

THE BROOKINGS INSTITUTION  
WELFARE REFORM AND BEYOND  
"WORK AND THE WELFARE STATE"

Presenter: The Right Honorable David Blunkett,  
MP, Secretary of State for the Department of  
Work and Pensions, Government of Great Britain

Moderator: Ron Haskins

September 12, 2005

[TRANSCRIPT PREPARED FROM A TAPE RECORDING.]

P R O C E E D I N G S

MR. HASKINS: Well good afternoon. My name is Ron Haskins. I'm a Senior Fellow here at Brookings. I'd like to welcome all of you to this interesting occasion and thank all of your for coming.

We'd like to begin by going around the room, starting on my right for just brief introduction. Please state your name and your organization, starting with--

MR. FRENZEL: I'm Bill Frenzel, Guest Scholar, Brookings.

MR. : Thank goodness, he went before I did, because I have [inaudible].

MR. BESHAROV: Doug Besharov, AEI, and the University of Maryland.

MS. CAMPBELL: Nancye Campbell, National Women's Law Center.

MS. JONES-DEWEEVER: Avis Jones DeWeever, Institute for Women's Policy Research

MS. KEARNEY: Melissa Kearney, Brookings.

MR. KLING: Jeff Kling, Brookings.

MR. GREENBERG: Mark Greenberg, the Center for Law and Social Policy.

MR. WISEMAN: Mike Wiseman, George Washington University.

MS. WALLER: Margy Waller, Brookings.

MR. : [Inaudible.]

MR. HASKINS: Could you say that again?

MS. SAWHILL: Some of you need to put your mikes on.

MR. BUNCOMBE: And I work for a British newspaper called the Independent.

MR. BERUBE: Thank you. I'm Alan Berube from Brookings.

MS. HOUSTON: Kate Houston, Committee on Education and the Workforce in the House.

MS. FECHNER: Holly Fechner, with Senator Kennedy.

MR. STEIGER: Doug Steiger, Democratic Policy Committee.

MR. ROLSTON: Howard Rolston, Guest Scholar, Brookings.

MR. BAVIER: And Richard Bavier, Office of Management and Budget.

MR. GALSTON: Bill Galston, University of Maryland.

MR. WEAVER: Kent Weaver, Georgetown University and Brookings.

MR. CAPPRETTA: Jim Capretta, Visiting Fellow at Brookings.

MS. : [Inaudible.]

MR. NISKANEN: Bill Niskanen, the CATO Institute.

MR. PENNER: Rudy Penner, the Urban Institute.

MS. MALONE-COLON: Linda Malone-Colon, National Healthy Marriage Resource Center.

MS. FURCHTGOTT-ROTH: Diana Furchtgott-Roth, with the Hudson Institute.

MR. YARROW: Andy Yarrow, Brookings.

MS. SAWHILL: Belle Sawhill, Brookings.

MR. HASKINS: Well, thank you, all, for introducing yourselves.

It's a great honor to have the Right Honorable David Blunkett here, who's a Member of Parliament and the Secretary of State of State for Work and Pensions in Great Britain.

And perhaps it's not too far wrong to roughly to say that in the United States, he would be the Secretary of Labor and the head of the Social Security Administration, so that would be a full-time job.

It's a Brookings introduction to have short or virtually no introductions. We normally just say someone's name and their position. But I think we should make an exception in this case, Bell, for having such a distinguished visitor, plus, if you're like am, you probably are curious about the background of such a distinguished gentleman.

According to his bio, Right Honorable David Blunkett grew up blind and poor and, as often happens in public schools, he was encouraged to become a laborer. Then he defied advice, not for the last time in his career, and he went to the University of Sheffield. Upon graduation from Sheffield, he ran for and was elected to the City Council in Sheffield the age of 22, the youngest member ever to be elected to that body.

And then in 1987, he was elected to Parliament. He quickly rose in Parliament and became a member of the Shadow Cabinet, first for health, and then as education as part of what we in the United States call the minority party.

So as long as their status was minority, he was in the Shadow Cabinet. But, as luck would have it, Labor won a sweeping triumph in the elections of 1997, and, as a result of that the Right Honorable David Blunkett became the Secretary of Education and soon thereafter, he became the Home Secretary, a very distinguished position in Great Britain. And among other things there, he was in charge of immigration policy, and he said a number of things that I think many people in the United States would agree with that were nonetheless quite controversial and they certainly were ahead of their time. As many brilliant find, the longer they live, people come to see the things that they said were younger become truer and truer and truer. It's kind of like your parents grow smarter as you grow older.

Secretary Blunkett fortunately is widely known for his blunt and controversial views, and hopefully now we will find out for ourselves, because it's my honor to present to you Secretary Blunkett to discuss work and the welfare state. Thank you so much for coming.

[Applause.]

SECRETARY BLUNKETT: Well, ladies and gentlemen, firstly, thanks to you and to Brookings for this opportunity for giving me a platform.

Before I start, I just wanted to offer this afternoon my condolences and sympathy for myself and on behalf of my government for what has happened in the aftermath of Hurricane Katrina, and to say that we have offered and been able to provide in our small way support in a practical manner, and we will continue to do whatever is appropriate and is requested by your government at

the state and federal level. We have nothing but sympathy, and we understand the trauma it brought, both in terms of the political and social arena, as well as in terms of the human tragedy.

I want this afternoon to address the issues of work and welfare. My Department covers a whole range of areas. In fact, passing through the Department is 10 percent of the whole of the gross domestic product of the United Kingdom--25 percent of public expenditure.

I say passing through because quite a lot of it we have no control over whatsoever. It's demand driven. It's a bit like the kidney of the body politic. We cleanse it as it goes through, but we're not entirely responsible for what happens when it comes out.

The truth of the matter is that in the United Kingdom, we had, as you know, the establishment of what is today the modern welfare state in the aftermath of the Second World War. We were dealing with different challenges; with a socio-economic makeup. We had different relationships between men and women. Women were adjudged for the pension system for national insurance purposes to be dependent on the male as seen as the head of the household. Many women did not, therefore, pay a full [inaudible] insurance contribution. They did not end up with a full contribution either during their working lives or in retirement.

