ANDREW MARR:
Along with tackling the welfare deficit, reform is one of the government’s key priorities, and it is something of a personal mission for the cabinet minister in charge, Iain Duncan Smith. After leading the Conservatives in opposition, he spent years researching poverty and welfare dependency and he’s now implementing radical plans which he says are going to make work pay. From next year, a great bundle of state benefits are going to be replaced by a single universal credit, and for the first time there’ll be a cap on what any household can claim. And now Mr Duncan Smith wants to cap the number of children whose parents get benefits. Popular ideas, but are they all going to be working in practice? Iain Duncan Smith is here. Good morning to you.

IAIN DUNCAN SMITH
Andrew, morning.

ANDREW MARR:
Good morning. One of the criticisms that’s been made of the new plans is that a lot of people are expected, in fact everybody’s expected to do this by computer, to log on. Now there are something like 8 million British people who are not online at the moment and many more who are incompetent online. Are you not putting far too
much faith in computers?

IAIN DUNCAN SMITH
Well actually no. The thing is here, first of all, what we want to do is we’re setting a system here which is much easier to enter. At the moment you can end up with forty or fifty pages for every single application for different benefits. There’ll be one application, so one set of instructions. On the computer, it will tug you through every single requirement, give you a chance. So, first of all, the simplicity is critical because people will understand what they get and they’ll get a summary of what they’re due immediately.

ANDREW MARR:
And if you haven’t got a computer and you haven’t ever been online before, what do you do?

IAIN DUNCAN SMITH
Well two or three things, first of all. We are putting a huge amount of access devices into all the job centres, number one. Secondly, we’re going to work with groups like CAB and the councils to make sure in all of their set-ups there is always access to an online device that will get you into the system. Third, we are now already working to get … First of all, you know about 78 per cent of all of those people who receive benefits are actually already online; 48 per cent actually do something online regularly. We find that most people are capable of going online. So now we have to deal with a sub-set of people who aren’t online. And here’s the good thing about it - we’ll be working with them over the next four or five years to get them up to about 80 per cent in total who will actually use this system online - because we now know between 70 and 90 per cent of all of the jobs out there require some kind of online skill. If you don’t have that online skill, you’re locked out of the labour market. Now that’s going to get more and more.

ANDREW MARR:
So you’re in trouble anyway? Yeah, okay.

IAIN DUNCAN SMITH
So to do this is a good impetus for us to get all those people who are in difficulty to at
least learn and understand who to use computers. And it frees them. If you talk to people like Martha Lane Fox, she will tell you that there’s at least £60 billion missing in the British economy because we don’t have enough people online. So it’s a big net positive for us to do this and we have to do this, so I’m putting resources behind it.

**ANDREW MARR:**
Standing back a little bit, I said it was a personal crusade for you at the start. A lot of people look at the number of immigrants who’ve come in from Eastern Europe …

**IAIN DUNCAN SMITH**
Yeah.

**ANDREW MARR:**
… and who are working incredibly hard up and down the country in the fields and farms, in shops, in restaurants doing an awful lot of jobs which once upon a time more long settled British families and people would be doing. Do you think that the welfare system has simply rotted the morale of millions of British people and is that really what you’re about?

**IAIN DUNCAN SMITH**
Well I think there’s been a corrosive effect down in the bottom couple of deciles in many pockets. And that’s the point about it - a lot of this is in pockets. Most people in Britain work hard, try hard, you know commute long distances - particularly in places like London - but there are pockets where you get two and three generations of families unemployed. You know right now a fifth of all of our households have no work and two million children grow up in workless households.

**ANDREW MARR:**
Which probably means they will never work either.

**IAIN DUNCAN SMITH**
Exactly. So what you’re getting, they will have kids and so it goes on. So there is an element of that. And of course I always think of immigration really on a supply and
demand point, which is that the supply is out there and the supply is in the UK, but the demand is desperate, they can’t get some of the British people to do that work, so they reach for others who can. So if …

ANDREW MARR:
Sorry, do you think the welfare system generally has just simply been too soft for too long?

