

The Shifting Balance of Private and Public Welfare Activity in the United Kingdom, 1979 to 2007

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Daniel Edmiston was on the research staff at the Centre for Analysis of Social Exclusion (CASE) at the London School of Economics. He is now a research student in the Department of Sociology and Social Policy at the University of Leeds. This paper has arisen from a research project sponsored by John Hills's Economic and Social Research Council Professorial Fellowship grant (RES-051-27-2034). The author would like to thank John Hills for his constructive feedback and helpful guidance throughout the research process. In addition, the author is grateful to Tania Burchardt for developing the original methodology employed in this study.

Abstract

The balance between private and public sectors in welfare activity in the UK has been documented by Burchardt (1997) and Smithies (2005) for three time periods; 1979/1980, 1995/1996 and 1999/2000. The existing evidence suggested that a welfare mix has previously been in existence but that the balance had been shifting. This paper explores this phenomenon by updating the existing evidence with a snapshot of the welfare mix in 2007/2008 across five different welfare sectors: Education, Health, Housing, Income Maintenance and Social Security and Personal Social Services. The paper systematically explores who finances, controls and delivers services in each of these five welfare sectors. Over the 29 year period, there has been a gradual increase in the proportion of welfare activity that is privately financed, controlled and delivered, and a gradual decrease in the proportion of welfare activity that is publicly financed, controlled and delivered. The most significant change is the proportion of services that are contracted-out, and the majority of this change generally occurred prior to 1995/96; since then changes have been much more slight and nuanced. Interestingly, the most significant growth in total welfare activity as a proportion of GDP occurred between 1979 and 1996, and *Pure Private* activity only accounted for part of this.

Keywords: Private provision, public provision, welfare system, public expenditure, health, education, social security, housing, personal care.

JEL classification: H55

1 Introduction

Since gaining political power, the Coalition Government has expressed a commitment to diversifying the supply of public services. In the Localism Bill 2010, this commitment was formalised to encourage ‘business, faith groups, charities, and social enterprises [to] come in’ (Cameron, 2010) and improve the ‘quality, responsiveness and efficiency of public services’ (HM Government 2010: 9). Diversifying the welfare mix is not a new item on the political agenda. Welfare pluralism was a cornerstone of New Labour’s welfare reform programme. Preceding that, the years of Thatcher and Major witnessed a significant integration of private actors and capital into the provision, finance and control of welfare services.

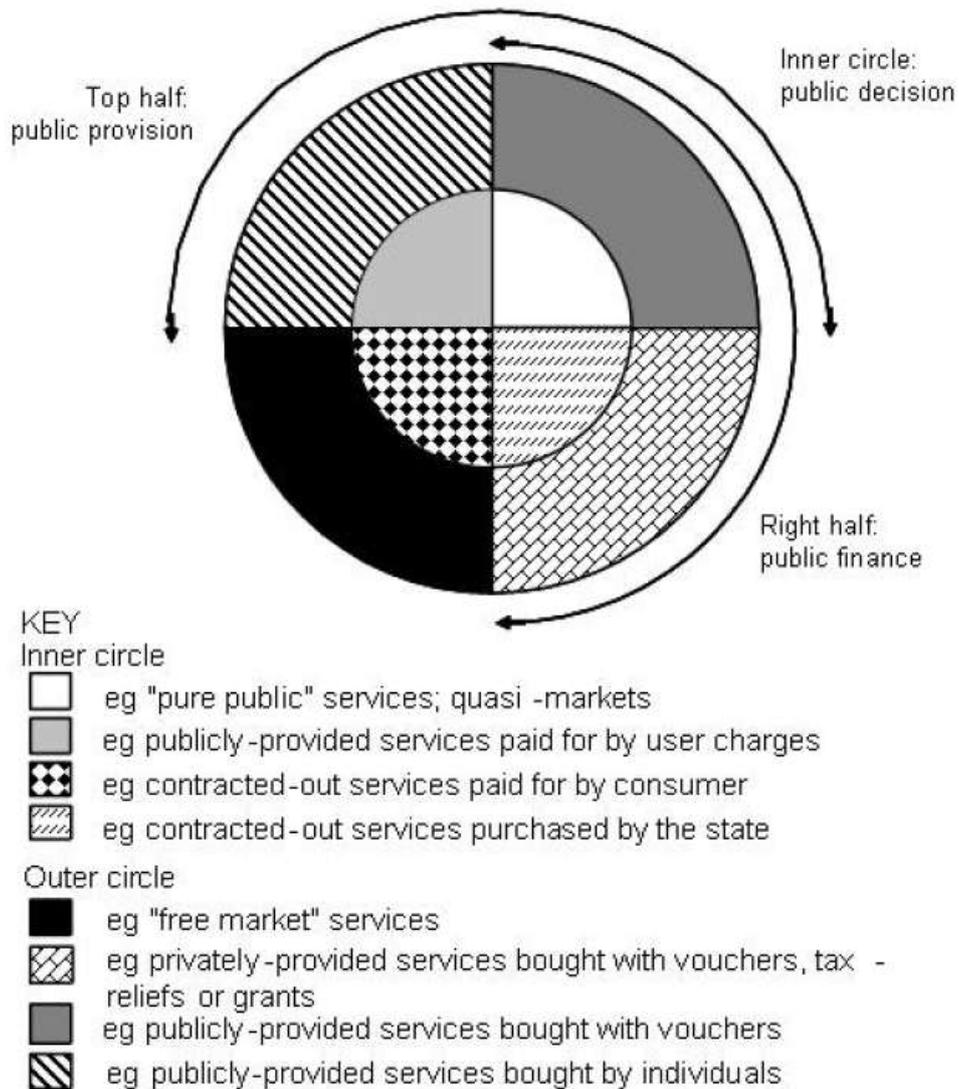
The balance between private and public sectors in welfare activity in the UK has been documented by both Burchardt (1997) and Smithies (2005), examining three time periods; 1979/1980, 1995/1996 and 1999/2000. The existing evidence suggests that a welfare mix has previously been in existence but that the balance is indeed shifting. The purpose of this paper is to explore this phenomenon by updating the existing evidence with a snapshot of the welfare mix in 2007/2008 across five different sectors.

The paper begins by detailing the methodological approach used to classify private and public welfare activity. Section three details the changing welfare mix across different welfare sectors; Education, Health, Housing, Income Maintenance and Social Security, and Personal social services. Following this, the overall shifting balance between private and public sectors in welfare activity is considered. Further analyses of these results and some of their implications are available in Hills (2011).

2 Methodology

Typically, political rhetoric draws a clear distinction between private and public actors in the operation of the welfare state. This dichotomy has been used to different political ends to either advocate or criticise the respective impacts of private and public welfare activity. In reality a multi-faceted dynamic exists in which private and public actors combine and interact with each other. Burchardt’s (1997) original conception and assessment of this dynamic, examines who delivers, finances and controls welfare services, and how these aspects of welfare activity coalesce to offer eight possible combinations of private and public welfare activity.

Figure 1: Organization of welfare activity (Smithies, 2005)



Burchardt's (1997) typology of public and private welfare dissects a two-tiered circle to provide eight categories. The inner circle represents decisions that are publicly controlled. The top half of the inner and outer circle shows those aspects of welfare activity that are publicly delivered. And the right side of the inner and outer circle are aspects of welfare activity that are publicly financed. The bottom left quadrant of the outer circle (black) represents activity that is 'purely private' i.e. privately controlled, delivered and financed; and the top right quadrant of the inner circle (white) represents activity that is 'purely public' i.e. publicly controlled, delivered and financed. Further explanation of this classification system is outlined in Table 1.

Table 1: Organisation of welfare activity

Shared characteristics	Distinct characteristics	Example	Label
Public provision and decision	Public finance	Unemployment benefit	Pure public
	Private finance	Tenant-paid rent for local authority housing	Public: user charges
Public provision, private decision	Public finance	State Second Pension (previously SERPS)	Public provision: with competition
	Private finance	NHS Private Patient Revenue	Public provision: with competition: user charges
Private provision, public decision	Public finance	Local authority contracted-out residential care services	Public decision: contracted out
	Private finance	Tenant-paid rent on Housing Association housing	Public decision: contracted out: user charges
Private provision and decision	Public finance	Public spending on fees for Higher and Further Education Institutions	Private: public funding
	Private finance	Private Medical Insurance	Pure private

Source: Smithies (2005)

This classification system is undertaken for five key traditional welfare sectors; Education, Health, Housing, Income Maintenance and Social Security, and Personal Services. The extent of welfare activity within each category is represented as a proportion of the overall spending within a given welfare sector. For example, in 2007/2008 £9.8 billion was spent on privately provided but publicly financed and controlled housing services and £135.8 billion was spent on Housing as a whole. This category then accounts for 7.2 percent of total welfare activity within Housing. The results discussed in Section three are primarily based on proportionate welfare spend across the eight categories in each welfare sector. Discussion on the extent of expenditure and overall shifting balance between private and public actors in welfare activity is available in Section four.

It is important to note that expenditure does not necessarily always capture the extent of activity within a given domain. For example, the extent of purely private welfare activity within Personal Social Services does not capture the extent of unpaid care and

support provided through informal kinship and support networks. Whilst this would be an informative exercise to holistically consider the non-fiscal extent of private welfare activity, this is outside the remit of this paper.

Unless otherwise stated, all figures are based on expenditure in the UK for 2007/2008. Where these figures are not available, expenditure for the closest available year has been used and price adjusted. If figures were only available for England, these have been grossed up to the UK based on ONS population statistics released in 2007¹. There are a few exceptions to this method; where private and public activity differs in the administration of a given welfare service across the different territories. For example, the balance of private and public welfare activity in further and higher education differs significantly in Scotland when compared to England. In these instances, spending data has been aggregated from each the territories.

Where possible, previous figures based on estimates in Burchardt (1997) and Smithies (2005) have been updated to record finalised costs for a given year. It has not always been possible to directly divide private and public spending data across categories. In these cases, spending across and between categories is based on unit cost and volume of services rather than exact expenditure data.

The extent of activity in areas of Health, Education and Personal Social Services is measured by expenditure data for a given year. For the areas of Income Maintenance and Social Security and Housing however, other aspects of overall spending are captured. Income Maintenance and Social Security includes public expenditure on working-age social security benefits and the basic state pension, but also *contributions* made towards other pensions by employees and employers. Housing is based on the flow of services in the current year. This includes items such as Housing Benefit and private rents, but also other flows based on rental values of property occupied by owners or tenants benefiting from subsidies. This means that it is possible to compare the value of items such as subsidies to social tenants, the housing services enjoyed by owners, the continuing benefit being enjoyed by those who bought with a right to buy discount, or housing benefit for private and social tenants.²

Official sources of central government and local authority expenditure data do not necessarily correspond with our own analysis of social spending data within the five welfare sectors. This is due to differences in the classification of some areas of public spending, and methodological differences in calculating private and public current and projected expenditures.