We're addressing now an entirely different global economy from the one 60 years ago. We're addressing different challenges in terms of the insecurity and instability that people find in their lives.

I've passed a paper around, which I don't intend to read. But I will speak to the general issues, and I'll hope you'll be able to take away and perhaps to make available--run on your website.

The issue that I particularly want to address is the fact that we are faced with unprecedented change.

The challenge of change brings new challenges for the relationship between government and governed. It brings new challenges in terms of helping people through the life cycle, through the challenges of transition.

So often, government needs to be there alongside supporting people at those times of transition. And the more rapid the turnover in terms of employment, the greater the insecurity people feel in their lives, in their family, and their immediate neighborhood, the more it is that people will react negatively to the challenges of those changes.

And we see that in the European context, which I will come to in a moment, with the great fear of the opening up of world trade, with a tendency to want to immediately protect what is rather than reshaping it for what might be, and the danger that by doing so far from protecting people we actually end up exposing them to even greater risk, and, in the end, to economic and social failure.

I think all of us would agree that the best road or the best route out of welfare has to be work, because work provides independence. It provides dignity. It gives people the opportunity eventually to be able to build assets.

And above all, it tackles inter-generational disadvantage, where wordlessness and a lack of assets is passed from one generation to another.

This is an issue that has been debated at some length, and, in fact, I was at Harvard last year with Robert Putnam and others debating the whole issue of how we avoid the asset divide within our communities, within the United States and within the United Kingdom.

It's a debate that's only just begun in Britain, where we've seen quite rightly the amelioration of raw relative poverty as being the most important thing to tackle at this time.

Since 1997, we've put in place a whole range of measures that have made work worthwhile for those who were previously on benefits. The whole of the tax credit system, the introduction of a national minimum wage, the way in which we've developed immediate anti-poverty measures for children in terms of the increasing child benefit, and the programs we've put in place for single mothers.

All of that has helped to immediately lift people out of the worst of poverty--two million children who, in relative poverty, have actually been assisted. It's actually also around two million people in retirement, who have benefited from pension credit.

But the next phase of welfare reform has to firstly be to ensure that those who are inactive, of working age, and could work have a job. And our program of getting people back into a job has been extremely successful.



We stole incidentally the term the New Deal from you. I'm going down to the FDR Monument later today. We were unashamed. We didn't even put it to a referendum in the United States.

[Laughter.]

SECRETARY BLUNKETT: And we were also very proud, actually, because the New Deal program was the antidote to Herbert Spencer's Social Darwinism that rears its head, does it not, from time to time in the United States in terms of whether the best of form of state is no state at all.

We take an entirely different view. We in New Labor do not believe that the state should be responsible for doing everything for people. We believe the state should be responsible for supporting people in doing things for themselves, and that at times in our lives, we need government. We need ourselves through mutuality to be able to offer that support, but on the basis of something for something, not actually offering people a crutch or even a safety net, important as that is, but actually offering people a ladder or escalator out of disadvantage and dependence by making available, both in terms of finance and practical provision of services, of skills, and education, lifelong learning, of the ability to have a home, to gain support for mothers with small children in terms of the first even childcare strategy for our country, which I was proud to assist in developing as the appropriate secretary of state in 1997 to 2001; the ability to build with families and with civil society support mechanisms to overcome not just the generational disadvantage of income, but the generational disadvantage of lack of aspiration and expectation.

And we have a Sure Start program that was, in part, based on the experiments with Head Start that you had, but is built on the neighborhood approach to helping people to be able to fend for themselves.

So it's not just a welfare state based on changing the benefits system, but one on combining the support, financially, with support throughout people's lives in terms of their own neighborhood and community at local government and, in our case, national and in some instances at European level.

And we're doing so on the basis of great fear; that reform and modernization of the welfare state will somehow be a disadvantage to those most at risk. So because I know my home audience will need to hear this, let me make it clear that the reform of our welfare state will not be cutting the rate of benefit for people. It will not be disadvantaging. In fact, it will be providing greater support for those who, throughout their life, because of very severe illness and disability require supportive care, even if they're still offered the opportunity voluntarily of being to access rehabilitation programs and the ability to return to work.

Someone can work from their bed. In fact, we have a Member of Parliament whose researcher works from home from his bed--in terms of the use of new technology and the ability to actually be able to contribute directly to his own wellbeing and to the wellbeing of others.

And my intention is to get people who have experienced, even with very severe disability, the freedom, the liberation of being able to return to a fuller life, to equality of opportunity, to be able to participate in society, to

speaking for themselves rather than me speaking for them. Quite a lot of disability lobbyists in the United Kingdom say to me but it's all right for you. You know, it's no good saying if I can do it, you can do it, because you had all sorts of advantages. Well, I have in recent years. My father was killed in a works accident when I was 12. I didn't feel all that money advantages were flowing my way. But I was lucky. I got to university. I was able to use my own talents and tenacity to get through.

What I'm talking about is giving people the kind of help they need in the circumstances that they face, but challenging them.

Between 1979 and the late '90s, the number of people on what we describe as incapacity benefit, formerly known as invalidity allowance, quadrupled. It quadrupled, even though by the end of that period, unemployment was dramatically falling. The health care system had dramatically improved. The ability to actually retrain had been enhanced and certainly over the last seven or eight years, the opportunity through the New Deal Programs that we've put in place had been made available for people to get back into work. And given that our country is only a fifth of your population, we're very proud that two million additional jobs have been created between government and business and individuals, and that we've been able to offer people opportunity who were previously excluded from society. And it's that inclusion agenda which drives me to want people who have previously been paternalized and patronized to be helped back into work.

We have 29 different benefit systems; something over 200 different elements of those systems. We have a patchwork of additions to the benefit system that have been put in place over the last 60 years. When there's been an anomaly--the anomaly has usually been assisted. By putting something temporary in place, it's created another anomaly, which has created confusion and complexity.

So when I took over this job four months ago, I started to learn about additions to the welfare state that I'd never even heard of, even though I had done the Shadow Health job, as you've described, Ron, and I'd been the Chairman of a Social Services Department at city level before becoming a member of Parliament.

So the complexity leads not only to confusion. It often leads to people not taking benefits and support systems that are available. It also leads to fraud and deception.

