

# Public sector incentives

I gave another version of my Trafalgar talk this year, close to the anniversary of the battle. One of the reasons I am interested in it is that it was a moment when the UK public sector in the form of the English Navy excelled itself. It did so to such an extent that Nelson's flagship is still a commissioned vessel of the modern navy sitting in dry dock at Portsmouth. 200 years on from the battle its strategy and tactics are still analysed by modern naval experts and officers.

The task before Nelson, the other officers and men was formidable. They had to engage a large enemy fleet with little wind to drive them to battle. The enemy allies had 25% more fire power and 22% more battleships than the English force. Confidence, skilled seamanship, faster gunnery and better tactics helped secure them a remarkable victory, with 17 battleships captured, one blown up and four more captured a little later after they fled the battle. It was an important victory at a time when the UK was under severe threat of invasion. All Napoleon wanted his Admirals to do was to hold the English Channel for long enough to get the troop barges across, but they failed to get anywhere near to do the job. Trafalgar set them back again and turned out to be the end of serious invasion threat, though Napoleon did rebuild his navy and did threaten in other ways as the war wore on.

Accounts of how and why they succeeded include mention of several advantages which I will not dwell on here. One feature which gets less mention is that the public sector Navy encouraged a very entrepreneurial and individual approach to leadership. Whilst Captains were paid state employees on a reasonable salary, and whilst their ships were supplied and victualled by the Navy, the Navy also agreed to pay Captains and crews prize money for any captured ship. This included the money realised from the sale of any cargo or effects on the ship as well as the value of any warship to the Navy. Captains could plan to get rich if they gained a command that allowed substantial raiding of enemy commerce, and would do well out of a successful battle if they captured and returned enemy ships for use in the Royal Navy. Captains could use some of their own money to enhance the ship and its cargo if they wished. They had flexibility over who joined the crew and how they carried out their orders for a voyage or mission. Crews liked working for Captains who had the Midas touch.

Captains could often be relieved of command and put on half pay, waiting for some suitable new opportunity. It meant there was a keen determination to excel, both to be offered the better and more profitable commands, and to ensure success when opportunity came to take a prize. Some experienced and distinguished Captains wanted to stay as Frigate Captains as these ships were more regularly used as state privateers against enemy commerce. The victors of Trafalgar were given additional prize style money by Parliamentary grant, as a grateful nation was aware that all too many of their captured prizes were lost in the storm which followed the battle.

It would not be right to re enact the same incentives naval public sector personnel enjoyed in the 1800s to the modern public sector, but it does remind us that personal incentive can lead to innovation, daring and success.

There are acceptable ways of reward which can stimulate innovation and sensible risk taking. In this respect the navy of Nelson had much more in common with the first Elizabethans who plundered Spanish commerce from the New World, than with our own second Elizabethan Age.

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## **The big issue is the Withdrawal Agreement, not the Irish backstop**

Those in the Cabinet who told the PM this week that we cannot accept a backstop which leaves us in a Customs Union indefinitely were right. They are also right to want the full legal advice on the draft Treaty they are asked to accept.

There is however a much easier argument to use against the vague proposals emerging. The UK must not seek to sign the draft Withdrawal Agreement to pay the EU £39 bn in return for the promise of 21 months or more of talks about a possible free trade deal. That would be a very bad deal. It would be worse for the economy than leaving without signing such a one sided agreement. We need to spend that money at home boosting our own economy. We do not need another two years of uncertainty. Many Conservative MPs would vote against that. It would need new legislation to permit it.

We did not vote to leave one EU Treaty only to lock ourselves into a new one sided one. Nor is the Future Partnership Agreement likely to be one any independent self governing democracy could sign.

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## **Secretary of State sets out improvements to Universal Credit**

I have received the enclosed letter from the Secretary of State for Work and Pensions:

Today, I will be laying the Universal Credit Managed Migration regulations before the House. These positive regulations provide a range of additional support for claimants as they move onto Universal Credit – a simpler benefit system, providing tailored support to individuals.