¹ Multiplied by 1.1935.

² In previous years, Sefton's (1997, 2002) method of calculating the economic subsidy to social tenants was used, however in 2007/08, Hills's (2007) estimate of the economic subsidy to social tenants is used.

3 Private and Public Activity across Welfare Sectors

This section will explore the key components of welfare activity that are prevailing in each welfare area and some of the changes that have arisen in the overall shifting balance of welfare activity between private and public actors.

3.1 Education

Welfare activity in the area of Education falls into four categories:

- *Pure Public*: The vast majority of this spending is directed from local authorities to primary and secondary school education.
- *Public decision: Contracted out*: Most of this category is made up of local authority and central government grants to further and higher education institutions respectively.
- *Private: Public funding*: This is primarily local authority and central government expenditure on tuition fees.
- *Pure Private*: This category is solely composed of consumer expenditure on university tuition fees, private school fees, private tuition and some leisure courses.

Table 2: Welfare Activity in Education

Education spending: annual proportions (%) by type							
Year	Public provision, finance and decision	Private provision, public finance and decision	Private provision, public finance, private decision	Private provision, finance and decision	Total	Total expenditure (£billion, 2007/08 prices)	% of GDP
1979/80	65.5	23.4	2.9	8.2	100	31.9	4.6
1995/96	57.0	24.8	3.7	14.5	100	48.9	5.0
1999/00	53.3	24.5	2.6	19.5	100	50.6	4.5
2007/08	59.6	18.6	6.2	15.5	100	77.6	5.4

Between 1979 and 2000, there was a clear downward trend in the role of public actors in the provision, finance and control of education services. Over the course of those 21 years, *Pure Public* activity fell from being the biggest component of education activity to then only constituting just over half of all activity. Whilst, *Public decision: contracted out* remained stable, the biggest growth was observed in *Pure Private* activity, owing largely to the change in Higher Education funding arrangements that transferred the cost of tuition away from local and central government.

However, between 1999 and 2008, the balance shifted again between the role of public and private actors in the provision, finance and control of education services. *Pure Public* activity increased from 53 percent in 1999/00 to 60 percent in 2007/08: this is higher than the 1995/96 levels of *Pure Public* activity which reached 57 percent.

Increased investment in pupil support and special schools, Ofsted operations, and the introduction of pre-primary education all contributed towards increased public expenditure in education. This is in spite of the number of primary and secondary pupils actually decreasing in the UK. It is worthwhile noting that irrespective of the shifting proportions of welfare activity extant in Education during this period, spending within the *Pure Public* component of education services nearly doubled from £27 billion in 1999/00 to £46 billion in 2007/08.

Aside from an increase in the role of the *Pure Public* welfare activity component, there has also been a significant increase in the services that are privately financed and controlled but publicly funded. Growth in this category of welfare activity (*Private: public funding*) includes the new costs of the education maintenance allowance (EMA) and the role of private, voluntary and independent providers in the introduction of pre-primary education.

Figure 2: Public Share of Welfare Activity in Education

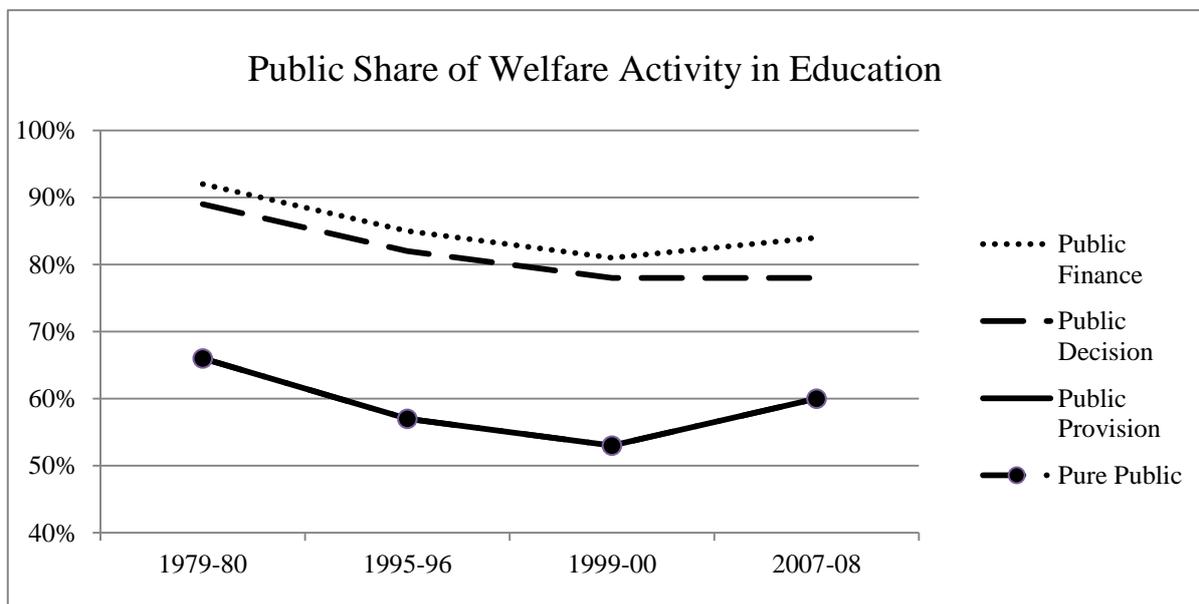


Figure 2 shows that overall public finance increased from 81 to 84 percent between 1999 and 2008, public decision remained stable and the share of education that was publicly provided increased from 53 to 60 percent. Through the period, in this sector *Pure Public* welfare activity was the same as public provision, so it also increased from 53 to 60 percent from 1999 to 2007 (and the two lines in the figure are identical).

Further details on the results for Education are provided in Appendix Table A.

3.2 Health

Of the eight categories, welfare activity in Health covers seven:

- *Pure Public*: Almost this entire category continues to consist of NHS hospital and community services.
- *Public: user charges*: This is a particularly small category that solely comprises payments by patients for hospital services.
- *Public provision: with competition: user charges*: Again, this is a small category in the overall scheme of welfare activity in the Health sector. Activity is restricted to private patient revenue.
- *Public decision: contracted out*: The majority of this category consists of costs associated with general dental services, prescriptions, general medical services and contracted-out care.
- *Private: public funding*: Another small category that captures the cost of the glasses voucher scheme initiative.
- *Public decision: contracted out: user charges*: Charges for general dental services & prescriptions.
- *Pure Private*: Primarily consists of consumer expenditure on over-the-counter medicines, spectacles and contact lenses, and private medical, dental, optical and nursing fees.

Table 3: Welfare Activity in Health

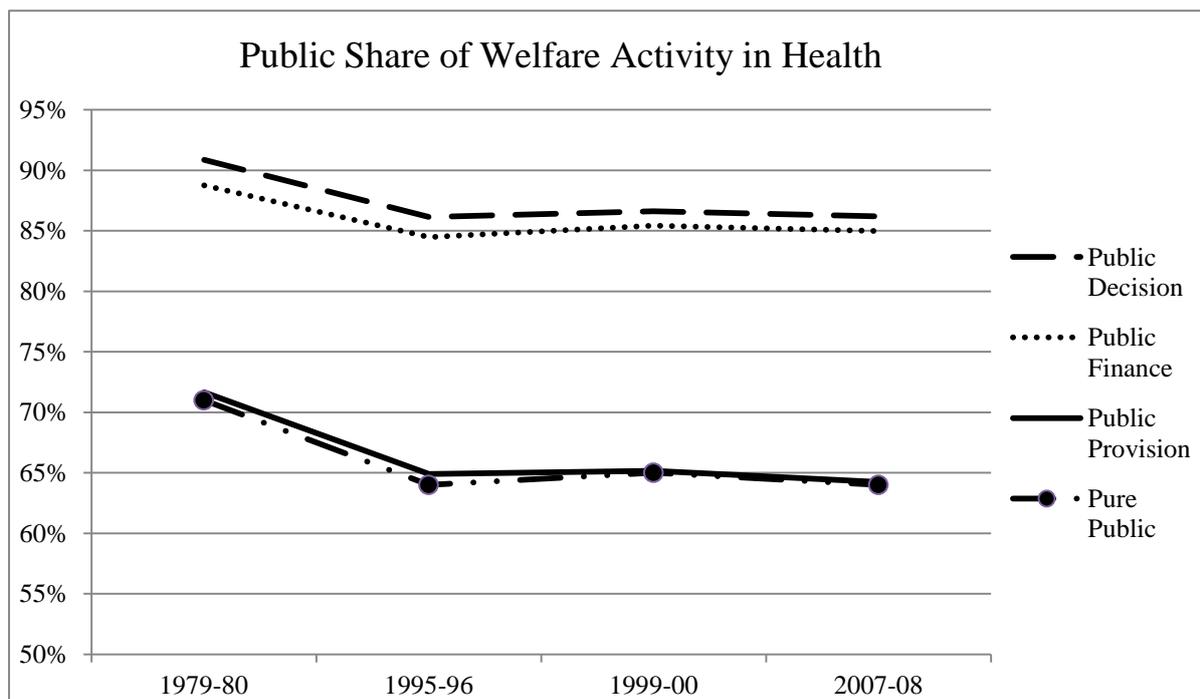
Health spending: annual proportions (%) by type										
Year	Public provision, finance and decision	Public provision, private finance, public decision	Public provision, private finance and decision	Private provision, public finance and decision	Private provision, public finance, private decision	Private provision and finance, public decision	Private provision, finance and decision	Total	Total expenditure (£billion, 2007/08 prices)	% of GDP
1979/80	70.5	0.8	0.4	18.3	0.0	1.3	8.8	100	34.8	5.0
1995/96	64.0	0.5	0.5	20.0	0.5	1.7	12.8	100	66.2	6.8
1999/00	64.5	0.1	0.5	20.7	0.3	1.3	12.6	100	80.3	7.2
2007/08	63.5	0.4	0.3	21.4	0.2	0.9	13.3	100	118.8	8.3

The most notable changes observed above are the increasing role of the *Pure Private* and *Public decision: contracted out* categories of welfare activity. The rise in *Pure Private* activity is primarily due to the increase in consumer spending on over-the-counter medicines and private medical, dental, optical and nursing fees. The rise in *Public decision: contracted out* is due to an increase in the number and scale of private finance initiatives, and the level of hospital care that is contracted out. Having said that, the proportionate change in these two categories still appears slight and

gradual. Welfare activity categories such as *Public: user charges* and *Public decision: contracted out: user charges*, have remained relatively stable between 1979/80 and 2007/08.