IAIN DUNCAN SMITH
Well I think the problem with the welfare system is it was set up to support different issues and problems. What’s happened is people have understood how to work that process. And if you grow up in a community where no-one works, then it’s very difficult for you to understand that work is a vital component for families’ lives - not just for money, but for morale, for sense of self-worth. Children who grow up in households who work are more likely to do better, to be healthier. This is really, really important. So this isn’t just about getting people to pay taxes, which is often the point that’s made, which is true. It’s actually about changing the condition of people’s lives in Britain in pockets in difficult areas to get them to have a little bit of that aspiration and hope that you would have and I would have for my children.

ANDREW MARR:
Now we’ve talked about children a lot. One of the ideas being floated is that child related benefits …

IAIN DUNCAN SMITH
Yuh.

ANDREW MARR:
… should be limited to just two children, so if families have more than two children, they don’t get extra money for that. Would this be something that sort of starts now or would it be retrospective? If a family’s got six children and are on benefits, you’re not proposing to take money away from them, are you, or are you?

IAIN DUNCAN SMITH
No, this would always … I think these kind of things would have to be done with what we call “the flow” - in other words, as you start to apply - so if you have a large family, the next child would be considered as a third child; or if you had two, you’d have a third child. About 15 per cent of all of the families have more than two children - the average is about 1.8 in the UK - and they cluster hugely down in the bottom couple of deciles and right at the top of the income distribution. Across the broad swathe of the middle …

ANDREW MARR:
So the very rich and the very poor have lots of children?

IAIN DUNCAN SMITH
Yes.

ANDREW MARR:
Is it right …

IAIN DUNCAN SMITH
And most predominantly in the very, very bottom areas; and a large, large proportion, the majority, are mostly out of work. And it’s not just child benefits because if you have a larger family, then you have to have a bigger house; and if you have a bigger house, you have to have housing benefit.

ANDREW MARR:
(over) You have to get housing benefit.

IAIN DUNCAN SMITH
You know in some parts of London, we’re paying over £100,000 - or were when we came in - £100,000 a year just on the rent for these large families. So it’s fair … It’s about fairness ultimately, Andrew. It’s fairness to say look those who work hard, get up in the morning, make … cut their cloth - in other words, we can only afford to have one or two children because we don’t earn enough - they pay their taxes and they want to know that the same kind of decision making is taking place for those who are at that stage on benefits.
ANDREW MARR:

But this is quite a tough message. If you are saying to people listen, you don’t have a job, we therefore don’t believe that you should have more than two children; you may want a large family, you can’t have one because the state is not going to pay for it, stop - it’s quite a tough message to be sending to people.

IAIN DUNCAN SMITH

Well the message I think is rather this. Everybody in Britain makes decisions based on what they can afford and how their family life works. We should have that for everybody. And all we’re saying is you can have as many children as you like, but once you have children you need to recognise you need to provide for those children. And it’s not just about the money. I come back to the point I made earlier. We’re also trying to say to them look, those children need some kind of lead. They need to be shown that work is part of their lives, that contributing, being part of mainstream society is critical. So we’re simply saying to people look, think about this, these are choices you make. Choices come with consequences. That’s all it is. Most people in the public out there, and by the way most particularly in the lower C1, C2, what used to be described as the blue collar area - people who get up in the morning, work hard, you know come back late, say I can only afford to have one or two children, I want to provide for them for the best - look down the road, house down there with the curtains closed, no-one going out to work but lots of kids around. You know this is … it’s dividing society. So what I’m saying is the way you bring society back together again is to get the idea of taking responsibility and fairness for those who pay the bills.

ANDREW MARR:

Okay. If we go into that house with the blinds that are closed, one of the things that’s going to happen with the new universal credit is that the money goes once a month to one named householder, and a lot of the charities involved are worried about this because they say the money which is intended for the children, for this and that, is all bundled together and it may be passed, for instance, to you know a feckless father or a feckless male in the house who then just goes and blows it and that’s going to make things very, very hard for a lot of women who have been used to getting money …
IAIN DUNCAN SMITH
Quite right.

