

# Public and Private Welfare Activity in the United Kingdom, 1979 to 1999

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## **Abstract**

This paper analyses the shifting balance between public sector and private sector welfare provision in the United Kingdom over the past two decades. Five sectors – education, health, personal social services, housing, and income maintenance and social security – are examined over three time points, 1979/80, 1995/96, and 1999/2000. Burchardt's (1997) typology is used to classify welfare activities according to who funds them, who provides them, and who decides on the provider and/or amount of service. It is found that shifts in the composition of welfare activity have been relatively small and gradual: around half of all welfare activity, dropping from 52 percent to 49 percent, is entirely public; around a quarter, rising from 24 percent to 29 percent, is entirely private; and the remainder involves a mixture of both sectors. Within the latter group, there was a notable increase over time in the contracting-out of public services, which rose from 6 percent to 10 percent of all welfare activity.

Keywords: welfare, social spending, privatisation, contracting-out, public provision, private provision

JEL classification: H50, H53, L33

## **1. Introduction**

Debate about the appropriate boundaries between public and private welfare activity is longstanding. At the same time, there is relatively little information on the actual balance between public and private welfare activity. Even within areas considered traditional ‘welfare state’ activities – such as the provision of pensions, or healthcare – not all welfare activity is public. There is a substantial and seemingly growing role for the private sector in providing, or funding, services such as care homes, pensions, and subsidised housing.

Burchardt (1997) analysed the shifting balances between public and private sectors in welfare activity between 1979/80 and 1995/6. This paper updates that analysis to include a third time point, 1999/00, and examines whether there have been any changes in the trends and relative balances observed by Burchardt.

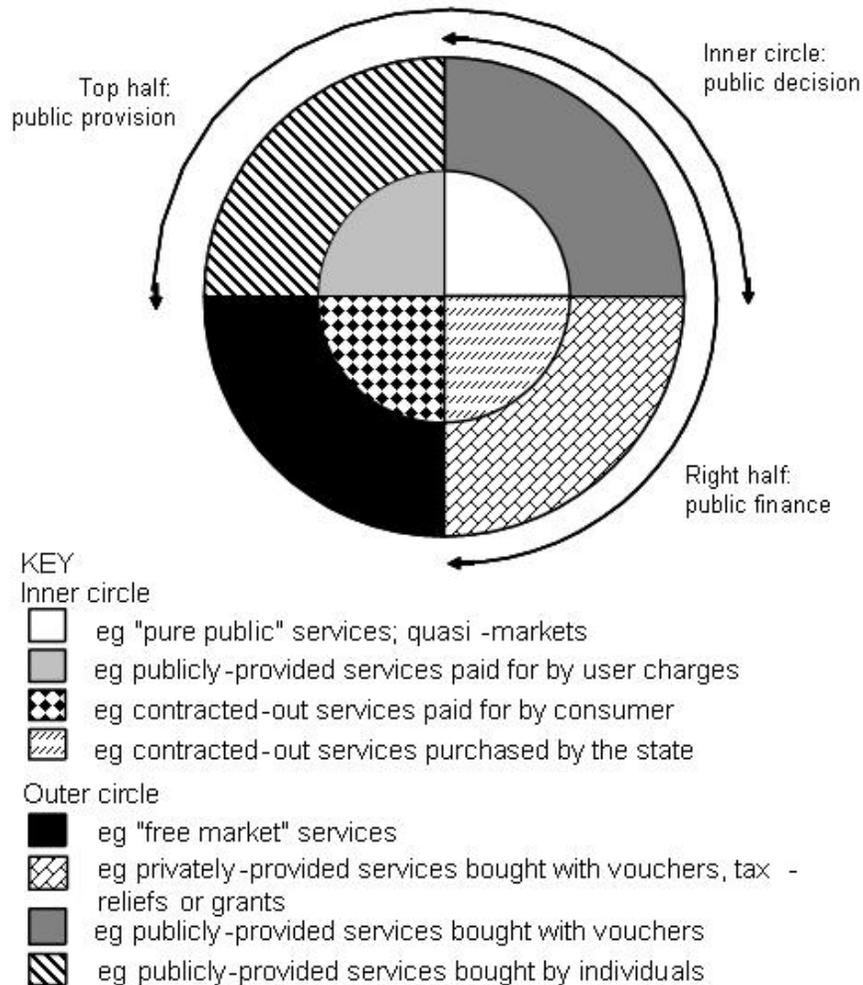
Some key results from this update are included in Hills (2004, Section 6.4); this paper gives a more detailed description of methods and results. The paper begins by describing the methodology for this analysis. The second section outlines results for specific areas - Education, Health, Personal Social Services, Income Maintenance and Social Security, and Housing – from the perspective of relative proportions of the total spend in those areas. The third section discusses overall trends in the proportions and levels of welfare spending. An appendix gives detailed breakdowns of all figures.