At first glance, there appears to have been a gradual decrease in *Pure Public* welfare activity within Health; from 71 percent in 1979/80, to 64 percent in 2007/08. Indeed, taking the aggregate levels of activity for finance, control and provision, there has been an overall reduction in the public share of welfare activity in Health between 1979 and 2008. However, the majority of this reduction occurred during the years of Thatcher and Major between 1979/80 and 1995/96, and the most drastic changes in the shifting balance of welfare in Health were witnessed previously. Since then the public share of welfare activity in Health has decreased by only 1 percent in both welfare provision and welfare control and has remained stable in terms of public finance.

Figure 3: Public Share of Welfare Activity in Health



Further details on the results for Health are provided in Appendix Table B.

3.3 Housing

Welfare activity across the Housing sector is split across six different categories:

- *Pure Public*: The majority of this expenditure consists of Housing Benefit for local authority tenants and the economic subsidy that these tenants receive in the form of below market charges for accommodation.
- *Public: user charges*: Solely based on local authority tenants rents.
- *Public decision: contracted out*: this category is primarily made up of Housing Benefit for housing association tenants, and also includes the economic subsidy that these tenants receive in the form of below market charges for accommodation.
- *Private: public funding*: Housing Benefit for private rents and right-to-buy discounts.
- *Public decision: contracted out: user charges*: Entirely based on housing association tenants rents.
- *Pure Private*: Activity within this category is made up of owner-occupiers' imputed rents and consumer spending on repairs and maintenance.

As previously discussed, Housing includes some items of current expenditure within a given year, but is generally based on estimates of the current or imputed rental value of properties. For the purposes of this paper, *rental value* means the market value of privately renting a property. For rented housing activity covered in the *Pure Private* category, this is simply measuring current consumer expenditure on private rents. For social housing such as local authority and housing association accommodation, the value of renting the property without subsidy has to be estimated. Based on these estimates, the difference between the actual charge incurred by local authority and housing association tenants and the estimated economic cost of providing this accommodation can be calculated. This is known as an in-kind benefit or economic subsidy; a cost that social housing providers effectively incur to provide accommodation for tenants at a lower level than the rents which would give an unsubsidised return on the capital tied up in a dwelling. The 'current rental value of property' also gives an estimate of how much benefit owner occupiers are currently deriving from their housing; including the costs incurred for repair and maintenance³.

Sefton's (2002)⁴ method of calculating current rental value was used for 1999/00 as it provides a more consistent comparison of the levels of spending (actual and imputed)

³ Figures for owner-occupiers imputed rents and spending on repairs and maintenance are derived from the ONS National Accounts and the Expenditure and Food Survey for 2007 calendar year.

⁴ Sefton (2002) calculates the difference between the 'market rents' LA and HA tenants would pay and the subsidised rents charged by local authorities and housing associations. However, 'market rents' for 1995/96 and 1999/00 were calculated based on the location and characteristics of a sample of 1,800 properties in the private rental sector, rather than valuations based on those in the owner-occupied sector as in 1979/80.

between tenures. For 2007/08, Hills's (2007) estimated cost of the economic subsidy to social tenants is used⁵. There are some differences in the methods used for the different years, but we have aimed for consistency where possible.

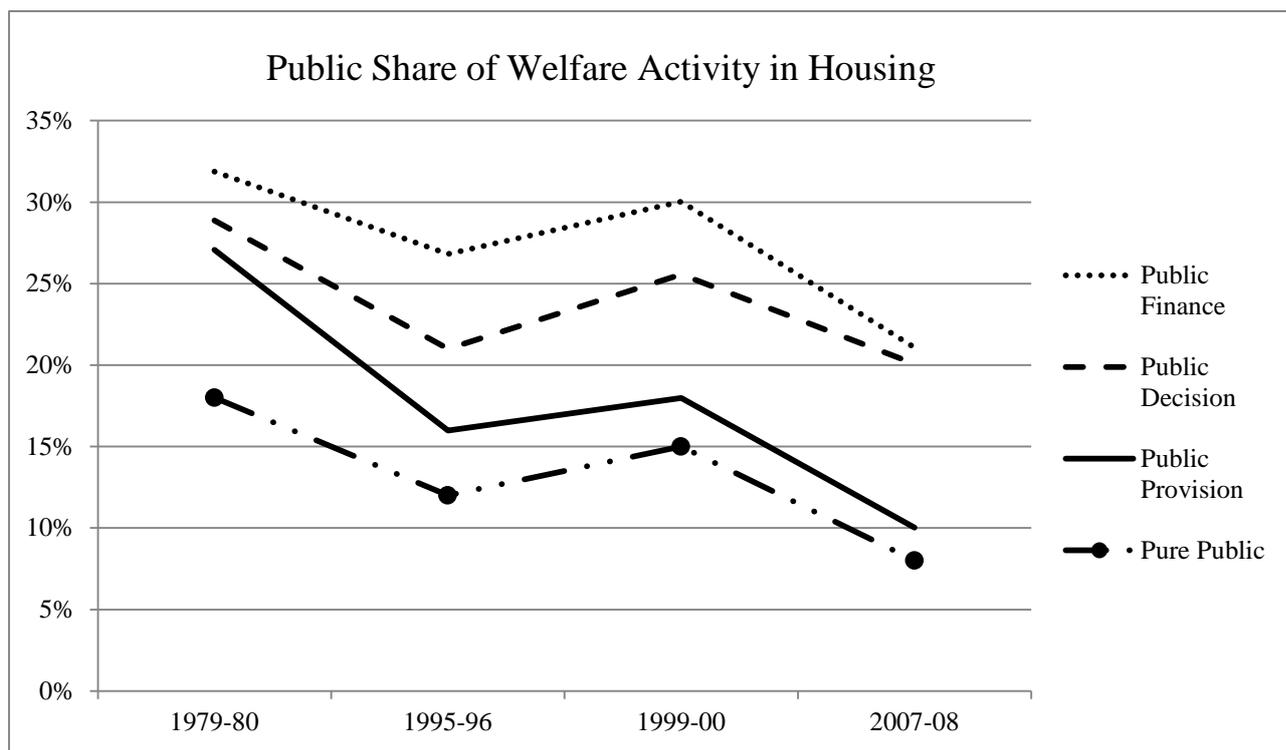
Table 4: Welfare Activity in Housing

Housing spending: annual proportions (%) by type									
Year	Public provision, finance and decision	Public provision, private finance, public decision	Private provision, public finance and decision	Private provision, public finance, private decision	Private provision and finance, public decision	Private provision, finance and decision	Total	Total expenditure (£billion, 2007/08 prices)	% of GDP
1979/80	18.0	9.1	0.9	13	0.9	58.1	100	50.4	7.2
1995/96	11.5	4.5	3.1	12.3	2.0	66.7	100	88.8	9.1
1999/00	14.5	3.5	6.2	9.3	1.3	65.1	100	112.5	10.0
2007/08	7.6	2.5	7.1	6.4	2.9	73.5	100	136.9	9.6

The growth between 1999/00 and 2007/08 in *Pure Private* welfare activity comes from the growing rate of owner-occupation and the increasing market value of these properties. *Pure Private* welfare activity increased from 65 percent in 1999/00 to 74 percent in 2007/08, accounting for almost three quarters of all welfare activity within Housing. In contrast, *Pure Public* welfare activity almost halved in the same period, moving from 15 percent in 1999/00 to 8 percent in 2007/08. Whilst the value of the economic subsidy enjoyed by all social housing tenants increased in real terms, the proportion of this subsidy dedicated towards local authority tenants has decreased. As Housing associations have become an increasingly prominent provider of social housing, this economic subsidy has been transferred from *Pure Public* welfare activity to *Public decision: contracted out*. *Pure Private* welfare activity within Housing has dominated this sector for a significant period of time; representing 58 percent of the Housing sector in 1979 and 74 percent in 2008. The role of private actors in Housing has always been significant and it could therefore be seen as a non-traditional area of welfare activity.

⁵ The estimated cost of the economic subsidy is based on the hypothetical rents one would need to charge to receive the same rate of return on the estimated capital values of social properties as private rents represent for the capital values of privately rented properties within a given region. This estimate is amalgamated for all regions of England to provide a guide to the cost of the economic subsidy to all social tenants. Given that many social tenants are housed in privately provided accommodation, the cost of the economic subsidy is split according to the population proportions of local authority and housing authority tenants. The figures for England in 2004/05 from Hills (2007, table 6.4) are adjusted by the GDP deflator to 2007/08 prices and grossed up to give a UK estimate.

Figure 4: Public Share of Welfare Activity in Housing



At an aggregate level, the extent of welfare activity that is publicly delivered, financed and controlled has changed quite significantly over time. Public finance represented 32 percent of overall spending in 1979/80, 27 percent in 1995/96, 30 percent in 1999/00 and 21 percent in 2007/08. Welfare activity that is publicly controlled has somewhat fluctuated, decreasing from 29 percent in 1979/80 to 21 percent in 1995/96, increasing to 26 percent in 1999/00 and then to 20 percent in 2007/08. Public provision was 27 percent of overall spending in Housing in 1979/80, 16 percent in 1995/96, 18 percent in 1999/00, and 10 percent in 2007/08.

Further details on the results for Housing are provided in Appendix Table C.

3.4 Income Maintenance and Social Security

Welfare activity within Income Maintenance and Social Security falls into six categories:

- *Pure Public*: This category includes Central Government expenditure on social security instruments, including tax credits, and on the basic state pension.
- *Public provision: with competition*: Solely consists of the State Second Pension.
- *Public decision: contracted out*: A new but relatively small category that reflects spending levels on the Child Trust Fund that was introduced in 2005.
- *Private: public funding*: Primarily consists of HMRC tax reliefs for the State Second Pension.

- *Public decision: contracted out: user charges:* Spending in this category measures the level of payments via Child Support Agency to persons primarily responsible for the care of children.
- *Pure private:* The vast majority of spending in this category is towards occupational and private pensions.