And I want to just say a word about how we develop the glue that constitutes a civilized society. Many of you will have heard, as I did at great length, when I was responsible for counter terrorism, security, the police, and prison services, as well as immigration of the broken windows theory in relation to crime and policing; the fact that if you allow the small deteriorations, the collapse of the physical community to take hold, it is quite likely that there will be an acceleration into the disintegration of security and stability and the social capital of that community.

But what about the theory of the broken spirit? Of the neighborhood that disintegrates because the hopelessness that pervades a community, that implicates the attitude of family, is passed from one generation to another? The disintegration of any form of social capital that would allow a community to come together through the mechanisms of civil society, through faith groups and others, to be able to be part of their own solution. How, as a government, nationally and locally, in the United States at the state level as well, do we use an enabling government, an active rather than simply a big government or a hands-off government to actually engage in building that social capital and engaging with the reaffirmation of the human spirit and using that to rebuild the fabric of our society? So the mutuality isn't one of dependence on others, of the paternalism of being patted on the head and given something, but is the inspiration of investing in people so that they, within their family and in the wider community, can actually engage in being the solution themselves?

I think that's the challenge of the 21st century, and it's made more difficult not simply because in reshaping a welfare system, a social security system, you inevitably challenge people who would like to be left alone, but because those who have sympathy for those who are in poverty often feel that the carrot and the stick together, the incentive that is required, the conditionality of saying to people we will help you if you will help yourself, they think that that is some sort of threat or punishment rather than is an inspiration and an essential part of what all of us would do in developing our

own family. We would always offer help, but most of us would expect to do so on the basis of something in return.

And that is what we're going to try and do in reshaping the welfare state in the United Kingdom for the 21st century.

We're doing so by initiating a debate in Europe as well. As you know, we hold until the end of the year, the European Presidency, and we are hosting a European Council meeting under the chairmanship of the Prime Minister at the end of October, which will seek to overcome the fear that exists across the European Union; that the United Kingdom is somehow going to embrace lock, stock, and barrel a United States view of welfare.

Now, I won't in this august company go into great detail as to why they fear it, except to say that you know and I know that our cultures our history and, therefore, our social models are very different.

There is a fear across Europe, as you know, that we're so transatlantist that we're somehow stuck in the middle, floating about in the most dangerous seas. Actually, we are not. We're very clear that the world you've experienced of flexible work, of greater insecurity because of globalization and the nature of work changing, not just technology, but the whole change in the makeup of the workforce and the work environment requires us to actually be able to address how to help people through that fear and insecurity. Simply saying we will protect your job even, if in the end, your company collapses, goes bankrupt, you have no job and you've not been re-skilled, you've not been prepared for that change, there's not been any plan to actually assist you in

finding added value in new work, we've simply defended what existed until it disappeared. That kind of Neanderthalism simply will not do. And, therefore, how can we ensure that instead of saying it's going to happen--it's entirely down to you as an individual; sink or swim on your own--do we shape the welfare system as well as the economy and our employment programs to be able to do a much more imaginative job? Active inclusion rather than simply passive welfare? And we're tending to challenge across Europe the whole of the agenda that was set out five years ago when we met in Lisbon, in Portugal, as to how we get the European Union to see that only by engaging its workforce, those of working age, in work, and only by being flexible in our welfare system to support the moving between jobs, including providing a run on of welfare when people first get a job, the ability to return easily to support when they fail to hold the job or it collapses, to putting in place rehabilitation programs for those with relatively minor disabilities, to imaginative ways of looking at inactivity because of depression and mental health problems--38 percent of those are on our long-term welfare programs are suffering from depression--and goodness me, if you're out of work and you're stuck at home and you're disengaged with society and community, all of us would be depressed and desperate.

How do we overcome in Europe one in three of the working age population being inactive? How do we deal with the situation of 20 million unemployed? How can we address across Europe the fact that seven percent of the working age population will have reduced over the next 25 years, whilst those over the age of 65 will have gone up by just over 50 percent? How do we

deal with the demographic change, the aging population, which, as you know in the United States will result very rapidly in two people economically active for every one in retirement? It's four to one in the United Kingdom at the moment. It will be about 50 years before it's two to one with us unless we take other steps.

So there's an issue of firstly continuing to engage people in the world of work; secondly, reengaging those who have been out of work for a very long time; thirdly, using new technology and imagination to help people, full- or part-time, who have considered themselves unable to work to be able to do so; and fourthly, to support rigorously and generously those who simply cannot work.

And there is a fifth: how do we assist those who have been so disadvantaged that their expectation of ever being in a job is very limited in a global economy where change is so rapid? Where, for instance, China, which is the seventh largest trading nation at the moment, will within--what?--50 years be the biggest and India, where they're producing 220,000 science and technology graduates each year? Where the challenges we've seen in the debate in Europe about the--well, let me use the term underwear--being allowed as part of the trade agreement into our country and into Europe as a whole--should not be seen as a threat, but something that we need to engage with? How do we do all of that and how do we engage the broader community in making it possible? I was in Chicago on Wednesday looking at the Ready for Work program. I don't know whether Jennifer is here from--



MR. HASKINS: She's not.

SECRETARY BLUNKETT: She's not--from the Joyce Foundation.

But I'm engaging with them in Chicago to look at what they've been doing in terms of active inclusion of those who would otherwise have been long term out of work, people who've been engaged on a rather too permanent basis with the prison system. Young moms whose--the father of their child is abandoned pretty well as much at the time of conception can be supported in regaining self-esteem and confidence to be able to take on the world of work and to provide a role model for children.

We have in Britain as part of our program of welfare to work a lone parent program that's achieved 320,000 lone parents back into work over the last five years. We have programs of training and support in terms of childcare, which I know is a debate in the United States.

And we have another challenge, which is to try and work with the behavior of those who have faced long-term disadvantage in order that they can be active, positive members of the community, building that social capital.

And finally, how do we narrow that asset gap that I mentioned earlier?

It seems to me that there will be in the years to come and this will affect people in retirement but it will obviously affect the passage of resources from one generation to another, there will be a new gap different to Galbraith's assessment of the divides in society. It will be about not just income, but it will be about those who own a home, whose grandparents and parents own a home,

who have a bank balance, who hold shares, who have had higher education and, therefore, a non-monetary form of asset, and live in a community which provides mutual support just as a natural part of friendship and of peer group activity at work or within the physical community.