ANDREW MARR:
… to them every fortnight.

IAIN DUNCAN SMITH
Quite right. Well we’re dealing with this. It’s not a default to the father figure or whatever in the household. All we’re saying to households is, just like they would in work ………… - look, you choose who receives the money. Only about 2 per cent of all married couples do not have joint accounts and 7 per cent of cohabiting couples don’t have joint accounts, so the vast, vast majority decide to place one account which they put most (if not all) of their money. But you can choose. If you want it to go to the woman, then it goes to the woman. In the cases where - and we’ve talked to charities about this - where there is a dispute, the minority of houses where they simply can’t agree, well we’re looking at ways of saying okay well maybe the money should follow the child; maybe where there’s no children, it could follow the rent payer - which often, nine times out of time, turns out to be the woman in housing …

ANDREW MARR:
(over) So you are going to look at that?

IAIN DUNCAN SMITH
So complete flexibility in this. We’re not looking to make it difficult. We’re just looking for a simpler method that allows families who mostly, the vast majority of families do this, settle their money in the right way for their household bills.

ANDREW MARR:
There was a dispute, an open dispute really between yourself and the Chancellor a little while back when he said …

IAIN DUNCAN SMITH
Surely not? (laughter)
ANDREW MARR:
I fear there was … where he said we’re going to need another £10 billion out of your budget and you said effectively over my dead body. But you now say that there will be further cuts in the welfare budget. You accept that because of the economy that’s essential. How big?

IAIN DUNCAN SMITH
Well, first of all, the Chancellor always said the 10 billion on the basis of illustrative figures because, after all, if we look at the red book, they are two years of completely different figures. So his comments were always illustrative.

ANDREW MARR:
You were nose to nose on this?

IAIN DUNCAN SMITH
Well you know we talked about it and discussed it. And my point is there has to be further savings. The economy needs further savings and we’re looking to see where those savings can be made. But the point I’ve always made, and the Chancellor and I are in absolute agreement with this - the universal credit, some of the reforms we’re making - we also need to invest, to save money. We need to make sure that what we’re changing is the lives out there, not just the money - so things like housing benefit, etcetera, whatever we’re going to do with the money that people receive, it’s very important that this changes lives. Every pound we spend - he agrees with me completely on this - is transformative, not just a cut. And that’s exactly what he agrees with, we’re discussing all the time, and there aren’t really any disputes at all. There are always going to be disputes that Treasury etcetera wants money, but my point is how you do it, he agrees with me on that.

ANDREW MARR:
Alright. We’ve talked a lot about people who have very little money at the bottom of the heap. What about all those wealthy pensioners who are getting lots of benefits of one kind or another from the state, whether it’s free bus passes, whether it’s winter fuel allowances and so on. You’ve said if you’re well off, if you don’t need your winter fuel allowance, please hand it back. But if you’ve got a benefit where you’re
asking people to hand … some people to hand it back, there may be something wrong with the way the benefit’s being distributed in the first place.

IAIN DUNCAN SMITH
Well there are lots of anomalies in the benefit system. You know we could go almost anywhere to some of the universal nature of some of these benefits. But the reality is this: the Prime Minister absolutely pledged quite categorically at the last election that he would not be interfering with those benefits, which reassured a lot of pensioners, and I think if the Prime Minister gives his word on something like that, I’m happy to accept - as is the Chancellor by the way …

ANDREW MARR:
Yuh.

IAIN DUNCAN SMITH
… who is doing a great job on resolving the deficit that we were handed over by Labour.

ANDREW MARR:
Looking ahead, however, do you think that the age of universal benefits of this kind, given the relative wealth of many pensioner households compared to people in their twenties, do you think that’s fair long-term?

IAIN DUNCAN SMITH
Well, first of all, we have a very good story to tell about pensioners. You know Steve Webb, who’s a good friend and a colleague of mine in the department, we have worked hard to get auto-enrolment, get people saving. The triple lock has made pensioners better off massively by £15,000 over their lifetime and now we’re going to the single tier. The point I’d made to you before you ask your next question is as we get these pension reforms in place, like the single tier, we will be making the next generation of pensioners, put them on a more stable footing, a better income and a fairer income …

ANDREW MARR:
In a sense my question is …

IAIN DUNCAN SMITH
… and that’s exactly the point.