Table 5: Welfare Activity in Income Maintenance and Social Security

Social Security spending: annual proportions (%) by type									
Year	Public provision, finance and decision	Public provision and finance, private decision	Private provision, public finance and decision	Private provision, public finance, private decision	Private provision and finance, public decision	Private provision, finance and decision	Total	Total expenditure (£billion, 2007/08 prices)	% of GDP
1979/80	57.2	9.7	0.0	13.7	0.0	19.4	100	111.7	16.0
1995/96	65.2	3.4	0.0	15.7	0.0	15.6	100	161.1	16.5
1999/00	64.4	4.2	0.0	13.3	0.0	17.9	100	169.0	15.1
2007/08	61.2	4.7	0.1	11.9	0.4	21.7	100	239.3	16.7

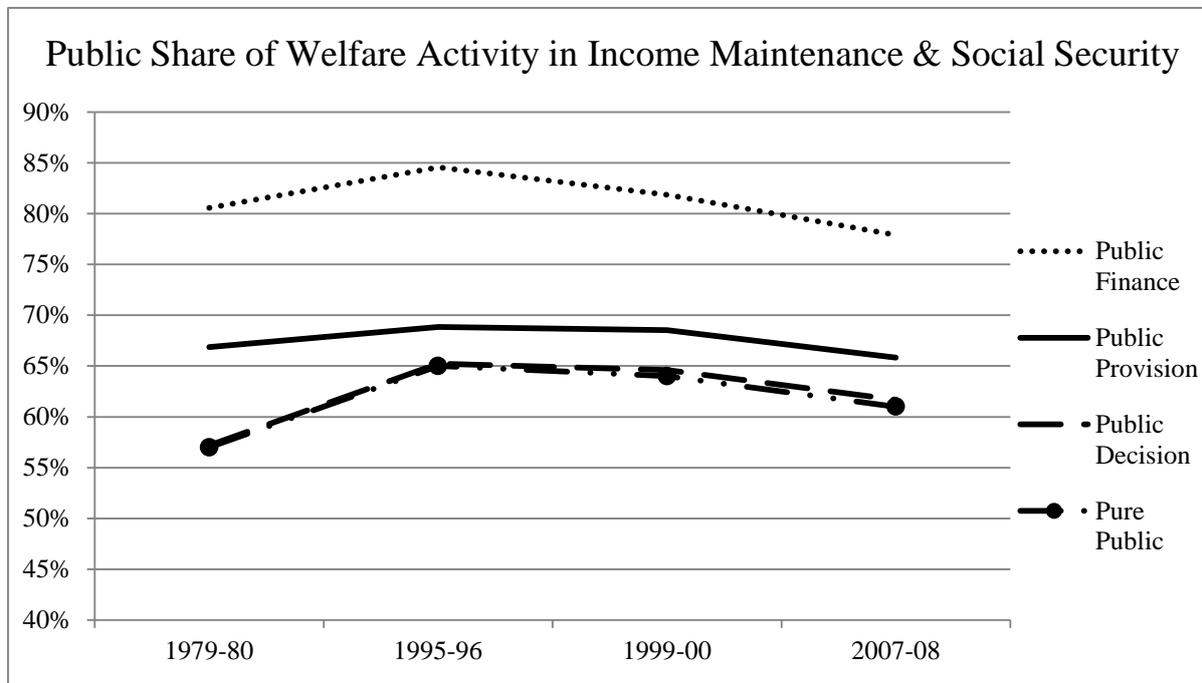
Since 1999/00, the proportion of welfare activity that is considered *Pure Public* has decreased from 64 percent in 1999/00 to 61 percent in 2007/08. Similarly to other welfare sectors, this is not because spending within this category has necessarily decreased in real terms. Indeed, the introduction of Tax Credits has played a large part in increasing spending in Social Security. However, spending in other categories has increased as a proportion of all welfare activity. Privately provided and controlled but public financed welfare (*Private: public funding*) has also decreased in the same period from 13 percent to 12 percent, and *Pure Private* increased from 18 percent to 22 percent.

If spending on Pensions was excluded from Income Maintenance and Social Security, 99.6 percent of all spending would be *Pure Public* in 1979/80, 98 percent in 1995/96, 98 percent in 1999/00 and 97 percent in 2007/08. In 1979/80, the marginal proportion of welfare activity that was not *Pure Public* was *Pure Private*; 0.4 percent representing the amount of private ‘welfare insurance’ purchased by individuals (Permanent Health Insurance, etc). In 2007/08, the slight decrease in *Purely Public* welfare activity is accounted for by the increased efficacy and operations of the Child Support Agency and the introduction of the Child Trust Fund. With this in mind, Pensions play a significant role in shifting the balance between private and public actors in this welfare sector.

Aggregating figures for the whole welfare sector, public provision has decreased from 69 percent in 1999/00 to 66 percent in 2007/08 (-3%), public finance has decreased

from 82 percent in 1999/00 to 78 percent in 2007/08 (-4%) and public control has decreased from 65 percent to 62 percent in the same time period (-3%).

Figure 5: Public Share of Welfare Activity in Income Maintenance and Social Security



Undertaking the same exercise just for Pensions over the same period, public provision decreased from 52 percent to 44 percent (-8%), public finance decreased from 73 percent to 64 percent (-9%), public control decreased from 45 percent to 36 percent (-9%). The total proportion of social security spending directed towards Pensions has decreased from 71 percent in 1979/80, to 58 percent in 2007/08. So whilst Pensions are decreasing as a total proportion of all income maintenance and social security spending, they are still playing a significant role in diversifying finance, control and provision in this welfare sector.

Further details on the results for Income Maintenance and Social Security are provided in Appendix Table D (Income Maintenance and Social Security) and Appendix Table E (Pensions).

3.5 Personal Social Services

There are six categories which Personal Social Services falls into:

- *Pure Public*: This category primarily consists of local authority expenditure on non-residential care.
- *Public: user charges*: principally user fees for local authority provided residential and non-residential services.
- *Public decision: contracted out*: This is largely local authority expenditure on contracted-out services.
- *Private: public funding*: Entirely made up of direct payments to ‘private’ providers and grants to voluntary organisations.
- *Public decision: contracted out: user charges*: The majority of this category comprises user charges for contracted-out residential and non-residential care.
- *Pure Private*: This category consists of self-funders receiving community-based care or in care homes that are not eligible for council support, i.e. pure private payers.

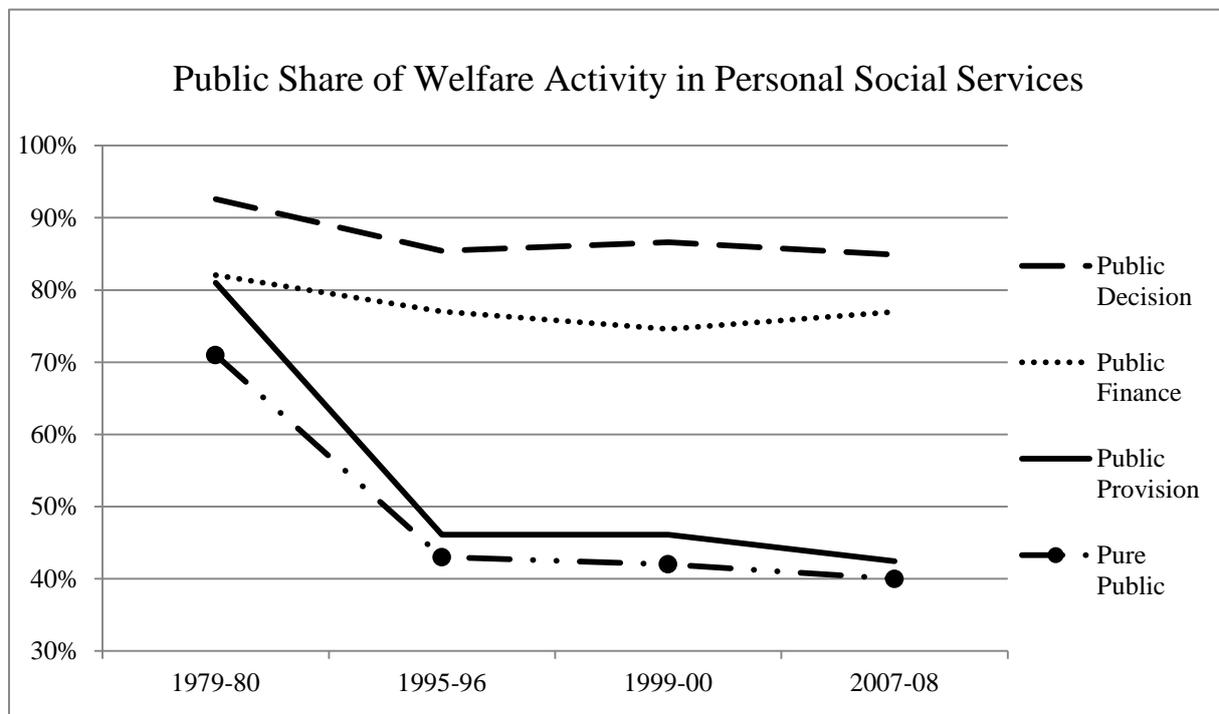
Table 6: Welfare Activity in Personal Social Services

Personal Social Services spending: annual proportions (%) by type									
Year	Public provision, finance and decision	Public provision, private finance, public decision	Private provision, public finance and decision	Private provision, public finance, private decision	Private provision and finance, public decision	Private provision, finance and decision	Total	Total expenditure (£billion, 2007/08 prices)	% of GDP
1979/80	71.0	10.1	11.1	0.0	0.5	7.4	100	6.5	0.9
1995/96	42.6	3.5	34.5	0.0	4.9	14.6	100	19.9	2.0
1999/00	42.0	4.1	32.3	0.3	8.2	13.1	100	23.4	2.1
2007/08	40.1	2.4	35.2	1.7	7.2	13.4	100	32.4	2.3

Between 1979 and 2008, there was a marked decline in the level of *Pure Public* welfare activity, moving from 71 percent in 1979/80, to 43 percent in 1995/96, 42 percent in 1999/00, and to 40 percent in 2007/08. The most sizeable shifts in the boundaries of public and private welfare were observed between 1979/80 and 1995/96. Personal social services that were publicly financed and controlled but privately delivered (*Public decision: contracted out*) more than tripled as a proportion of all welfare activity during this period; from 11 percent in 1979/80 to 35 percent in 1995/96. The majority of this shift occurred due to a rapid growth in local authority expenditure on contracted-out residential and non-residential services. Since 1995/96, the level of *Public decision: contracted out* activity has remained relatively stable: showing that the diversification of providers between 1979/80 and 1995/96 has had a lasting effect on the role of private and public actors in personal social services.

Pure Private welfare activity increased steadily in real terms between 1979/80 and 2007/08, but again the most notable shift as a proportion of all welfare activity occurred between 1979/80 and 1995/96. During this period, *Pure Private* activity more than doubled; from 7 percent in 1979/80 to 15 percent in 1995/96. This represents the significant increase in the number of self-funders receiving community-based care or in care homes, not eligible for council support. *Public: user charges* did not decrease in real terms between 1979/80 and 2007/08, but reduced by 80 percent as a proportion of welfare activity from 10 percent to 2 percent of all welfare activity in this sector. This is largely explained by the relative increase in other welfare categories; namely *Public decision: contracted out* and *Pure Private* activity.

