Does Green Paper reveal government's lack of commitment to the welfare state?

By Bernadette Meaden
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Does a section of the government's Green Paper on Work, Health and Disability reveal its ultimate lack of commitment to the welfare state, as it openly seeks to expand the role of private insurance?

The relevant section of the Green Paper says, "Encourage better provision by the insurance industry, and take-up by employers, of income protection insurance.

"There are various insurance policies that employers and employees can take out to support them in addressing the risks and impacts of ill health: life insurance, private medical insurance, critical illness cover or personal accident or sickness insurance. This final element can be taken out by individuals, in the form of Individual Income Protection, or by employers on behalf of their employees as Group Income Protection.

"We think group income protection insurance policies have a much greater role to play …. and therefore want to explore why larger employers are not making better use of these products and what would encourage them to do so."

This was reported in the Financial Times Advertiser as, " the government called on the insurance industry to create appropriate products that will get more employees covered by a workplace-based policy, and reduce the burden on the state of long-term sick pay."

Not surprisingly, the insurance industry welcomed a development which could expand it's market dramatically. A spokesperson said, "Both Government and the industry have a role to play in raising awareness of the need to protect income against the consequences of prolonged illness or disability..." Surely the welfare state was set up to support people who experienced prolonged illness or disability? Clearly the government would now prefer us not to rely on that.

Remember, the Green Paper was co-authored by the DWP and the Department of Health. With the NHS struggling as a result of deliberate underfunding, and sickness and disability benefits less generous and harder to access, here are both the responsible government departments, openly calling on the insurance industry to step in and fill the gap that has been deliberately created.

To anyone who has been a close observer of welfare reform, this won't come as a surprise. The insurance industry has been highly influential in shaping government policy on sickness and disability benefits. This has been documented comprehensively by Mo Stewart in her book *Cash Not Care: the planned demolition of the UK welfare state.* But whereas in the past the government has been reluctant to acknowledge such influence, they are now openly seeking to offload the 'burden' of people who are long-term sick or disabled.

In July 2015, Iain Duncan Smith gave an interview to the Telegraph. Under the headline “Iain Duncan Smith Hints at Welfare Privatisation” it reported that, “Iain Duncan Smith has hinted that the future of Britain’s welfare system could rest in the arms of private insurance schemes.”

It is perhaps also relevant to note that in July, Theresa May appointed John Godfrey as her Director of Policy at Number10. Mr Godfrey was previously corporate affairs director at the insurance company Legal and General. In that capacity in 2015 he outlined a private insurance policy, "a form of cover for people who are unable to earn because they fall sick", which would pay out 40 per cent of the policyholder's salary for twelve months – a generosity which ESA claimants could only dream of.

This may sound attractive – reduce the burden on the state through promoting private insurance, which pays out more generously than the state. If any subsequent saving was ploughed back into making state benefits more generous, then it could conceivably be a good thing. But does anybody seriously believe that would happen?

There are several significant dangers inherent in such private insurance cover. First, there will always be some people who won’t be able to access it, because they aren't in work, their work is too insecure, or they have a pre-existing condition which makes private insurance prohibitively expensive.

Second, a profit-driven company has an implicit incentive not to pay out when a claim is made. This is why the offices of one of the biggest insurance companies in the United States became known as ‘disability denial factories’ as workers who became sick or disabled found they would not pay out when they needed to claim.

And third, if all the people in secure, well paid jobs become privately insured against sickness or disability, they will have little or no stake in the continuation of state provision. Their interests, and the interests of people who can’t access private insurance, will inevitably begin to diverge.

If a situation develops where a significant percentage of people have private insurance cover, and the welfare state is only for the very poorest people, then something precious in our national life will have been lost. Since its inception, the mutuality of the welfare state has bound us together. We paid our National Insurance, and although for much of our lives we were paying for the help and support that other people received, we knew that at some point we too may need support. In that sense, we really were all in it together, supporting each other.

If a growing section of the population begins to feel they have no need of the welfare state, that it is merely provision for an uninsured underclass, then there will be very little impetus to defend it against cuts, and very little desire to pay taxes to support it. Ultimately, the promotion of private sickness and disability insurance by the government could herald the beginning of the end of the welfare state.

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