ANDREW MARR:
… is going in the other direction. It’s saying that there are lots of pensioner households right now who are, compared to people struggling in the early stages of life and work, pretty well off. Is it sustainable, is it fair, is it right to carry on giving universal benefits to well off pensioners?

IAIN DUNCAN SMITH
Well how we give the benefits to pensioners obviously is always a matter for debate, but I will say this about pensions.

ANDREW MARR:
I’m just asking for your view of that, that’s all.

IAIN DUNCAN SMITH
My view is this, very simply. I mean pensioners don’t have the one option that people of working age have: they really can’t necessarily increase their income because they’re no longer able to work. What we’re saying is, and my change is, work is transformative, it gives you a greater chance of a greater income. You can affect your life while you’re of working age, so you have scope and opportunity. Pensioners do not. So we do need to have …

ANDREW MARR:
Sensitivity.

IAIN DUNCAN SMITH
… a little bit more protection and sensibility around pensioners.

ANDREW MARR:
Okay.
IAIN DUNCAN SMITH
They are remarkable. They gave so much. Now we need to make sure that we do our best for them.

ANDREW MARR:
Let’s turn to Europe, if we may. If the Prime Minister comes back after next week’s negotiations with a freeze, a real terms freeze on British contributions to the EU budget and on the budget, is that something that you would feel comfortable selling to Tory backbenchers?

IAIN DUNCAN SMITH
Yes I will because you know whatever else, whatever else their ambitions are about Europe and the future of the European Union, what kind of relationship we have with them, we are here right now trying to restrict the amount of money that goes to the European budget. You know …

ANDREW MARR:
So in your view he doesn’t have to come back with a real terms cut?

IAIN DUNCAN SMITH
No, I think he would love to come back with a real terms cut. I would love him to be able to do it. But I just honestly feel sometimes we don’t give enough credit to him. You know the first man to veto a European Treaty. He has told us he will veto something that he cannot bring back to the British Parliament. I mean these are strong words compared to the last government and even governments before you know where we saw budgets rise under the last government, where we saw them lose half of our rebate. The Prime Minister has been quite tough and quite strong on this. So I simply say to my colleagues - no-one can go against me in terms of the amount of scepticism that I have …

ANDREW MARR:
(over) Euro-scepticism. Your long-term yes …
IAIN DUNCAN SMITH
… on my rebellions in the past - I simply say sometimes the things you rebel on are often not just about having a go at the Prime Minister, but actually about Europe. This one is really about saying the Prime Minister is on our side, he wants to get the best deal. And if he can get that freeze, I think that would be a pretty significant start, so I would be satisfied.

ANDREW MARR:
Your party and your friends in your party are yearning for a proper referendum on Britain in Europe, which means an in or out referendum. Are they going to get one, do you think?

IAIN DUNCAN SMITH
Well the Prime Minister’s already said he’s not against a referendum and it’s just a matter of when and on what, and we’re looking at that at the moment. I mean he’s due to make a very big speech in the near future about where he thinks a future Conservative Government and where the Conservative Party should be on Europe. There’s no question that the public opinion within the party has shifted dramatically on the European issue. To be fair, the European Union and the single currency has created that debate. William Hague’s spoken about it. The terms of the debate are not the same now. You know if they go deeper into this federalism clearly we have to have a kind of different relationship with them and the Prime Minister’s been talking about that. But the key point is …

ANDREW MARR:
(over) Where do you think … In your bones, where do you think we’re going to end up?

IAIN DUNCAN SMITH
You know I’ve given up making any prophecies in politics, Andrew. You know they just to disaster and everyone … (Marr laughs) The only thing I know is where you stand now. And I think the sense and instinct of the Prime Minister, this government and of the party is much more in tune with the British public who do not want to go down some deeper federal route with more powers. They want powers back. So what
we have to figure out is how do we achieve that; and then we need to know what kind of question we ask, whether we ask it before or after. These are the kind of debates that we will have and discuss. We’ve got time and we need to get this one right.