Figure 6: Public Share of Welfare Activity in Personal Social Services



Aggregating spending data on the delivery, funding and control of personal social services over the four time periods, reveals again that the most fundamental changes in welfare activity occurred between the Thatcher and Major administrations. Public provision fell from 81 percent in 1979/80 to 46 percent in 1995/96, public finance fell from 82 percent to 77 percent, and public control fell from 93 percent to 85 percent. In 2007/08, public finance and control remained at the same level, whilst public provision had fallen only slightly to 42 percent.

Further details for Personal Social Services are provided in Appendix Table F.

4 Overall Private and Public Welfare Activity

So far, the shifting balance between private and public actors in five individual welfare sectors has been explored. By aggregating the figures for all five sectors, it is possible to assess the relative position of private and public actors in the delivery, finance and control of welfare services more generally. Whilst these five welfare sectors cannot comprehensively capture the extent and nature of welfare activity, they do represent the key areas of social spending prioritised since the inception of the welfare state in the UK. As previously stated, this research exercise aims to explore who delivers, finances and controls welfare services, and how these aspects of welfare activity coalesce to offer eight possible combinations of private and public welfare activity. Table 7 summarises how public and private welfare activity has changed in relative terms across the four time periods.

Table 7: Overall Welfare Activity

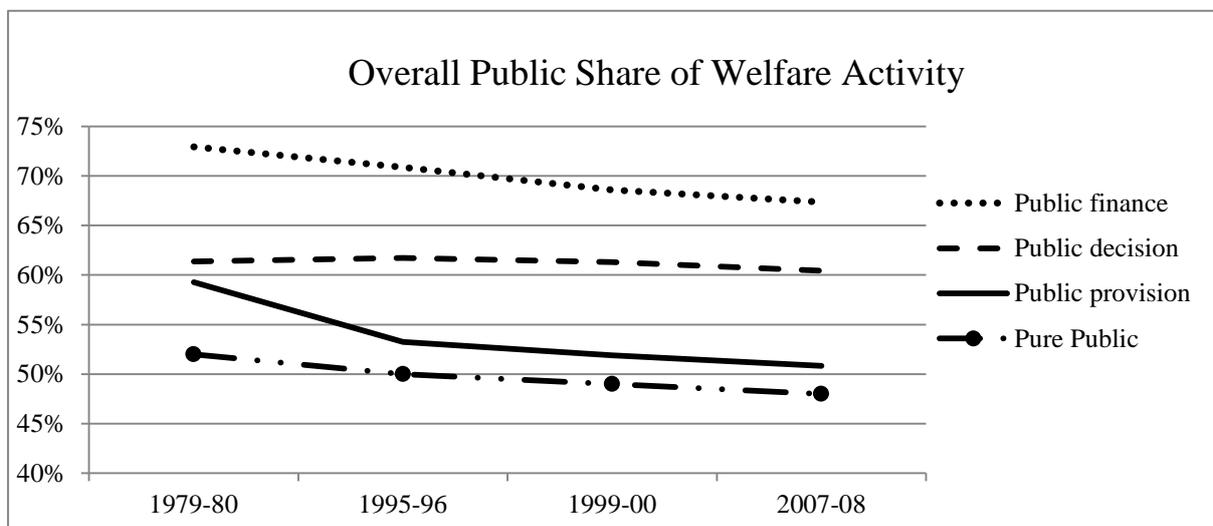
Overall welfare spending: annual proportions (%) by type										
Year	Public provision, finance and decision	Public provision and finance, private decision	Public provision, private finance, public decision	Public provision, private finance and decision	Private provision, public finance and decision	Private provision, public finance, private decision	Private provision and finance, public decision	Private provision, finance and decision	Total expenditure (£billion, 2007/08 prices)	% of GDP
1979/80	52.3	4.6	2.3	0.1	6.4	9.7	0.4	24.3	235.3	33.6
1995/96	50.3	1.5	1.3	0.1	9.1	10.0	1.0	26.7	385.2	39.5
1999/00	49.0	1.6	1.2	0.1	10.0	7.9	1.1	29.0	435.7	38.8
2007/08	48.2	1.9	0.8	0.1	10.1	7.1	1.4	30.5	605.0	42.3

Overall, it seems that private actors are playing an increasingly salient role in the provision, finance and control of welfare services. However, these changes are relatively slow and gradual. The largest shift in welfare activity is witnessed for *Pure Private* activity, moving from 24 percent in 1979/80 to 31 percent in 2007/08. In conjunction, *Pure Public* welfare activity decreases over the same period, from 52 percent in 1979/80 to 48 percent in 2007/08. Publicly financed and controlled services that are contracted out, (i.e. privately delivered) has also come to represent a larger proportion of overall welfare activity; moving from 6 percent in 1979/80 to 10 percent in 2007/08.

Taking the aggregate levels of activity for finance, control and provision, there has been an overall reduction in the public share of welfare activity between 1979/80 and 2007/08. As a proportion of all expenditure on welfare activity, publicly financed services across the five welfare sectors decreased from 73 percent in 1979/80, to 71 percent in 1995/96, to 69 percent in 1999/00, and to 67 percent in 2007/08. Already

starting with a much lower proportion of all welfare activity, public provision decreased from 59 percent in 1979/80, to 53 percent in 1995/96, to 52 percent in 1999/00, and to 51 percent in 2007/08. Again, the most significant shift in publicly provided services occurred during the Conservative administrations from 1979 to 1996. Publicly controlled services have remained relatively stable over the course of the 29 year period; increasing between 1979/80 and 1995/96 from 61 to 62 percent, and then decreasing to 61 percent in 1999/00 and finally to 60 percent in 2007/08. Despite the political rhetoric from prior and incumbent administrations, it appears that welfare pluralism has always been a reality of key welfare sectors.

Figure 7: Overall Public Share of Welfare Activity



To avoid overstating the extent of diversity in the provision, finance and control of welfare services, it is a worthwhile exercise to exclude one of the welfare sectors that has not traditionally been a realm of social spending that is purely public. The role of private actors in Housing has always been significant and by excluding these from the overall proportionate welfare spend it will be possible to more accurately assess the extent of the shifting boundaries between private and public actors in welfare activity.

Table 8: Overall Welfare Activity (excluding Housing)

Overall welfare spending (excluding Housing): annual proportions (%) by type										
Year	Public provision, finance and decision	Public provision and finance, private decision	Public provision, private finance, public decision	Public provision, private finance and decision	Private provision, public finance and decision	Private provision, public finance, private decision	Private provision and finance, public decision	Private provision, finance and decision	Total expenditure (£billion, 2007/08 prices)	% of GDP
1979/80	61.6	5.9	0.5	0.1	7.9	8.8	0.3	15.1	184.9	26.4
1995/96	62.0	2.0	0.3	0.1	10.9	9.3	0.7	14.7	296.4	30.4
1999/00	61.1	2.2	0.3	0.1	11.3	7.5	1.0	16.5	323.2	28.8
2007/08	60.0	2.4	0.3	0.1	11.0	7.3	0.9	18.0	468.1	32.8

By excluding Housing from the analysis, the salience of *Pure Private* welfare activity is much less pronounced than when it is included, with an overall increase of 2.9 percent rather than 6.3 percent over the 29 year period. Whilst there is an overall decline in the proportion of welfare activity that is *Pure Public*, this again is a much weaker trend than before, falling by 1.6 percent rather than 4.1 percent. *Public decision: contracted out* remains a domain of welfare activity that has become increasingly important since 1979. But as previously stated, the majority of this change occurred prior to 1995/96.

Exclusive of Housing, cumulative levels of activity that are publicly financed, delivered and controlled also show similar trends as outlined above. Publicly financed services have decreased from 84 percent in 1979/80 to 81 percent in 2007/08. Publicly controlled services remained relatively stable, and publicly delivered services decreased significantly from 68 percent in 1979/80, to 64 percent in 1995/96 and dropping to 63 percent in 2007/08. Excluding Housing reveals that a much higher proportion of welfare activity is publicly financed, controlled and delivered than when all five sectors are combined.

What is most striking about the four time periods is the consistently significant growth in welfare activity. Including Housing, welfare activity increased in real terms from £235 billion to £605 billion; from 34 percent of GDP in 1979/80 to 42 of GDP in 2007/2008. Excluding Housing, welfare activity increased from 26 percent of GDP in 1979/80 to 33 percent of GDP in 2007/08. Irrespective of the role of private and public actors it would appear that there is an increasing appetite for welfare services and institutions. If this is not represented in rhetoric, it is evident in expenditure.

Further details on the results for overall welfare activity are provided in Appendix Table G.

5 Conclusion

This research exercise has been a continuation of Burchardt's (1997) original work to map the shifting boundaries of private and public welfare activity. On the whole, the trends observed in previous years are still resolute for 2007/08. There is a gradual increase in the proportion of welfare activity that is purely private, and a gradual decrease in the proportion of welfare activity that is purely public. Importantly, there is no perfect correspondence between these two categories, with *Pure Private* activity growing much faster as a proportion of all welfare activity than *Pure Public* activity is decreasing. Diversification in the provision of welfare services has been a cornerstone of each administration's welfare reform agenda since 1979 and this is increasing the amount of publicly financed and controlled welfare that is being contracted-out. The most significant changes in the balance between private and public actors generally occurred prior to 1995/96, since then changes have been much more slight and nuanced.

Over the 29 year period there was considerable growth in activity across all five welfare sectors. Health increased from 5.0 to 8.3 percent of GDP, Housing increased from 7.2 to 9.6 percent of GDP, and Personal Social Services increased from 0.9 to 2.3 percent of GDP. Between 1979 and 2008, Education and Income Maintenance and Social Security have fluctuated but remained relatively stable.

Interestingly, the majority of growth in welfare activity occurred between 1979 and 1996. Exclusive of Housing, welfare activity increased from 26 percent of GDP to 30 percent of GDP in 1995/96. The level of welfare activity then decreased back down to 29 percent of GDP in 1999/00, increasing back up to 33 percent in 2007/08. Between 1979 and 1996, the proportion of welfare activity that was *Pure Public* and *Pure Private* remained relatively stable; around 62 percent and 15 percent of all welfare activity respectively. During the same period though, *Pure Public* welfare activity increased from 16.3 percent to 18.9 percent of GDP, whilst *Pure Private* activity only increased from 4.0 percent to 4.5 percent of GDP. Whilst the Conservative government under Thatcher and Major may have been successful in diversifying the provision of welfare services (contracted-out services increasing from 7.9 to 10.9 percent); it did not necessarily achieve its mission of 'rolling back the state'.