## **2. Methodology**

There are two key dimensions traditionally used to analyse the balance between the public and private sector activity. Firstly, there is the question of finance: does the government pay, either directly or through tax reliefs or benefits? Secondly, there is the question of provision: is the provider of a service a public or a private sector body? Burchardt (1997) adds a third dimension, called ‘decision’: can the individual choose the provider or amount of service, or is this decided by the government?

These three dimensions together give rise to an eight-fold classification system. There are a variety of ways in which this classification system could be presented for ease of overview. Burchardt (1997) used a double-wheel diagram, with the inside/outside circle split representing public versus private decision, the top/bottom split representing public versus private provision, and the left/right split representing private finance versus public finance.

**Figure 1: Burchardt (1997) Classification System**



For the purposes of this paper an alternative system is used for presentation of results, where the categories are grouped in pairs based on the characteristics of provision and decision, as shown in Table 1 below. The first pair is 'public', the second 'public: with competition' (that is, it involves private choice on either the service amount or provider), and the third pair is 'public: contracted out' where the government chooses and contracts a private provider. Each of these pairs can be funded either publicly or privately; the latter is labelled 'user charges'. The final pair is labelled 'private' as it has both private provision and decision; this too can be funded publicly or privately.

**Table 1: Classification System**

<b>Shared characteristics</b>	<b>Distinct characteristic</b>	<b>Example</b>	<b>Label</b>
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	Government S2P (pensions – previously SERPS) contributions for those with not-contracted-out S2P	Public provision: With competition
	Private finance	NHS ‘pay beds’	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

It should be noted that, for ease of comparison with the original Burchardt analysis, the detailed tables in the appendix present data for these eight categories in a slightly different order – that originally used by Burchardt – rather than that used in the body of this paper. The categories remain the same; the difference is purely presentational.

Burchardt (1997) examines the balance between public and private sector welfare activity in five areas: Education; Health; Housing; Personal Social Services; and Income Maintenance and Social Security. The balance between public and private activity is determined based on the proportions of the area’s overall spending that falls into each of the 8 categories outlined above. Often this can be done relatively precisely, for example where an area’s activities are comprised of a range of different programmes that fall into different categories, and each of these programmes has its own financial data available. Occasionally, available spending data is aggregated at a level higher than these

categories, and it is necessary to allocate spending between categories based on data on volume of service rather than exact costs.

The manner of determining overall spending varies somewhat between the areas. For Education, Health and Personal Social Services, it is based on current expenditure in the given year. For Income Maintenance and Social Security, it is based on current expenditure in the given year for non-pensions benefits and the basic state pension, and contributions made towards other pensions. Finally, for Housing, spending calculations are partially based on current expenditure and partially based on estimates of current rental value of all dwellings. The latter allows calculation of the worth of activity where actual money spent might not reflect value – for example, economic subsidies to social housing tenants, and the value of owner-occupation.

It should be noted that ‘private sector’ is defined as per the National Accounts definition of the private sector, which includes unincorporated businesses (such as GPs) and non-profit bodies (such as Housing Associations), as well as other activities of private individuals and organisations.

Most of the results presented in this paper focus on proportionate welfare spend; that is, the relative size of each category compared to the overall spend, and how this balance changes over time. Only Section 4 examines changes in the levels of welfare spending.

As well as adding an extra time point, this update has recalculated some of the results given by Burchardt for 1995/6; in some cases, the original analysis had to use predicted expenditures, which can now be replaced with final actual expenditure figures.

### **3. Specific Services**

#### **3.1 Education**

Spending in the area of education falls into four main categories, as follows:

- *Pure Public*: The bulk of this spending is Local Authority funding for primary and secondary schools.
- *Public decision: Contracted out*: This is largely public grants to Higher Education (HE) and Further Education (FE) institutions; it also includes some spending on contracted-out school meals and transport.
- *Private: Public funding*: Most of this is government spending on fees for HE and FE institutions.

- *Pure Private*: This is entirely composed of consumer expenditure on fees for HE and FE, private school fees, and fees for other private educational courses such as driving lessons and leisure courses.

**Table 2: Education Spending**

<b>Education spending: annual proportions (%) by type</b>			
	<b>1979/80</b>	<b>1995/96</b>	<b>1999/00</b>
Pure Public	66	57	54
Public decision: contracted out	23	25	25
Private: public funding	3	4	2
Pure Private	8	15	20

\* Percentages rounded to whole numbers.

The clearest trend in Table 2 above is a shift in the overall balance of spending from *Pure Public* to *Pure Private* spending. Another notable change is the reduction, between 1995/6 and 1999/00, in *Private: Public funding*, partly due to government changes to Higher Education funding systems away from government funding of tuition fees.