Universal Credit is the biggest and most fundamental reform to the welfare state since its creation. It is a modern benefit based on the sound principles that work should always pay and those who need support receive it.

And this change is necessary, because we can't go back to the legacy system it replaces.

Not only was it complicated to use and completely outdated, but it was unaffordable – and didn't work for the people using it. Under the last Labour Government the amount of spending on welfare increased by almost 65%, and at the same time the number of households where no one had ever worked almost doubled.

In 2010, when the Conservatives took office, the welfare bill cost each household £8,350 – an increase of nearly £3,000 per household since 1997. Not only was this failing system disincentivising work, but it was the taxpayer bearing the burden.

### **Our welfare record**

Universal Credit is revolutionary – it takes a common sense approach to support. Whereas the old system was “one size fits all”, we now have a system which supports each claimant's abilities and skills. It recognises that every person is unique, and the support they receive should reflect that.

Even before the Autumn Budget 2018, Universal Credit has been helping people get into work faster and stay in work longer than the old system. Our record on employment is plain for everyone to see. Since 2010 we've broken 18 employment records, seeing an average of 1,000 people moving into work each and every day.

Alongside this, figures out only last week show that the number of children living in a household without working adults is at the lowest it's ever been. Having a working role model in a child's life is immeasurably important, as we know that children living with an adult who works do better at school and are more likely to be employed when they grow up.

Where the old benefits system trapped whole families relying on benefits, Universal Credit is opening up work for millions of people.

Now, we know there have been issues during the rollout – a fact I have not shied away from. With a fundamental and widespread reform like Universal Credit, which will be used by 8.5 million people, it's inevitable. What is important is that where there have been issues we have listened, we have learned and we have made changes.

### **Autumn Budget 2018**

This is exactly what we have done. We listened to concerns about Universal Credit delivery and funding, and in response the Chancellor announced a £4.5 billion cash boost to Universal Credit. A powerful injection of support, to ensure that vulnerable claimants and families are supported in the transition to Universal Credit, and millions keep more of what they earn.

We will put an extra £1.7bn a year into work allowances – the amount someone can earn before their benefit payment begins to reduce. We are increasing the work allowance on Universal Credit by £1,000 per year, helping 2.4 million

families. Universal Credit has always ensured work pays – and now it pays even more. Something stakeholders and charities across the board – from the Resolution Foundation, to the Trussell Trust to the Joseph Rowntree Foundation, and more – have welcomed.

We will help people relieve the burden of debts by reducing the maximum deduction rates from 40% to 30% of standard allowances. At any one point this helps over 600,000 families when roll out is complete – providing them with £295 on average extra a year as their debts are repaid over a longer period. In addition, we will also extend the repayment period for people who receive advance payments from 12 to 16 months – giving them extra space to get on top of their finances.

And to support those supporting themselves, for new businesses we will open up a 12-month grace period before the Minimum Income Floor comes into effect, providing 130,000 self-employed families the best opportunity to grow a successful business.

In addition, we will extend the contracts for New Enterprise Allowance, providing help for those out of work to set up businesses – adding to the 45 new businesses a day that have seen created since 2011 through the scheme.

To assist those claimants who we move onto Universal Credit we will install a two-week ‘run on’ for those receiving out-of-work benefits. This means that when individuals move onto Universal Credit, they will still receive an additional 2 weeks payment, reducing the waiting time for their first UC payment, and helping vulnerable claimants make a smooth transition to the new system.

And at the Conservative Party Conference, I announced a new £51 million partnership with Citizens Advice, a trusted, independent organisation, to provide Universal Support – the comprehensive offer for claimants moving onto Universal Credit.

This package of wrap around support is in addition to the continued improvements we have already made to the system as part of our ‘test and learn’ approach to Universal Credit. In total, these proposals mean that since 2016 this Government has provided an additional £9.5bn of funding to Universal Credit claimants.

### **Managed Migration – what we are doing next**

By December, Universal Credit will have rolled out to every Job Centre in the country, meaning all new benefit claimants will receive Universal Credit. Next year we will start the wider process of moving people from the old benefits system onto Universal Credit, following the passage of regulations in Parliament.