It is anticipated that the Coalition government's commitment to reform public services will inexorably affect the shifting boundaries between private and public actors in the delivery, finance and control of welfare services. Whilst the Localism Bill is seen as a decisive instrument to affect these boundaries, the extent and rate of change has been shown to be much more slow and gradual in reality. It will be particularly interesting to see whether the extent of welfare activity that is publicly financed, controlled and

delivered decreases in light of the current administration's commitment to welfare pluralism and reducing the public deficit.

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Appendix: Detailed results by welfare sector

Most figures in these tables are grossed up from England or England and Wales data. England is grossed to UK in 2007/2008 based on Office of National Statistics populations statistic released in 2007.

Table A: Education

All figures are for UK in 2007/08 £million (GDP deflated), unless otherwise stated.

General notes:

Does not include training or pre-school education expenditure for 1979/80 and 1995/96 but does include pre-school education expenditure from 1999/00 onwards.

Does not include student maintenance grants.

Current expenditure only.

Category	Description	Amount in 1979/80	Amount in 1995/6	Amount in 1999/00	Amount in 2007/08	Notes
Public provision, finance and decision	State primary and secondary schools	16,005	20,736	22,037	37,272	Local authority current expenditure. Includes 6th Form Colleges in 1979/80. Grossed up from England figures.
	Pre-primary education	-	-	44	1,666	Pre-primary education. Grossed up from England in 99/00.
	Special schools	982	1,592	1,709	2,078	Local authority current expenditure. Grossed up from England figures.
	Meals & transport	2,200	-	-	-	Local Authority current expenditure. Assumed to be public provision in 1979/80. Grossed up from England figures.
	Teachers centres, child guidance & pupil support	-	768	1,591	2,642	Local authority expenditure. Grossed up from England figures.

	Miscellaneous	1,711	2,348	1,619	2,056	Local authority and central government current expenditure. Includes research, administration and inspection. Grossed up from England figures.
	TOTAL	20,898	27,888	27,000	46,225	
	Percent of grand total	65.5%	57.0%	53.3%	59.6%	
Public provision and finance, private decision	TOTAL	-	-	-	-	
	Percent of grand total	-	-	-	-	
Public provision, private finance, public decision	TOTAL	-	-	-	-	
	Percent of grand total	-	-	-	-	
Public provision, private finance, private decision	TOTAL	-	-	-	-	
	Percent of grand total	-	-	-	-	
Private provision, public finance and decision	Non-maintained school fees	541	333	397	684	Local authority current expenditure. In 1979/80 includes teacher centres, child guidance pupil support. Grossed up from England figures.
	City Technology Colleges	-	87	68	4	Central government expenditure. Grossed up from England figures prior to 2007/08.

	Voluntary, non-maintained special, music & ballet schools	185	185	300	199	Central government grants. For 1999-2000 includes new dance and drama scheme. Grossed up from England figures. Department for culture, media and sport also. Eligibility criteria changed in 2001.
	National Grid for Learning	-	-	73	-	Assumed to be entirely private provision. Grossed up from England figures. Becta closed the National Grid for Learning portal in 2006.
	Meals & transport	-	1,246	1,254	1,371	Local authority current expenditure. Assumed to be contracted-out in 1995/6 and 1999/2000. Grossed up from England figures.
	Higher and further education	6,745	10,258	10,320	12,199	Local authority and central government grants to institutions. Includes teacher training. Grossed up from England figures. Funding body grants plus research grants and contracts, and EMA. Adjusted from 2008/09 figures to 2007/08 figures.
	TOTAL	7,470	12,108	12,413	14,457	
	Percent of grand total	23.4%	24.8%	24.5%	18.6%	
Private provision, public finance, private decision	Assisted places scheme	-	172	160	0	Central government expenditure and grants to local authorities. Grossed up from England. By 2007/08 it had been abolished: figure constitutes those finishing off education.
	Pre-primary education	-	-	208	2,672	Private, voluntary and independent providers

Grant-maintained schools - equivalence of academies	-	2,444	208	510	<p>Central government expenditure and grants to local authorities. Changes in funding arrangements in 1999/000 effectively abolished GM status; the 1999/00 figure is composed of spending on the transition of former GM schools into the new schools framework, and some pre-approved capital projects expenditure for these schools. Grossed up from England figures.</p> <p>Local authority and central government expenditure on tuition fees. Includes teacher training. There was a substantial change in funding arrangements in 1998/99, which saw around two-thirds of expenditure on FE fees shifted to 'access funds' delivered directly by colleges (and as such no longer classified as 'private decision'). Note that 1995/96 figures include spending on Awards for postgraduate students by the Department for Education, the British Academy, and the Research Councils; comparable figures were not available for 1999/00. Grossed up from England figures in 1979/80, amalgamated from Wales, Scotland, Northern Ireland and England in 2007/08, grossed up from England and Wales figures otherwise.</p>
Higher and further education	927	1,623	763	1,663	
TOTAL	927	1,795	1,340	4,846	
Percent of grand total	2.9%	3.7%	2.6%	6.2%	

Private provision and finance, public decision	TOTAL	-	-	-	-	
	Percent of grand total	-	-	-	-	
Private provision, finance and decision	Consumer expenditure	2,606	7,099	9,870	12,052	Includes university tuition fees, private school fees, fees for private tuition and leisure courses (excluding such expenditure by Local Authorities and central government). In 1979/80, also includes local authority school charges for education, which should be in 'public provision, private finance, public decision' category. Adjusted from 2009/2010 prices to 2007/2008 prices.
	TOTAL	2,606	7,099	9,870	12,052	
	Percent of grand total	8.2%	14.5%	19.5%	15.5%	
	GRAND TOTAL	31,902	48,891	50,623	77,580	
	Percent	100.0%	100.0%	100.0%	100.0%	

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Table B: Health

All figures are for UK in 2007/2008 £million (GDP deflated), unless otherwise stated.

Category	Description	Amount in 1979/80	Amount in 1995/96	Amount in 1999/00	Amount in 2007/08	Notes
Public provision, finance and decision	NHS hospital and community services	20,218	37,201	43,615	64,638	Net of NHS patient charges, private patients' payments, acute medical care purchased by NHS and contracted-out ancillary services. Note the 99/00 figure is a slight over-estimate as it was not possible to subtract pay-bed charges for patients in hospitals finance directly by HAs or the DoH.
	Misc. NHS expenditure	4,076	5,139	8,175	10,784	Spending such as: central administration costs, ambulance services, mass radiography, laboratory, vaccination, research and development.
	General ophthalmic services	210	-	-	-	Sight tests and dispensing paid out of public funds. Assumed to be all public provision in 1979/80.
	TOTAL	24,505	42,340	51,790	75,422	
	Percent of grand total	70.5%	64.0%	64.5%	63.5%	
Public provision and finance,	TOTAL	0	0	0	0	

private decision	Percent of grand total	0.0%	0.0%	0.0%	0.0%	
Public provision, private finance, public decision	NHS hospital charges	163	303	103	519	Patient payments for supply and repair of appliances, drugs, amenity beds. Not including private patients in NHS hospitals. 1999/00 underestimates due to no longer including 'pay bed' and similar income collected locally by NHS Trusts'. Adjusted from 2009-2010 prices to 2007-2008 prices.
	General ophthalmic services	116	-	-	-	Patient payments for sight tests and dispensing. Assumed to be public provision in 1979/80.
	TOTAL	279	303	103	519	
	Percent of grand total	0.8%	0.5%	0.1%	0.4%	
Public provision, private finance and decision	NHS private patients	133	312	405	405	Private Patient Revenue (there was a projection of 443 for 2007/2008 but 405 represents current figure.
	TOTAL	133	312	405	405	
	Percent of grand total	0.4%	0.5%	0.5%	0.3%	
Private provision, public finance and decision	General dental services, prescriptions, general medical services	6,257	12,824	15,855	18,217	Paid out of public funds. Assumes no patient charges for general medical services (e.g. GPs).

General ophthalmic services	-	147	213	223	Sight tests. Assumes all privately provided in 1995/6 and 1999/2000. Estimated based on England and Wales expenditure, adjusted using figures of sight tests in Scotland and Northern Ireland. (an estimated 54% on sight tests and 45% on the cost of vouchers and repairs and replacements.) General ophthalmic Services - gross current procurement.
Contracted-out care	105	114	141	5,717	In 1979/80: NHS expenditure on "contractual homes and hospitals" (grossed up from England & Wales figure); in 1995/6: Laing & Buisson estimate of acute health care purchased from independent sector.
Catering and laundry/ancillary services	-	149	367	389	Not available for 1979/90; 1995/6 figure includes only contracted-out laundry and catering (grossed up from England figure); 99/00 figure includes a wider range of services. Other Central Health and Miscellaneous Services/provisions gross current procurement and current grants to persons and non-profit bodies.
Hospital PFIs	-	-	-	852	Rental under operating leases: hire of plant and machinery, other operating leases, interest charges, PFI service charges. Previous available figures only represented 32 of the current contracts - current figure is GDP deflated from 2009/2010 figure.
TOTAL	6,362	13,233	16,575	25,398	
Percent of grand total	18.3%	20.0%	20.7%	21.4%	

Private provision, public finance, private decision	Glasses voucher scheme	-	234	204	182	Estimates based on England and Wales expenditure, adjusted using figures on number of cases in Scotland and Northern Ireland. An estimated 54% on sight tests and 45% on the cost of vouchers and repairs and replacements.
	Private medical insurance	-	117	-	-	Cost of tax relief on PMI for over-60s. This was abolished with the 1997 Budget.
	TOTAL	-	351	204	182	
	Percent of grand total	0.0%	0.5%	0.3%	0.2%	
Private provision and finance, public decision	General dental services & prescriptions	451	1,146	1,052	1,092	Patient charges. Includes patient charges for services not detailed elsewhere.
	TOTAL	451	1,146	1,052	1,092	
	Percent of grand total	1.3%	1.7%	1.3%	0.9%	
Private provision, finance and decision	Over-the-counter medicines, spectacles and contact lenses	2,132	4,662	5,975	8,573	Consumer expenditure, excluding NHS charges. Adjusted from 2009-2010 prices to 2007-2008 prices.
	Private medical insurance	440	2,313	2,658	2,627	Premiums (whether paid by employer or self), net of tax relief in 1995/6.