More detailed results are given in Appendix Table A:1.

Aggregating these figures to pull together all categories with public financing, one can see that public finance has decreased over time, from 92 percent of activity in 1979/80, to 86 percent in 1995/6, to 80 percent in 1999/00. Doing the same for public provision shows this too has decreased: 66 percent in 1979/80, 57% in 1995/6, 54% in 1999/00.

### **3.2 Health**

Spending in the area of health occurs in seven of the eight categories:

- *Pure Public*: This is largely spending on National Health Service (NHS) hospital and community services.
- *Public: User charges*: Major charges here are NHS hospital charges, and charges for sight tests and services.
- *Public provision: With competition: User charges*: This category is composed of NHS charges for private patients (“pay beds”).
- *Public decision: Contracted out*: This category is composed of public spending on general medical services such as GPs, and prescriptions.
- *Public decision: Contracted out: User charges*: This category is composed of patient charges for general dental services, and prescriptions.

- *Private: Public funding*: This category contains spending on the glasses voucher scheme.
- *Pure Private*: The largest spending groups in this category are over-the-counter expenditure on medicines and glasses/contacts; it also includes Private Medical Insurance.

**Table 3: Health Spending**

<b>Health spending: annual proportions (%) by type</b>			
	<b>1979/80</b>	<b>1995/96</b>	<b>1999/00</b>
Pure Public	71	64	65
Public: user charges	1	1	0
Public provision: with competition: user charges	0	1	1
Public decision: contracted out	18	20	21
Public decision: contracted out: user charges	1	2	1
Private: public funding		1	0
Pure Private	9	13	13

\* Percentages rounded to whole numbers.

The clearest changes in Table 3 above are shifts in the balance of spending from 1979/80 to 1995/6, with an increase in *Pure Private* and decrease in *Pure Public* proportions of spending, the levels of which then remain stable into 1999/00. There is small steady increase in *Public decision: Contracted out* from 1979/80 right through to 1999/00.

More detailed results are given in Appendix Table A:2.

Aggregating these figures to pull together all categories with public financing, there has been relatively little shift in the percentage of public finance over the years, from 89 percent in 1979/80, to 84 percent in 1995/6, to 85 percent in 1999/00. The reduction in public provision (aggregated across all categories) shows a very similar trend, with a small overall drop, which occurs during the time period between 1979/80 (71 percent) and 1995/6 (65 percent).

### **3.3 Personal Social Services**

Activities in the Personal Social Services sector fall into five of the categories, as follows:

- *Pure Public*: Most spending in this category is Local Authority expenditure on its own provision of care.
- *Public: User charges*: This is fees for Local-Authority-Provided services.

- *Public decision: Contracted out:* This is largely composed of Local Authority expenditure on residential care which is contracted out to private providers.
- *Public decision: Contracted out: User charges:* This is fees for Local-Authority-Contracted-Out services.
- *Pure Private:* The bulk of this category's spending comes from self-payers in private care homes.

**Table 4: Personal Social Services Spending**

<b>Personal Social Services spending: annual proportions (%) by type</b>			
	<b>1979/80</b>	<b>1995/96</b>	<b>1999/00</b>
Pure Public	71	43	42
Public: user charges	10	4	4
Public decision: contracted out	11	35	32
Public decision: contracted out: user charges	1	5	8
Pure Private	7	15	13

\* Percentages rounded to whole numbers.

Personal Social Services, of all the areas reviewed here, experienced the most drastic changes over the years. From 1979/80 to 1995/6, there is a large shift away from *Pure Public*, and *Public: User charges* to *Public decision: Contracted out* services, and the *User charges* for those services. There is also an increase in *Pure Private* spending. Between 1995/6 and 1999/00 the changes are much smaller; the most notable change is a continuing increase in *Public decision: Contracted out* and the associated *User charges*.

More detailed results are given in Appendix Table A:6.

These changes are very clearly reflected in the aggregated figures on public finance and public provision across all categories. While the former decreases only slightly over the years, from 83 percent in 1979/80, to 77 percent 1995/6, to 74 percent 1999/00, the later decreases enormously between 1979/80 to 1995/6, from 81 percent of all spending to 46 percent of all spending.

### **3.4 Income Maintenance and Social Security**

There are five categories into which spending on Income Maintenance and Social Security falls:

- *Pure Public:* This category holds all government expenditure on (working age) social security benefits, and on the Basic State Pension.

- *Public: User charges*: The only activity in this category is Child Support (payments to persons with care).
- *Public provision: With competition*: The only activity in this category is government spending on contributions for the SERPS pension scheme, where the individual has not opted to contract out of the government-provided part of this scheme.
- *Private: Public funding*: This category contains the ‘deductions’ given by government to people who have contracted out of the government-provided part of the SERPS scheme.
- *Pure Private*: This is largely personal occupational and private pensions contributions.