We have consulted on the regulations and listened to stakeholders and the Social Security Advisory Committee (SSAC), and made significant improvements to the regulations, and have accepted almost all of SSAC’s recommendations. These regulations allow us to provide the comprehensive wrap around support

package – including the ‘run on’ for claimants making the smooth transition to UC, and the transitional protection to ensure claimants are not worse off.

These are important regulations to pass, in order to ensure that targeted support reaches those it is designed to help.

Throughout managed migration, we will continue to take a slow and measured approach. This will begin in July 2019, after a period of preparation. For a further year we will then begin migration working with a maximum of 10,000 people, continuing with our ‘test and learn’ approach. This is to ensure the system is working well for claimants and to make any necessary adaptations as we go, until full roll out ends in 2023.

Universal Credit is bringing the welfare system into the 21st century. Rather than queuing up to fill out forms at 3 different departments, everything is done through a single application. It is simplifying the system, replacing six different benefits with a single monthly payment, removing layers of bureaucracy and making it easier for people to get the support they’re entitled to.

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## News as propaganda

One of the reasons many people now do not listen to mainstream media news and commentary is the way that factual reporting coupled with expert and insightful balanced analysis has been replaced by a kind of campaign based activity. The BBC in particular has two regular campaigns running. One is to explain why the Remain campaign was really right and should not have lost. The other is to stress the need to cut back on carbon dioxide to avoid serious problems in the future.

I have no problems with political parties, individuals, company shareholders, research institutes and others running campaigns about things they feel strongly about. I do not think this is in any way the task of an independent broadcaster paid for by taxation of all tv users in the country whether they watch the BBC or not, operating under a Charter to observe impartiality and to set high standards of journalism. It also makes for very tedious programmes.

In the case of Brexit I have lost count of how many times we have had the same old stories recycled as if they were news. They are not factual reporting. They are commentaries on various people’s forecasts and opinions. We get recycled opinions that we will be short of food, planes won’t fly, short of medicines, that supply chains will be disrupted etc. All it needs is one quote from a Remain oriented think tank or business lobby group and we go round the same old scare story again. Rebuttals never attract the same attention. There is then the perpetual reuse of the Treasury 15 year forecast of a bit less growth on different scenarios, with no proper

debunking of their base or of the whole idea of a 15 year forecast!

Where is the factual reporting of what airlines, pharmaceutical exporters from the continent, farmers in France and others are actually going to do on March 30th? Where are the balancing experts to offset the Remain "experts". I have never been invited on and introduced as someone who correctly predicted the damage the ERM would do, or as someone who has written extensively on the Euro project explaining its dangers and predicting the various Euro crises, nor as someone who has in the past led UK based international businesses with complex supply chains. If I had voted Remain and held the opposite view I bet they would have mentioned that all the time.

We now see reported dozens of rumours about what deal might or might not be on offer, whilst it looks as if there is still no agreement on the Irish border issues or the wider issues of customs and goods inspections. The media that reports these things ignores the much bigger issue of why should we agree to pay them so much money anyway? What linkage would there be between the Future Partnership Agreement and the Withdrawal Agreement, given that such linkage was thought to be fundamental to the UK negotiating position as defined by Mrs May in her Manifesto. If the EU in a couple of years time has in mind the UK should sign an Association Agreement along the lines of Turkey or Ukraine that would be the final denial of Brexit. Sensible MPs will not vote for the draft Withdrawal Agreement as it is a big payment for more talks, which would simply prolong futile negotiations and leave the UK in a weak position.

No wonder many are turning off and being turned off by this approach. Let's go back to news gathering, to reliable sources, to genuine experts or to clashes of experts where they disagree. We could also do with fewer reported briefings of sell out agreements when there is still no firm date for a November meeting to resolve the impasse, nor any leaked text of what might be agreed in such an event.

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## Remembrance week-end

I will be laying wreaths at St Mary's Church Burghfield at 11am on Sunday and at the War Memorial in Wokingham Town Hall after the service in All Saints on Sunday afternoon.