	Other private medicine	470	1,526	1,501	4,625	Consumer expenditure on private medical, dental, optical and nursing fees. Excludes NHS payments, PMI, purchase of medicines or other goods. Includes therapeutic appliances and equipment, paramedical services, private patients dental services: adjusted from 2009-2010 prices to 2007-2008 prices.
	TOTAL	3,042	8,501	10,133	15,825	
	Percent of grand total	8.7%	12.8%	12.6%	13.3%	
	GRAND TOTAL	34,773	66,187	80,262	118,843	
	Percent	100.00%	100.00%	100.00%	100.00%	

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Table C: Housing

All figures are for UK in 2007/8 £million (GDP deflated), unless otherwise stated

General notes:

Method is to distribute current rental value of all dwellings between the various categories.

Minor tax reliefs, e.g. rent-a-room scheme, not included.

Effect of rent controls on private properties not included.

LA = local authority; HA = Housing Association

All figures are grossed to UK unless otherwise stated

Category	Description	Amount in 1979/80	Amount in 1995/96	Amount in 1999/00	Amount in 2007/08	2010 Notes
Public provision, finance and decision	Housing Benefit for LA tenants	2,529	7,647	6,764	5,611	Rent rebates in 1979/80. Number of Recipients by average weekly-yearly amount, Number of Council Tenants in receipt of Housing Benefit by average rebated council weekly-yearly. Grossed to UK from England and Wales data.
	Economic subsidy for LA tenants	6,524	2,479	9,431	4,646	Economic subsidy calculated according to method in Sefton (1997) and Sefton (2002). 1999/2000 and 2007/2008 splits 'economic subsidy for social housing' between HA and LA based on relative population proportions. Figure for 1999/00 is from 2000/01 data GDP deflated. Figure for 2007/2008 is GDP deflated from 2004/2005 and grossed to UK from Hills, J. (2007) <i>Ends and</i>

	Homelessness provision	-	68	61	82	<p><i>means: the future roles of social housing in England, CASE report 34, ISSN 1465-3001.</i></p> <p>Returns are shown in respect of 233 housing authorities in England and Wales and approximated figure from previous returns and grossing to England and Wales. Figure is then grossed to UK.</p>
	TOTAL	9,053	10,194	16,256	10,340	
	Percent of grand total	18.0%	11.5%	14.5%	7.6%	
Public provision and finance, private decision	TOTAL	-	-	-	-	
	Percent of grand total	-	-	-	-	
Public provision, private finance, public decision	LA rents	4,589	3,993	3,979	3,399	<p>Net of Housing Benefit. 1995/96 figure is for calendar year 1995; 1999/00 figure is for calendar year 1999.</p>
	TOTAL	4,589	3,993	3,979	3,399	
	Percent of grand total	9.1%	4.5%	3.5%	2.5%	

Public provision, private finance and decision	TOTAL	-	-	-	-	
	Percent of grand total	-	-	-	-	
Private provision, public finance and decision	Housing Benefit for HA tenants	250	1,921	3,432	5,741	Rent allowances in 1979/80. 1995/96 figure is for calendar year 1995; 1999/00 figure is for calendar year 1999. 1995/96 and 1999/00 estimated from average housing benefit and number of HA recipients (grossed up from GB figures).
	Economic subsidy for HA tenants	193	519	3,488	3,891	1979/80 and 1995/96, assumes economic subsidy is same proportion of rent per dwelling as for LA dwellings, calculated following method in Sefton (1997). 1999/00 and 2008/08 splits 'economic subsidy for social housing' between HA and LA based on relative population proportions. Figure for 1999/00 is from 2000/01 data GDP deflated. Figure for 2007/2008 is GDP deflated from 2004/2005 and grossed to UK from Hills, J. (2007) <i>Ends and means: the future roles of social housing in England</i> , CASE report 34, ISSN 1465-3001.

	Homelessness provision	-	273	108	140	Returns are shown in respect of 233 housing authorities in England and Wales and approximated figure from previous returns and grossing to England and Wales. Figure is then grossed to UK for 2007/2008.
	TOTAL Percent of grand total	443 0.9%	2,713 3.1%	7,028 6.2%	9,771 7.1%	
Private provision, public finance, private decision	Mortgage Interest tax relief	5,730	3,629	1,957	2	Abolished in 2000.
	Income Support for Mortgage Interest	137	900	645	399	
	Housing Benefit for private rents	706	4,607	3,535	4,834	1995/96 figure is from calendar year 1995; 1999/00 figure is from calendar year 1999. 1995/96 and 1999/00 estimated from average housing benefit and number of recipients (grossed up from GB figures).
	Right-to-Buy discount	-	1,773	4,347	3,500	Annualised value, following method in Sefton (1997), based on what economic subsidy would have been if RTB had not been exercised. Figure for 1995/6 is 1993 figure GDP deflated; figure for 1999/00 is a 2000/01 figure GDP deflated. For 2007/08 the economic subsidy for actual tenants (as calculated above), averaging £1,797 per dwelling

						is multiplied by cumulative number of sales in England (1.764 million) and then grossed up to give a UK figure (and rounded to £3.5 billion given the uncertainties involved).
	TOTAL Percent of grand total	6,573 13.0%	10,910 12.3%	10,483 9.3%	8,735 6.4%	
Private provision and finance, public decision	HA rents	465	1,745	1,497	3,985	Net of Housing Benefit. In 1979/80, estimated from number of HA tenants and average fair rent. 1995/96 figure is from calendar year 1995; 1999/00 figure is from calendar year 1999. 1995/96 and 1999/00 estimated from average rent and number of dwellings (grossed up form GB figures).
	TOTAL Percent of grand total	465 0.9%	1,745 2.0%	1,497 1.3%	3,985 2.9%	
Private provision, finance and decision	Owner-occupiers' imputed rents & spending on repairs & maintenance	25,649	53,733	65,429	89,121	Net of MIRAS, ISMI and, in 1995/6, annualised RTB discount. 1995/96 figure is from calendar year 1995; 1999/00 figure is from calendar year 1999. 2007/08 figure is for 2007 and is derived from EFS.

Private rents	3,629	5,526	7,791	11,552	Net of Housing Benefit. 1995/96 figure is from calendar year 1995; 1999/00 figure is from calendar year 1999. 1995/96 and 1999/00 estimated from average rent and number of dwellings (grossed up from GB figures). 2007/2008 figures grossed up based on tenure type (private rental) in Wales, Scotland, Ireland and England.
TOTAL	29,278	59,258	73,220	10,0673	
Percent of grand total	58.1%	66.7%	65.1%	73.5%	
GRAND TOTAL	50,400	88,814	112,461	136,904	
Percent	100.0%	100.0%	100.0%	100.0%	

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Table D: Income Maintenance and Social Security

All figures are for UK in 2007/08 £million (GDP deflated), unless otherwise stated.

General notes:

See Table E for details of pensions calculations

Category	Description	Amount in 1979/80	Amount in 1995/96	Amount in 1999/00	Amount in 2007/08	Notes
Public provision, finance and decision	Expenditure on basic state pension	32,045	42,522	47,900	49,692	Including non-contributory pension, widows pensions and Christmas bonus.
	Other social security	31,836	62,455	60,253	68,897	Grossed up from GB figure. Excluding pension, Housing Benefit, Income Support for Mortgage Interest and Income Support for residential care, as these all included elsewhere.
	Child Support Agency	-	66	191	557	Payments to Secretary of State for benefits repaid. Grossed up from GB figure.
	Child Tax Credit and Working Tax Credit	-	-	449	27,221	For 1999/2000 WFTC and remaining Family Credit Take up Rate by average weekly award; 2007/2008 figure amounts to the negative tax of working tax credits (that is, part of the tax credit that is less than or equal to the tax liability of the family) and the equivalent figure for the public expenditure element of tax credit payments. GDP deflated from 2009 calendar year
	TOTAL	63,882	10,5044	108,792	146,367	
	Percent of grand total	57.2%	65.2%	64.4%	61.2%	

Public provision and finance, private decision	S2P/SERPS contributions	10,829	5,829	7,013	11,212	Non-contracted out contributions which could have been contracted-out. See pensions table for details.
	TOTAL	10,829	5,829	7,013	11,212	
	Percent of grand total	9.7%	3.4%	4.2%	4.7%	
Public provision, private finance, public decision	TOTAL	-	-	-	-	
	Percent of grand total	-	-	-	-	
Public provision, private finance and decision	TOTAL	-	-	-	-	
	Percent of grand total	-	-	-	-	
Private provision, public finance and decision	Child Trust Funds	-	-	-	260	Under HMRC main tax expenditures and structural reliefs the costs are negligible
	TOTAL	-	-	-	260	
	Percent of grand total	-	-	-	0.1%	

Private provision, public finance, private decision	Contracted-out deductions, incentives and tax reliefs on pensions	15,292	25,308	22,517	28,547	See Pensions table for details.
	TOTAL	15,292	25,308	22,517	28,547	
	Percent of grand total	13.7%	15.7%	13.3%	11.9%	
Private provision and finance, public decision	Child Support Agency	-	37	395	1,010	Payments to persons with care: Maintenance Collected and Maintenance Direct Arranged.
	TOTAL	-	37	395	1,010	
	Percent of grand total	-	0.0%	0.0%	0.4%	
Private provision, finance and decision	Occupational and private pension contributions	21,583	24,232	29,174	50,201	Net of tax reliefs and contracted out deductions. See Pensions table for details.
	Child Trust Funds	-	-	-	274	Parent top-ups, GDP deflated from 2008-2009 figures.

Private "welfare" insurance	121	966	1,075	1,455	1979/80 and 1995/6 figures include Permanent Health Insurance and Mortgage Payment protection in 1995/6. 1999/00 figures exclude the latter. ABI category split: Individual Protection includes term insurance, whole life, income protection, critical illness, long term care and collective life products.
TOTAL	21,704	25,199	30,249	51,930	
Percent of grand total	19.4%	15.6%	17.9%	21.7%	
GRAND TOTAL	111,707	161,056	168,965	239,326	
Percent	100.0%	100.0%	100.0%	100.0%	

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Table E: Pensions

All figures are for UK in 2007/08 £million (GDP deflated).

General notes:

Method is to measure current contributions to pension provision.

Since basic state pension is unfunded, this is measured as cost of pensions now in payment.

Tax reliefs are calculated as, roughly, the difference between current tax regime and a comprehensive income tax treatment, i.e. all higher-minus-basic rate relief, 25% of basic rate relief (to represent tax-free lump sums), and (1-basic rate) relief on fund income.