And those who rent accommodation live literally from week to week, who have no aspiration, never mind any expectation, of going into higher education; whose children will expect to live in the sub-economy and will emulate what they've experienced as they grew; whose education system have let them down; who have no grandparents or uncles and aunts to pass something on to them, including housing.

How do we deal with that gap? We've introduced the Child Trust Fund in Britain, universal trust fund, for opening an account at the time a child is born, building on it during the early years and adolescence, until they have a nest egg at 18. I'm very proud to have worked with Gordon Brown, the Chancellor, in developing that program. I think we need to look at new ways of achieving much more than that; of being able to share assets or build assets within the community; of enabling faith groups, community groups to be able to contribute to building those assets. We have something called credit unions, which are savings units, which avoid what we call loan sharks, who take from the very poorest what they don't really have to give. How can we build on the credit unions to ensure that people do begin to save, to look for the future, to believe there is a future, to be able to contribute positively to it? And how do we use the power and the resources of government, not to create even greater

dependence, not simply to ameliorate poverty, not to make welfare something of last resort, but a jumping off point to give people the opportunity of grasping the challenge of the future, of believing in themselves, of not feeling they've been abandoned, but that someone is alongside them, lifting them out of poverty?

And how do we persuade the haves to be prepared to put up sufficient resources to help the have-nots?

Clearly, by ensuring that they don't believe--that's the haves don't believe--that if they've got off--I use I hope an American expression--you'll shoot me down if I don't--that people should get off their butt--

MR. HASKINS: We normally say ass.

[Laughter.]

SECRETARY BLUNKETT: You could say ass, Ron, but I couldn't possibly.

[Laughter.]

SECRETARY BLUNKETT: To get off their butt and to do a job. And if they do, to know that they will benefit. But if they contribute to others, the others won't be--I think this is an American expression--live off the hog--without having actually ever contributed to living off the hog.

If we don't do that, then, whether it's in a much more mutual country of traditional solidarity and inter-dependence like the United Kingdom or here in the United States, people will disengage. When we talk to people who vote--and, of course, a very large proportion of the people who need

support from the government most don't vote--when we talk to people who vote, as we did in the general election this spring, a lot of people are prepared to help others, but they really are only prepared to help others if they believe that those who can help themselves are prepared to do so.

I would add one just extra thing, because I was brought up on a very deprived estate in the north of Sheffield, and that is you do need the mechanism to ensure that people have a least a glimmer of understanding of how to help themselves. It's the old Polish proverb--I imagine that it's a different country in each continent, but, anyway, it's a Polish proverb in Europe, which is that, you know, there's someone fishing and someone begs for a fish, and the man has to make a decision. Does he send him away empty handed on the grounds that he's scrounging and that he shouldn't be given anything? Does he give him a fish, which is immediate instinct and know that at least he'll eat that light, but knowing tomorrow he'll still be begging for a fish? Or does he teach him to fish so that tomorrow he will be able to fend for himself.

And the kind of welfare reforms I'm intent on bringing in are to teach people to fish so that tomorrow then can care for themselves. Thank you very much.

[Applause.]

MR. HASKINS: Thank you, Secretary Blunkett, for those challenging remarks. It's interesting that when the Embassy first talked with us about having this event at Brookings, cutting through the nice language they used, they said that Mr. Blunkett wanted to come here and have an argument;

that he didn't want to lecture and have a few polite questions; that he wanted to have an audience that understood these issues and was capable of not just of asking questions, but also of stating clear positions, not necessarily ones in agreement with Mr. Blunkett's.

And so in order to start that process, we've asked two people associated in the United States with being some left of center and somewhat right of center to give their reactions to your response, and then we have a room full of people who have very strong opinions and also represent a good political diversity in the room.

So we should have a nice discussion for about 45 minutes or so. And we'd like to begin with Bill Frenzel, known well to all of you. He's a former member of the House of Representatives and the Ways and Means Committee, and following Mr. Frenzel, Belle Sawhill, a Senior Fellow here at Brookings, will make brief remarks, then we'll open it up to the audience. Mr. Frenzel.

MR. FRENZEL: Thank you very much, Ron, and thank you very much, Mr. Blunkett, for that very interesting discussion of problems that vex all of us.

Just so there will be no misunderstanding, I'm the Social Darwinist, which may not be a perfectly accurate description. But nevertheless, you've given us some interesting questions to ponder, and it is true that our culture and our history is quite different from yours and from that of the EU, and so we will have different ways of handling different problems.

On the other hand, we have a great deal to learn from you, and I hope perhaps even some of your European friends might occasionally want to learn something from us, although we haven't see a lot of evidence of that lately.

We start over here as not exactly believing in the statement which you began with suggesting that the welfare state is the glue that holds society together. Not all of our citizens would embrace that ideal.

But we certainly would agree that we require much more than government intervention to tackle these, what you've described as the scourges of unemployment and social deprivation. And for that reason, we are anxious to learn from you.

Your child's trust fund, for instance, is a terribly interesting concept, which is only really beginning to be talked about over here. As you know, your--the way you handle your social security, with personal accounts, has cause a very high degree of excitement and conflagration over here.

And so I think we are anxious to look at the things that you are suggesting.

One of the great differences is that we're a country that prides itself for a profound distrust of government. And we believe that government is not a very good manager of programs to improve on whatever the programs are wanting to improve on. I suppose the exhibit A is our thoughts about New Orleans, where government operations at all levels seemed to a degree--seemed

to display an amazing degree of incompetence, and we worry about that all the time.

Nevertheless, even among us Mossbacks, we understand that the state really has to be involved, and it must try to involve all of the other institutions and individuals which have to make these improvements that you talk about.

And we are struggling, as you are, to try to cope with the new challenges of globalization, which we haven't--which we have not found any wonderful answers to. We are fortunate in that we have a good economy, a 4.9 percent unemployment rate. We are more fortunate than the Europeans in that regard. But we know things don't always stand that way.