**ANDREW MARR:**
But there are two kinds of choice the British public could get: Conservative government goes or the coalition government goes to Brussels, there is a negotiation of some kind and it is brought back and people are asked whether they like it or not, which is a sort of in referendum; or a referendum which says listen, this is where we are, this is what Europe looks like today. Do we still want to be inside it?

**IAIN DUNCAN SMITH**
Yeah, I mean these are the absolute referendums.

**ANDREW MARR:**
Yes.

**IAIN DUNCAN SMITH**
You could ask questions like that. You could also ask questions, for example, as you know do you give the Prime Minister a full mandate to negotiate on a whole range of issues and the public can have their views on it?

**ANDREW MARR:**
If you had a choice now …

**IAIN DUNCAN SMITH**
*(over)* That’s the point. There is no simplistic issue.

**ANDREW MARR:**
… if you had a choice now, would you want to stay in?

**IAIN DUNCAN SMITH**
I think that … Well it depends what you mean by staying in, of course. I do believe fundamentally in trading and cooperation with our European Union partners, absolutely, and that’s the basis of it.
ANDREW MARR:
(over) But that doesn’t necessarily mean being part of the European Union, does it?

IAIN DUNCAN SMITH
Well you tell me how that defines in the future. I don’t know because it depends an awful lot on what happens with the single currency. William’s already made that clear. In some senses some of these decisions are not going to be made by us. They’re being made by a central core in Europe who have to figure out how they sort the mess of the single currency out and get some of those Mediterranean countries back onto an even keel.

ANDREW MARR:
But if they come back with a more integrated union than we’ve got at the moment - a banking union, a union on tax and fiscal matters as well - in your view we could not be part of that, could we?

IAIN DUNCAN SMITH
Well we’re not part of it and the Prime Minister’s always made it clear, as has George Osborne and William, that we’re not going to be part of that kind of process. We vetoed the treaty last time when they were proposing that kind of stuff. So, first of all, people should take some reassurance from our Prime Minister, who’s absolutely I think standing pretty much foursquare in the middle of public opinion here, which is that we don’t want to see any more power ceded over there, but we actually want powers back. So our relationship in the future, well that’s something for the future and we’re trying to define that at the moment.

ANDREW MARR:
Sure, sure. Like so many Western countries, like most … all Western countries, I think, you know we are heavily burdened with debt. We have a productivity problem. The question of how we’re going to make our way in the world is a really serious one. In your view, could we do that outside the European Union? Could we … If we took control of our own destiny, control of our own economy back, are we big enough to survive?
IAIN DUNCAN SMITH

Do you know I’m an optimist about the UK. I’ve always been involved with our trade, with our European partners, which we will always be doing whatever this relationship is and the Prime Minister will talk about that in the future. You know we’re a member of the European Union and that gives us benefits, but we have to figure out where that’s going. But in the world, we are a global trader already. We’re more of a global trader than any other country in Europe. So instead of … I hate this argument that says you know Little Britain or something outside or you know Britain in part of wider Europe. We can both be within our trading relationships and all the rest of it within Europe, but we can also be a fantastic global trader. We do more trade, we invest more in the United States than any other country in the world.

ANDREW MARR:

Yes.

IAIN DUNCAN SMITH

We trade more with many of these countries. We’ve been a global trader …

ANDREW MARR:

(over) We’ve got a global financial centre.

IAIN DUNCAN SMITH

… all our lives. Your programmes show what a fantastic history Britain has as a remarkable country for good and trade around the world. I think that’s who we are today as much as we were a hundred years ago.

ANDREW MARR:

And to clear away any cobweb of obfuscation, that means that in your view we could do perfectly well outside an EU?

IAIN DUNCAN SMITH

My view isn’t that we could do necessarily outside the EU better than we are inside. It’s that we can do it all, and I don’t see why we shouldn’t have it all.
ANDREW MARR:

Iain Duncan Smith, thank you very much indeed.

INTERVIEW ENDS