Category	Description	Amount in 1979/80	Amount in 1995/96	Amount in 1999/00	Amount in 2007/08	Notes
Public provision, finance and decision	Basic state pension	32,045	42,522	47,900	49,692	Contributory and non-contributory retirement pensions, widows pensions and Christmas bonuses. Grossed up from GB figures for years prior to 2007/08.
	TOTAL	32,045	42,522	47,900	49,692	
	Percent of grand total	40.2%	43.4%	44.9%	35.6%	
Public provision and finance, private decision	S2P/SERPS contributions	10,829	5,829	7,013	11,212	Proportion of contracted-in contributions which could have been contracted-out. Grossed up from GB figures for years prior to 2007/08. Price adjusted from 2006/07 to 2007/08. SERPS ended in 2002 - now State Second Pension (S2P).
	TOTAL	10,829	5,829	7,013	11,212	
	Percent of grand total	13.6%	6.0%	6.6%	8.0%	

Public provision, private finance, public decision	TOTAL	-	-	-	-	
	Percent of grand total	-	-	-	-	
Public provision, private finance and decision	TOTAL	-	-	-	-	
	Percent of grand total	-	-	-	-	
Private provision, public finance and decision	TOTAL	-	-	-	-	
	Percent of grand total	-	-	-	-	
Private provision, public finance, private decision	Contracted-out deduction for occupational pension	8,813	7,538	7,289	8,500	Difference between full NI rate and contracted-out rate. Grossed up from GB figures for years prior to 2007/08.
	Tax relief	6,477	14,996	11,493	16,877	Grossed up from GB figures for years prior to 2007/08. Tax reliefs are calculated as, roughly, difference between current tax regime and a comprehensive income tax treatment. 1979/80 figure calculated as: all higher-minus-basic rate relief, 25% of basic rate relief (to represent tax-free lump sums), plus (1-basic rate) relief on fund income. Figure calculated using methodology in Le Grand and Agulnik (1998) CASEpaper 5.

	Incentive payments and rebates for personal pensions	-	2,774	3,734	3,170	Minimum contributions represent the rebate paid by HMRC to funds of individuals who have used their personal/stakeholder pension to contract out of the state second pension (state earnings related pension scheme prior to April 2002) , and Retirement Annuity Contracts. Grossed up from GB figures for years prior to 2007/08.
	TOTAL	15,291	25,308	22,517	28,547	
	Percent of grand total	19.2%	25.9%	21.1%	20.4%	
Private provision and finance, public decision	TOTAL	-	-	-	-	
	Percent of grand total	-	-	-	-	
Private provision, finance and decision	Occupational pensions	20,867	17,926	24,376	40,051	Employees and employers contributions. Price adjusted from 2004/2005 to 2007/2008 prices.
	Personal pensions (and stakeholder pensions as of 2001)	717	6,306	4,798	10,150	Net of tax relief and any incentives/rebates. In 1979/80: self-employed retirement annuities "business in force" yearly premiums. In 1995/6 includes AVCs and employer contributions. Includes stakeholder pensions as from 2001 onwards.
	TOTAL	21,583	24,232	29,174	50,201	
	Percent of grand total	27.1%	24.8%	27.4%	35.9%	
All	GRAND TOTAL	79,748	97,891	106,603	139,653	
	Percent	100.0%	100.0%	100.0%	100.0%	

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Table F: Personal Social Services

All figures are for UK in 2007/08 £million (GDP deflated).

General notes:

Data for 1979/80 and 1995/6 collected under different headings, so not directly comparable.

All private spending amounts are grossed up from GB, apart from 2007-2008.

All data has been grossed up from England and Wales.

Category	Description	Amount in 1979/80	Amount in 1995/96	Amount in 1999/00	Amount in 2007-2008	Notes
Public provision, finance and decision	Residential care	1,891	2,582	2,550	2,524	Local authority expenditure on own provision, net of user charges. In 1979/80, assumes residential care for "other groups" is all publicly-provided. In 1995/6 calculated from no. of own clients multiplied by average gross cost per client less user charges.
	Non-residential care	1,270	3,837	4,451	6,167	Local authority expenditure on own provision, net of user charges. In 1979/80, assumes playgroups, intermediate treatment, day centres & clubs, home helps, children & YP act, sheltered housing is all own provision, and assumes no charges for sheltered employment. In 1995/6 assumes all intermediate treatment, home care, and "other" services, are own provision.

	Miscellaneous	1,426	1,869	2,513	3,267	Administration and regulation. In 1979/80 includes fieldwork. In 1995/6 includes capital charges not included elsewhere. In 1999/00 includes unallocated expenditure and purchasing and care management costs. e.g. training and research. Current expenditure. In 1995/96 and 1999/00 includes 'Service Strategy and Reputation'. 2007/08 includes complaints procedures, strategic management, and assessment and care management.
	Centrally-financed	48	183	294	1,000	
	TOTAL Percent of grand total	4,634 71.0%	8,471 42.6%	9,808 42.0%	12,959 40.1%	
Public provision and finance, private decision	TOTAL	-	-	-	-	
	Percent of grand total	-	-	-	-	
Public provision, private finance, public decision	Residential care	561	508	632	511	User charges for LA-provided services. Where more precise information unavailable, total user charges divided in proportion of all clients in own-provision.
	Non-residential care	79	197	328	233	User charges for LA-provided services. See notes for residential care.
	Miscellaneous	16	-	-	34	
	TOTAL Percent of grand total	657 10.1%	704 3.5%	960 4.1%	777 2.4%	

Public provision, private finance and decision	TOTAL	-	-	-	-	
	Percent of grand total	-	-	-	-	
Private provision, public finance and decision	Residential care	407	3,261	4,666	6,261	Local authority expenditure on contracted-out services. In 1979/80, estimated as total net cost minus cost of own provision. In 1995/6, estimated as number of other-provision clients multiplied by gross cost per client minus user charges.
	Non-residential care	285	1,502	1,843	5,143	See notes for residential care.
	Income Support	34	2,098	1,035	-	For residents of independent care homes. 1995/6 and 1999/00 figures are grossed up from GB figures. Residential Allowance and Part III rate of Income Support abolished by 2003.
	TOTAL	726	6,860	7,544	11,404	
	Percent of grand total	11.1%	34.5%	32.3%	35.2%	
Private provision, public finance, private decision	Direct Payments	-	-	71	539	Direct payments to provision by others and grants to voluntary organisations. In 1999/00 this was only initially available to a specific sub-section of people qualify for social care. 1999-2000 figure is GDP deflated from 2000-2001 and grossed up to UK. 2007-2008 figure is also grossed up to UK.
	TOTAL	-	-	71	539	
	Percent of grand total	-	-	0.3%	1.7%	

Private provision and finance, public decision	Residential care	12	885	1,766	1,531	User charges for contracted-out services. Where no better information available, estimated as total charges multiplied by proportion of all clients who are other-provision clients.
	Non-residential care	18	81	155	698	See notes for residential care.
	Miscellaneous	-	-	-	101	Client contributions and other income for 'other provision', grants to voluntary organisations for miscellaneous services including meals, equipment and adaptations.
	TOTAL Percent of grand total	31 0.5%	966 4.9%	1,921 8.2%	2,330 7.2%	
Private provision, finance and decision	Residential and non-residential care	483	2,900	3,054	4,344	1979/80 estimate is for elderly residential care only. 1995/6 and 1999/00 estimates are for self-payers among 'elderly and physically handicapped' residents of independent nursing and residential homes. Calculated based on average weekly fees in residential care and number of self-payers, plus personal expenditure on private non-residential care. Grossed up from GB figures. Adjusted to 2007-2008 from 2006-2007 prices.
	TOTAL Percent of grand total	483 7.4%	2,900 14.6%	3,054 13.1%	4,344 13.4%	
	GRAND TOTAL Percent	6,531 100.0%	19,902 100.0%	23,358 100.0%	32,354 100.0%	

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Table G: Overall Welfare Activity

All figures are for UK in 2007/08 £million (GDP deflated).

Category	Description	Amount in 1979/80	Amount in 1995/96	Amount in 1999/00	Amount in 2007/08
Public provision, finance and decision	Education	20,898	27,888	27,000	46,225
	Health	24,505	42,340	51,790	75,422
	Housing	9,053	10,194	16,256	10,340
	Social Security	63,882	105,044	108,792	146,367
	Personal Social Services	4,634	8,471	9,808	12,959
	TOTAL	122,972	193,937	213,646	291,312
	Percent of grand total	52.3%	50.3%	49.0%	48.2%
Public provision and finance, private decision	Education	-	-	-	-
	Health	-	-	-	-
	Housing	-	-	-	-
	Social Security	10,829	5,829	7,013	11,212
	Personal Social Services	-	-	-	-
	TOTAL	10,829	5,829	7,013	11,212
	Percent of grand total	4.6%	1.5%	1.6%	1.9%
Public provision, private finance, public decision	Education	-	-	-	-
	Health	279	303	103	519
	Housing	4,589	3,993	3,979	3,399
	Social Security	-	-	-	-
	Personal Social Services	657	704	960	777
	TOTAL	5,525	5,001	5,041	4,695
	Percent of grand total	2.3%	1.3%	1.2%	0.8%
Public provision, private finance and decision	Education	-	-	-	-
	Health	133	312	405	405
	Housing	-	-	-	-
	Social Security	-	-	-	-
	Personal Social Services	-	-	-	-
	TOTAL	133	312	405	405

	Percent of grand total	0.1%	0.1%	0.1%	0.1%
Private provision, public finance and decision	Education	7,470	12,108	12,413	14,457
	Health	6,362	13,233	16,575	25,398
	Housing	443	2,713	7,028	9,771
	Social Security	-	-	-	260
	Personal Social Services	726	6,860	7,544	11,404
	TOTAL	15,002	34,915	43,559	61,291
	Percent of grand total	6.4%	9.1%	10.0%	10.1%
Private provision, public finance, private decision	Education	927	1,795	1,340	4,846
	Health	-	351	204	182
	Housing	6,573	10,910	10,483	8,735
	Social Security	15,292	25,308	22,517	28,547
	Personal Social Services	-	-	71	539
	TOTAL	22,792	38,364	34,614	42,849
	Percent of grand total	9.7%	10.0%	7.9%	7.1%
Private provision and finance, public decision	Education	-	-	-	-
	Health	451	1,146	1,052	1,092
	Housing	465	1,745	1,497	3,985
	Social Security	-	37	395	1,010
	Personal Social Services	31	966	1,921	2,330
	TOTAL	947	3,894	4,865	8,418
	Percent of grand total	0.4%	1.0%	1.1%	1.4%
Private provision, finance and decision	Education	2,606	7,099	9,870	12,052
	Health	3,042	8,501	10,133	15,825
	Housing	29,278	59,258	73,220	100,673
	Social Security	21,704	25,199	30,249	51,930
	Personal Social Services	483	2,900	3,054	4,344
	TOTAL	57,113	102,957	126,525	184,825
	Percent of grand total	24.3%	26.7%	29.0%	30.5%
GRAND TOTAL		235,313	385,208	435,670	605,007
Percent		100.0%	100.0%	100.0%	100.0%