Another way in which we differ I think is at least as I understood your discussion is that you feel very strongly that we should challenge the disadvantaged, and they will voluntarily rise up and take advantage of the programs for unemployment. Over here, we have some carrots, but we have big sticks, too, and at least in our most recent welfare reformation, we employed the sticks, which some of us think was done with very good effect.

We haven't been very good in measuring the outputs when we change programs. We add a benefit here or there, and often the scorecard never seems to add up. We change our welfare program. We are beginning to measure outcomes in that regard, and I wonder if your country and your EU has been more sophisticated than we in doing some of that programming.

We'd like to improve our management records and rebuild the trust in our government's capabilities, but we find that extremely difficult.

I also wonder about the European social model which you've described. It seems to me the model has some coherence, but it has variances that seem to me to be extreme. The U.K. system I think has, partly through your good work, tried to adapt to modern times. You have a strong economy. You are the pride of Europe in that respect. But some of the other countries of Europe are having a great deal more difficulties. They have their labor market rigidities. They have their welfare programs that seem to keep people--it seems to be a greater incentive not to work than to work.

So I judge that your role as leader under the U.K.'s presidency is going to be exceedingly difficult, as you try to bring these systems into a little more modern age.

I also noticed that you in the U.K. have set the goal of 80 percent of working age population at work. Neither you nor we are near that. Well, we're near it, but it seems quite distant. And I wonder if that's a legitimate goal and how--and if it is, how long a term a goal is it?

I'm getting the eagle eye from Ron, and so I guess I shall wind down by suggesting that we have similar birth rate problems. We have a little different immigration policy, which ameliorates our long-term difficulties with a workforce that is declining, while yours seem to be more difficult than ours.

But again, I do want to say that I admire your goals, particularly. You will need those lone parents, older workers, incapacitated, ex felons. You



need to get those people into the market, and I am personally very much impressed with what you're doing over there. I wish you great success, and wherever we can be helpful, we will do so. And wherever we can learn, I hope we will do that, too. Thank you.

MR. HASKINS: Thank you, Bill. Belle Sawhill, I regret to point out to you that Mr. Frenzel has used all the extra time so you now only have two minutes.

MS. SAWHILL: I figured you were going to tell me something like that.

So I will race through a lot of things I'd like to say.

First of all, let me say I very much agree, Mr. Minister, with your goal of trying to modernize the welfare state in response to the changes you've described, and I really wish you well in your attempt to provide leadership, not only in your own country, but to the entire EU on that front.

Like Bill Frenzel, I recognize that the U.S. is not a model that the U.K. will necessarily want to follow. Still, it might be useful to hear a little bit about our own debates and experience here.

I want to start with a little data. There are three charts in your handouts that are in front of all of you, and I will describe them for the Minister's benefit, briefly.

The first one looks at U.S. rates of employment and hours worked. And--well, really just U.S. rates of employment--this first chart. And what the chart shows is that our work rates are higher by quite a lot than in other--than in

any other industrialized country. And you can see the direct comparison for the U.S. and the U.K. there. If you go back to 1969, the U.K. actually had higher employment rates than the U.S. for both men and women.

But now, that differential has reversed in the opposite direction by quite a bit.

So we work ferociously hard in this country. We really are a 24/7 society.

Moreover, and this is more controversial, but I invite you to look at chart two, which is on the back of chart one. These differences in the work rates between the U.S. and other industrialized countries reflect, in part, the fact that the U.S. has a less generous social welfare state than the U.K. and especially than Europe.

So there is a strong negative relationship, as you can see on the chart. I wouldn't want to say that all of that negative relationship is causal. Still, it's a rather sobering picture on the relationship of the proportion of the economy that goes toward social welfare expenditures and the proportion of the working age population that's working.

Now, the converse of that, what goes along with that in the United States, is a much more unequal distribution of income, more child poverty, less leisure time, less time for parents to spend with their children or other family members.

So this is certainly a mixed picture.

I think the challenge for any country is how we encourage work without also accepting these bad things that might go along with it, such as greater degree of poverty and inequality than we might like.

Let me try to at least sketch an answer.

First, I think you do need to achieve the proper balance between rights and responsibilities, between the responsibility to pick up the fishing pole and the fact that you do need some fish.

In the Clinton Administration, in which I served, we had a slogan which is that if you work, you shouldn't be poor. And in 1990, we greatly expanded our income supplement program that is similar to your working tax credit, and we also tried to reform health care so that more people would have health care coverage. That failed.

In 1996, we then reformed welfare, as has already been mentioned, and this succeeded in increasing employment rates among single mothers by an astounding amount. I refer you to the third chart in your package that shows whereas in the mid-1990s there was a huge gap between the employment rates of married mothers and never-married mothers, by the early part of the current century those rates had basically converged at about 66 percent, at about two-thirds of these women are working now.

But we've done much less to insure that they have adequate incomes once they're working or other support, such as childcare.

So once again, we seem to have gotten part of the equation right, but maybe not the second part that some of us feel has got to be the second shoe that should be dropped in this case.

The other question I think is the proper balance between means testing and universalism, which, as I understand it, has been something you've been concerned about in the U.K. as well.

I think the issue for us here right now is because our universal programs, so-called entitlements like Social Security, Medicare, or Medicaid, are growing so rapidly and are projected to grow even more rapidly in the future as the result of the aging of the population and rapidly growing health care costs that we are having a new debate about what to do about whether these entitlements should continue to be available to everyone.

Social Security reform seems to be dead in the water in this country right now, but the proposal that has, in some ways, garnered the most attention and I think has the most likely chance of coming back onto the table is so-called progressive indexing, where you begin to income-relate more than we do now the benefits that go to the elderly.

Now, again, the other side of that coin is that if you move too far in that direction of income-relating benefits, you lose the sense of solidarity and political support that I think you were rightly concerned about yourself.

So I'm all for moving towards ladders and away from crutches. I think that in this country we need to do a lot more to provide people with the

tools that they need, not just the benefits, and education and training, particularly early childhood education, need to be part of the agenda.

I could talk a lot more about that, but given the time constraints, I'll stop there.

SECRETARY BLUNKETT: Well done. Thank you.

MR. HASKINS: And so let's open up the audience comments. Let me ask you to be sure and state your name and your primary affiliation, and we have a lot of people in the room I know that want to talk, so try to keep the comments as brief as possible.

