the Centre for Social Justice has got it right in all areas but they have presented a bold and courageous foray into an emotive and complicated area of policy.

Secondly, the plans presented by the Centre for Social Justice will surprisingly do very little if anything to reduce the overall benefit count and rather than saving money it will cost £3.6bn more.

One could therefore be forgiven for questioning the point of these costly proposals in these straightened times. If one pauses for thought however, you will see that there is method in this madness.

- Firstly the proposals for a Universal Work Credit and Universal Life Credit would immediately simplify the entire benefit and employment system reducing the tiresome stream of 51 separate benefits into two simple streams. Whilst the Conservative party did allude to a single benefit it fell short of having a clear plan: The Centre for Social Justice has now drafted one.
- Secondly, under the Centre for Social Justice's scheme there would be no reduction in out of work benefits for any current recipient. The existing rules within each benefit would be rolled into the new benefit and there would be a taper system of payment as the earnings of the claimant increased making it simpler, easier, less stressful, and cheaper to start and stop claims.
- Thirdly, this proposal would remove the fear of the long delays experienced when jobs do not work out and a person has to start a new claim. Crucially there would be incentives for people to work

This is a time for bold thinking and even bolder action. We need to reduce the overall claimant count. However, a note of caution! We should not be rushed into being too punitive to those who through no fault of their own have fallen on hard times and will inevitably find it doubly difficult to secure employment.