

# Jonathan Rutherford writes on the link between the US disability insurance company Unum and UK welfare reform

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Tonight BBC Ten O'clock News reports on the link between the giant US disability insurance company Unum and UK welfare reform. The Compass website and [Soundings journal](#) first drew attention to the issue. The News report is a brief glimpse at the increasingly complex role of corporate involvement in the public sector.

In 2003, John Garamendi, the Insurance Commissioner of the State of California announced that the Disability Insurance giant then called UnumProvident had been conducting its business fraudulently. As a matter of ordinary practice and custom it had compelled claimants to either accept less than the amount due under the terms of the policies or resort to litigation. Garamendi described the company as, 'an outlaw company. It is a company that for years has operated in an illegal fashion.'

That same year UnumProvident organised a fringe meeting at the Labour Party conference. The subject was the new Pathways to Work schemes. Speakers included employment minister Andrew Smith and health minister Rosie Winterton. Its corporate services director, Joanne Hindle, spelt out the future direction of Pathways : ' We believe that it is absolutely vital that all employment brokers are properly incentivised to move disabled people along the journey into work and that there are enough of them to do the job. The next step therefore is for private sector to work alongside government to achieve delivery, focus and capacity building within the system.'

UnumProvident had been building up its influence since 1994 when Peter Lilley hired John LoCascio its second vice President to reduce the increasing numbers of claims for invalidity and sickness benefits. LoCascio was joined by another key figure, Mansel Aylward, who was to become the Chief Medical Officer of the Department of Work and Pensions. They brought the rise in IB claimants to a halt. In 2001 Unum launched New Beginnings, a public private partnership which could extend the company's influence in policy making, particularly in relation to Pathways to Work. It included the Shaw Trust, which in 2005 invited Mansel Aylward onto its Board of Trustees.

In 2004, Unum opened its £1.6m Unum Centre for Psychosocial and Disability Research at Cardiff University. Mansel Aylward retired from his post as Chief Medical Officer at the Department of Work and Pensions and became its Director. He was joined by Professor Peter Halligan who had forged the partnership with Unum, and Gordon Waddell an orthopaedic surgeon turned academic. The launch event was attended by Archie Kirkwood, recently appointed Chair of the House of Commons Select Committee on Work and Pensions. Malcolm Wicks, Minister of State in the DWP gave a speech praising the partnership between industry and the university.

The 2007 Welfare Reform Act will roll out the Pathways to Work schemes across the country. For the government to achieve its target of an 80 per cent employment rate, one million Incapacity Benefit recipients, one million more older people and 300,000 extra lone parents will need to be incentivised into work. Those who fail to participate in work-focused interviews or to engage in work related activity will lose benefits.

The Act provides for secondary legislation which will delegate power to make further changes to the DWP minister. Reform comes in the shape of the [Freud Report \(2007\)](#). It provides Unum's

Joanne Hindle with her business model for workfare. Only big business can achieve the Government target. A price per claimant is calculated on the savings in IB costs when the claimant moves back into work. The income generated by the outflow of people from IB would be the incentive driving business toward the Government target. Using the private sector will bring in the banks for investment. As Freud concludes: 'The fiscal prize is considerable'.

But in April 2007, the Treasury told Hutton that there were no funds to implement the report. Then in July, with Gordon Brown now Prime Minister, Peter Hain, the new Secretary of State for Work and Pensions, introduced the Green Paper, 'In work, better off: next steps to full employment'. The target was lone parent families. The Freud Report would be implemented. Brown was using it for his premiership to triangulate [Tory policy](#).

In September, Hain announced the first phase of contracts for delivering Pathways to Work. He made his position clear: 'I met with David Freud last week and from that discussion it was clear we are in the same place.' Six companies will run 15 Jobcentre Plus districts: A4e Ltd, Seetec Ltd, Shaw Trust, TNG Ltd, Triage Central Ltd, Work Directions Ltd. Only the Shaw Trust, one of Unum's partners in Beginnings, is a voluntary organisation.

The Association of Chief Executives of Voluntary Organisations called for an immediate review of future bidding rounds. Stephen Bubb, its CEO said: 'The Government have said they want the Third Sector to play a bigger role in delivering public services. The recent round of tendering for major employment services resulted in only one Third Sector organisation being offered contracts... There is huge anger in the sector ... We have been told of serious inconsistencies which cannot be ignored.'

Welfare Reform has been at the leading edge of the marketisation of the public sector. A new kind of corporate state is taking shape in which private companies supported by academics shape and deliver public policy for profit. The Unum Centre at Cardiff has been at the heart of this process. Its website provides a list of its partners which constitutes a nascent academic-state-[corporate nexus](#). Is that the end of the story? Not quite.

There is one company missing from the list. [Arkaga is a private equity company](#) with links to a number of the partner organisations listed. Increasingly private equity owned companies are the owners of what used to be public assets. In other words the Government has surrendered an increasing number of our public utilities and services to non-domicile companies, individuals and family groups. These include care homes, BAA, Thames Water, half the London underground, NHS hospitals, UK Ports. So as Unum is exposed, a new question arises in the field of welfare to work - what is Arkaga's interest?

**Jonathan Rutherford**

[www.compassonline.org.uk/news/item.asp?n=1001&offset=80](http://www.compassonline.org.uk/news/item.asp?n=1001&offset=80)