Marguerite?

MS. SALLEE: Thank you. Marguerite Sallee, President of the America's Promise Alliance. Thank you. Marguerite Sallee. Thank you for your comments and those of us who've been toiling in this vineyard on behalf of welfare issues and children and families, we always said we needed a great sense of urgency to make people finally focus on children as a national priority. And I wonder if maybe the silver lining of the Katrina catastrophe might be the excuse to finally get some supports organized around children.

It occurs to me that part of the longer-term recovery should be to try to break the cycle of poverty with the children in these displaced families.

And so I'm wondering if you have any experiences with disaster relief in a longer-term basis? For purposes of the Alliance, we are working on Katrina's kids in the displaced communities--the communities where the displaced families are going. And we want to ensure a basket of services for

those kids in the effort to help them hopefully break that cycle of poverty. So I find some of your remarks very instructive.

SECRETARY BLUNKETT: Shall I take it one at a time?

MR. HASKINS: Yes.

SECRETARY BLUNKETT: Okay. I don't have any experience in terms of the aftermath of catastrophes of the kind that you're experiencing, but I take entirely that this is a moment when because of what has happened and because of the resources that are being made available--and there are, of course, publicly garnered resources that are being made available--we can do something different or rather you can. We'd happily help with young people coming in and volunteering and working with the families.

What strikes me and I speak timorously for once in my life, given that I was speaking as an outsider, is whether with families that before the catastrophe had very little going for them in life, little in terms of employment, in terms of the lifestyle, the house they lived in, the opportunity that was holding out for them in the future, whether it wouldn't be possible to put in place programs that are about the management of their lives. I don't mean sort of dictating to people paternalistically. But where they're actually managing the hopes, the aspirations, the skills of the parent or, where fortunately there are two parents that can do that together, so that it isn't just the youngster, important as that is in terms of gaining an education that they wouldn't have had, seeing a world that they would never have experienced, but actually also engaging the parents in managing their own lives differently so that the parents

themselves start to become the inspiration for the nurturing of their children, because the one thing I learned when I was doing the education, employment job and certainly as a father of four children is that actually it's the drive, the inspiration, the belief, the confidence building of the parents that makes such a difference, which is why in our country some, but not all, ethnic minority entrants into the country's offspring are doing much better than the indigenous population of the same social class within those neighborhoods because there's a self belief about the future.

MS. SALLEE: Thank you very much.

MR. HASKINS: Mark Greenberg.

MR. GREENBERG: Thank you. One thing that seems particularly-

-

MR. HASKINS: Sorry. This is Mark Greenberg from the Center on Law and Social Policy here in Washington.

SECRETARY BLUNKETT: All right. Thank you.

MR. GREENBERG: Thank you. Well, one thing that seems particularly notable about the United Kingdom's efforts right now is that you're combining very ambitious employment goals with a national commitment to end child poverty. And I wonder if you might talk for several minutes about the relationship between the two and in particular where are they complementary, where are they in tension, and how are you addressing some of the tensions?

SECRETARY BLUNKETT: Yes, they are complementary and they were intentional. And a great deal of credit--I've got to be careful what I say for the audience back home; otherwise, they'll think I'm creeping.

But a great deal of credit needs to be given both to the Prime Minister and to Gordon Brown, the Chancellor of the Exchequer. Gordon's drive in relation to child poverty and, in fact, poverty across the world has been reflected in the policies that we've put together at home. And I had the privilege of working on the development and the delivery of the employment program from '97 to 2001. And I've got it back in a different guise, because we changed our structure of government.

So the welfare state, child support, and the employment came together and education and skills are now a department in its own right.

And the combining of the fiscal measures in terms of tax credits with the drive to actually enable people to take work, to ensure that, where possible, work was always preferable financially to being unemployed and to being dependent on benefits has gone a great way to inspiring people to want to get back on that ladder and to help themselves. But it's been underpinned by very substantial investment in childcare, in improved maternity allowances and the level of maternity available--paternity--time out of work to be able to bring in the early months of a child's life to bring them up with the care of the mother, and to also create an atmosphere in which business have been prepared to collaborate on work life balance, and because, as with you, we otherwise have to rely on an influx from elsewhere to fill the vacancies, because we do have a



dynamic and thriving economy. We've needed to encourage people back into work, and, therefore, employers have been willing, not just through corporate social responsibility, with which you're much more familiar than we are, but actually as an enlightened self interest to collaborate on the work life balance--part-time work, flexible work, et cetera.

What I have to say--and I learned this from Robert Reich, when he was Labor Secretary, before we were elected to government, when he said to me the problem with tax credits is that nobody gets the credit. And I've found that that has been the case. I mean Bill referred to, you know, government being a dead loss on the whole and not delivering. Actually, where it delivers best most people don't know it's the government that's been engaged in facilitating it or doing it.

So it is a problem that people certainly know when government has failed, because we all tell them, either as opposition politicians or as the media, and that's true in Britain.

But where we succeed, it's taken for granted.

There is one major challenge I think and that is that we have a--well, there's several challenges--but there's one major challenge that I'm not immediately going to be able to resolve and that is our housing benefit system. You have something variable I imagine across the United States. But we spend 13 billion pounds, which in the size of our country is a lot of money on housing benefit allowances to obviate the price of rents in both the social housing sector and in the private sector.

And the difficulty with that is that you only need one small quirk where a family member gets a job that disqualifies the household from that benefit to push that household from being better off with that family member in work to being worse off, and that is quite a challenge.

MR. HASKINS: Richard Bavier.

MR. BAVIER: We heard a number of similar--

MR. HASKINS: Richard Bavier from the Office of Management and Budget.

MR. BAVIER: From the Office of Management and Budget.

MR. HASKINS: He's one of the guys that sits in the backroom and has an IQ of about 150 and knows all the numbers. That's Richard Bavier.

MR. BAVIER: Thank you. We--different speakers pointed at a number of similarities in the U.K. and the United States economic progress through the decade and welfare policies through the decade.

One divergence in the decade for the two countries is the number and share of single-parent families or lone parent families I guess is the statistic the U.K. calls them. The United States started to see a leveling off and then a decline of single-parent families at the beginning of the decade and only since about 2000 have they started to creep up again.

The U.K., as I understand it, in the 2001 census, found a 56 percent in lone parent families from the 1991 census. Do you have some thought as to any connection between the welfare policy and the different profiles of lone parent families over the decade in the two countries?

SECRETARY BLUNKETT. Very, very complex equations at work-

[End of Tape 1, Side A; flip to Side B]

SECRETARY BLUNKETT: [In progress.]--who previously would have put up with the impossible, finding that they can be economically active and free and independent and then doing so, whilst others find themselves dependent on benefits and find that, with a combination of housing and the support systems that are available, they might actually be better off than with the loafer who got them pregnant in the first place. So we've got to stop the loafers loafing off.

I mean one of the biggest problems I've got is that I'm responsible now for something called the Child Support Agency, which attempts to deal with a social malaise, which is fathers who won't acknowledge their responsibility and take themselves off. Very few lone parents are actually entirely single parents. Many actually do have some contact with the father or in occasional cases the mother where the father is looking after the child. But very many count themselves as lone.

In an ideal world, we shouldn't have a Child Support Agency in the United Kingdom. I think--is yours called CSSD or is it a different sort of operation.

MR. HASKINS: Child Support Enforcement.

SECRETARY BLUNKETT: Yeah.

MR. HASKINS: Child Support Enforcement.

SECRETARY BLUNKETT: Yeah. Well, ours doesn't work terribly well, but it gets the blame for society's ills, because actually the people to blame are the fathers who have taken themselves off and refuse to pay. There's a separate issue about whether mothers let the father see the child, which is important. But it's separate from that responsibility. And we have a very major challenge to make our system work better in enforcing the payments and people taking responsibility so that the glue of society to come back to that is about ensuring that people have to face up to the consequences of their actions.

Now, there are women in Britain who don't think that men should. They think that it's--you know, men are perfectly entitled to walk away and they say so. It's usually middle-class women with a good income, usually writing for newspapers I find.

But nevertheless, it is a fact.

Now, my view is very clear that we have an obligation to ensure that people do pick up the consequences, as difficult as that often is; and that we should ensure that we chase those who won't to actually make the contribution. That changes the culture and atmosphere in which people work. And the one thing I would say in answer to your question is people do respond to the signals they're given. It's the same as when I was doing the job in relation to crime and policing. If people think they can get away with something, they'll get away with it. If people think that it's the norm and acceptable, they'll believe it's acceptable. And if people believe we're not

prepared to put up with it, they'll start behaving in a different fashion. Children do that, and I'm afraid adults do as well.

MS. SAWHILL: In this country the argument would be that the fathers don' have jobs and have enough income to support the children. Do you have that same debate?

SECRETARY BLUNKETT: Well, we don't in the sense that if the father is prepared to come forward and volunteer for work, we can get him a job. The difficulty is the expectation--and you must find this, even with the minimum wage and with the tax credit system--two things happen.

Firstly, they say we don't want to take a job unless it's that particular level. And if it is that particular level, they say the amount we've got to pay maintenance to the child we fathered is so great, we might as well not bother getting up in the morning.

Now, we've got to break that cycle.

MR. HASKINS: We have both issues in the United States, by the way. Rudy Penner.

MR. PENNER: Rudy Penner from the Urban Institute. For years, we struggled in this country to make our welfare system less hostile to work, and we weren't very successful in doing that by just changing the structure. So finally, we cut through all that and essentially required work.

Having made progress there, I think there's a lot more attention now to the various characteristics of a welfare system that discourage asset accumulation. And we haven't made much progress in that score, because we

still have sometimes very unrealistic asset tests scattered in our welfare programs, either privately--things like college financial assistance. They're very hostile to saving at lower income levels.

But we are starting to experiment with individual development accounts and so on.

I was wondering whether your system is as hostile to asset accumulation as ours and whether you are discussing reforms.

SECRETARY BLUNKETT: Yes, I think it is, not within the political arena, but just because the issue itself has never really been debated thoroughly, and when it is--when we do start the argument, it gets very rapidly misinterpreted.

So without being sort of in any way mocking the channel of communications that we have to rely on, it is quite helpful when we say things that they're reported as we intended them.

The issues that I think we're addressing are not only how can we develop the individual to have a sufficient asset to be able to rely on in terms of a decent start in life, in adult life, but also we ensure that we can accumulate assets that people can use most wisely.

Take housing, where a very large proportion of the population in Britain now owns their own home. When they get to retirement, that is an asset that we don't take and won't take into account for any assessment purposes in terms of any means test that might have to be applied for a variety of additional support systems.

But what if we facilitated more easily people off loading part of the collateral of that house so that they part shared it with someone who got the right to own that share of the house when those individuals died, and they were able, therefore, to realize some of the asset.

Now, this might not be very popular with their sons and daughters, of course, but sons and daughters have to bear in mind that, you know, years ago, they would have never expected, they wouldn't have waited to have an inheritance; that would have expected to have fended for themselves. And whether actually people in retirement wouldn't be better enjoying a bit of the fruits of their hard work before they did depart.

I find that many elderly people don't. They don't--even those who can afford to tend to switch the central heating off, when they ought to have it on, and things of this nature.

So we've got to change the climate in which people see the ability to build, but also the sensible and flexible use of assets.

I think also we need to--and that's why I've mentioned it today--continually keep mentioning the fact that this will be the new divide. As we overcome relative poverty, and we actually are able--and we are doing that effectively--to lift people out of the desperation they were in, then we end up with new inequalities and a new gap.

But unless we plan for that, it will catch us. And I'm always wanting to try and look ahead. I think actually, if I might say so to the social democrats and those on the liberal left here, that actually those around Ronald

Reagan were quite effective in the early '80s at drawing on futurism. I mean I used to read about the New Enlightenment. I did think it all that enlightened, but it was a good name.

[Laughter.]

SECRETARY BLUNKETT: And I don't think we do enough of that now and that we should.

MR. HASKINS: Melissa?

MS. KEARNEY: Melissa Kearney, the Brookings Institution.

So I very much enjoyed your remarks and as a metaphor I particularly liked the ladder metaphor better than the safety net. But from a practical point of view, it strikes me that those programs in this country that I think would best correspond to the ladder metaphor perhaps have not been the most effective. So what I'm thinking is when you mentioned the ladder out, I immediately think of job training programs. But my reading on that evidence is that those have not been particularly effective; whereas, perhaps more draconian measures, even though it corresponds to removing the safety net, have been quite effective at getting people to work.

So, for example, the remarkable success that Bell pointed to in getting single moms to work corresponded to welfare reform that put in place time limits and actual work requirements. And those were very effective in getting people to work. But my guess is that those would seem too heavy handed to appeal to the culture of your country or actually threatening people



with the removal of benefits if they didn't go to work or get jobs in a particular amount of time.

So I'm wondering if you could say a few words on what actual reforms or practical implications you see for this ladder.

SECRETARY BLUNKETT: Well, I think ladders have a step at a time; don't they? And I think that would be the other analogy; that maybe a step at time--as you take people along, with something that appears to be draconian, and ends up actually being extremely invigorating and very useful.

When we introduced the programs for the younger employee, the 18 to 25 year olds, and then subsequently for older workers, we did introduce conditionality, and it was extremely controversial back in 1997. Collective memories--I'm sure this is true in the United States, but it's certainly true in Britain--collective memories are incredibly short. You have the most enormous row about something, and everybody says it's a disaster. It's a disgrace. You've broken all the tenets of decency.

And then about five years later, everybody has forgotten you ever did it, and it's completely taken for granted.

And our conditionality for the able-bodied employed, who do not have major caring responsibilities, is that you simply have to take up the option; otherwise, we will progressively cut your benefit. And that has worked. It's made a big difference to the taker. We reduced youth unemployment, under 25's, by 70 percent.

So it's working.

Now, the real issue is how far can you go with people who have other responsibilities or challenges, whether they are lone parents or whether they have been on--with moderate challenges of health or disability for a long time?

And the answer is very carefully. And the way you can put in place the mechanisms to help them through the challenge, like good childcare, like the system we're introducing with our schooling so that the child can go at eight through to six in the evening, the extended school as we're calling it, so those places will be available, then it's an entirely different matter of a child of school age to be able to say to a parent we expect that you will now contribute to your own well being and the well being of your child.

MR. HASKINS: Diana Furchtgott-Roth.

MS. ROTH: Hi. My name is Diana Furchtgott-Roth. I'm with the Hudson Institute here in Washington, and I want to thank you very much for your remarks.

The challenge is making the social safety net at such a point that it catches people and yet not such an effect that it becomes a disincentive to work. And it seems in Europe and very many places, this has gone the other way.

In Italy 75 percent of the people who are unemployed have been unemployed for more than a year. And it's about that half that amount in France and Germany. And the mystery is not in Britain, but in Europe, not why so many people are unemployed, but why any bothers to work at all, given the state of their safety net. And the data in Britain are far more impressive in terms of

not just the percent of the unemployed, where you've really got the unemployment rate down to a low level of about 4.8, 4.7, but a lot fewer people are unemployed for longer periods of time.

And I'm wondering if you see any potential for further cuts in the benefits in Britain? In the United States, people get unemployment insurance for six months, and they have had to work before that in order to qualify for these unemployment insurance benefits.

Do you think it's possible politically to go even further in Britain than you have already?

SECRETARY BLUNKETT: Well, firstly, I think in Europe it varies across the European Union. But in some parts of Europe, not specifically Italy, there are people who are in the sub-economy and have been for many years, so they may actually be working and drawing benefits as well. And it is actually something that we all have to be very vigilant about, because obviously that erodes the social glue, because if people see others around them who are fiddling the system, they see no danger in fiddling the system. So we have to be vigilant.

Let me be absolutely straight with you. No, I don't see any steps in Britain which would reduce the level of benefit. But I am engaged in the debate, and we'll bringing forward reform proposals on how we can make more sophisticated the conditionality for receiving them.

And it's not--so it's not as if we take what you've got away, 'cause our benefits are generous in terms of the way in which they support holistically.

But they're not generous in themselves in terms of each benefit entitlement making it so good that you can live very healthily and comfortably unless you have very large numbers of children, take no responsibility whatsoever for them and are fully aware of every single system that you need to engage with. And our papers, some of our tabloids newspapers at the moment, have dug out for me, very helpfully, particular instances, so I can examine them over the weeks ahead to see how we avoid a system that exploits the rest of us.

MR. HASKINS: We have time for one more brief question, and we can always rely on Duffy Campbell [ph.] for at least a 15-second question. Go ahead.

MS. CAMPBELL: I'm Duffy Campbell from the National Women's Law Center.

One of the issues that has been particularly strident in recent years in our country has been over the issue of marriage and the extent to which benefits should be conditioned on marriage, used as an incentive to marry, and the like.

And I'm wondering if you would comment on how that debate has-- if it--just how much has been going on the United Kingdom and what the response has been?

SECRETARY BLUNKETT: Well, I said earlier that I thought that social policy, that government policy that the environment in which people operate does affect their behavior. I mean it's just a truism.

The debate in Britain has been much more about stability and security. I think--I mean we're--obviously you have a different political hegemony at the moment in the United States to ours. Ours is not about whether people have taken a vow and are forced to endure it whilst they find other ways around it for the rest of their lives, but how we reinforce stability and security with relationships so that if we can be a backcloth, if the policies we follow help people to stay together, to take responsibility together, even if eventually they split up, but they continue to accept that responsibility as well rather than just seeing it as a right to do whatever they like, then we end up with a society that actually pulls together and people do respect each other more.

So forgive me if I've slightly ducked the question. But I'm not now--initiate a debate in Britain through our national newspapers and television who are represented here today without having carefully thought through the way I would like to describe it.

[Laughter.]

MR. HASKINS: Mr. Blunkett, let me thank you so much for coming here.

And let me conclude with this observation. I think in the history of Western nations, no nation has been more fortunate in its selection of allies than the United States in selecting Great Britain. So thank you so much for coming and please join me--

SECRETARY BLUNKETT: That's very kind of you, Ron. Thank you so much.

MR. HASKINS: Thank you.

[Applause.]

[END OF RECORDED SEGMENT.]

- - -