**Table 5: Income Maintenance and Social Security Spending**

<b>Income Maintenance and Social Security: annual proportions (%) by type</b>			
	<b>1979/80</b>	<b>1995/96</b>	<b>1999/00</b>
Pure Public	57	65	64
Public: user charges		0	0
Public provision: with competition	10	3	4
Private: public funding	14	16	13
Pure Private	19	16	18

\* Percentages rounded to whole numbers.

The growth between 1979/80 and 1995/6 in *Pure Public* spending comes from increases in both pensions and non-pensions spending. There was also real-terms growth in *Pure Private* and in *Public decision: Contracted out* spending, mostly due to increases in pensions spending. However, this growth was not as fast as that of *Pure Public* spending, and so the relative proportions between these categories have not changed greatly over time.

More detailed results are given in Appendix Table A:4 (Income Maintenance and Social Security) and Table A:5 (Pensions).

At an aggregate level, the proportions of public finance and public provision have remained very stable. Public finance was 81 percent of overall spending in 1979/80, 84 percent in 1995/6, and 82 percent in 1999/00. Public provision was 67 percent of overall spending in 1979/80, 69 percent in 1995/6, and again 69 percent in 1999/00.

### 3.5 *Housing*

Housing spending falls into six categories:

- *Pure Public*: Housing Benefit paid to Local Authority tenants, and the economic subsidy for Local Authority tenants (subsidy due to rents being below market rents).
- *Public: User charges*: Rents paid by Local Authority tenants.
- *Public decision: Contracted out*: Housing Benefit paid to Housing Association tenants, and the economic subsidy for Housing Association tenants.
- *Public decision: Contracted out: User charges*: Rents paid by Housing Association tenants.
- *Private: Public funding*: This category is largely composed of Housing Benefit paid to private renters, and the Right-To-Buy discount. In 1979/80 it also included mortgage tax relief (since abolished).
- *Pure Private*: This category is largely composed of private rents paid, as well as owner-occupied imputed rents and maintenance spending.

**Table 6: Housing Spending**

<b>Housing spending: annual proportions (%) by type</b>			
	<b>1979/80</b>	<b>1995/96</b>	<b>1999/00</b>
Pure Public	18	12	15
Public: user charges	9	5	4
Public decision: contracted out	1	3	7
Public decision: contracted out: user charges	1	2	1
Private: public funding	13	12	10
Pure Private	58	67	63

\* Percentages rounded to whole numbers; figures based on using alternative calculation methods in 1995/96 and 1999/00.

As discussed briefly in the Methodology section above, housing spending is partially calculated based on actual expenditure (for example, government spending on Housing Benefit), and partially calculated based on estimates of current rental value of dwellings. ‘Current rental value’ is the private-rental-market value of a dwelling. For housing rented in the private rental market, this is simply the rent actually paid. For housing outside of the private rental market – social housing, or privately owned housing – this has to be estimated, based on the characteristics of the dwelling.

Knowing the current rental value of social housing allows the calculation of the in-kind subsidy tenants receive due to the reduced rent levels of social housing

dwellings, as compared with private market dwellings. It also gives a way of representing what housing owners are ‘spending’ on their housing – there are various techniques for doing this, all of which aim to represent the irregular housing spend of owners (high when paying off mortgages, low when the house is fully owned) in terms of an annual spend, so that it can be compared to the annual spend of other housing types.

Two different calculation techniques are employed in this paper to estimate current rental value. The first uses a rate of return on house value, based on the method outlined in Sefton (1997). The second uses data on private rental prices and dwelling characteristics, based on the method from Sefton (2002). While the latter is generally considered the best estimation method, data limitations mean that only the first method could be used for the 1995/6 calculations. For the 1999/00 calculations, both methods could be used; the second method gives slightly higher estimates than the first method. Table 6 above uses method two for 1999/00; this gives a slight discrepancy in the time series represented in the table, but gives the most accurate estimate for 1999/00. A later section of this paper (on proportionate welfare spend) uses method one for 1999/00 in order to give time series consistency.

Looking at the trends in housing spending since 1979/80, there was an increase in *Pure Private* up to 1995/6, due to increased owning and private renting. *Public decision: Contracted out* increased over the whole period from 1979/80 to 1999/00, due to an increase in Housing Authority spending. Finally, there is a rise in *Pure Public* from 1995/6 to 1999/00, which is due to an increased in-kind subsidy for Local Authority tenants, as private rents rose relative to public rents during this period. This result is robust to changing the calculation technique for estimating current rental value; under the time-series-consistent approach the annual proportion of *Pure Public* in 1999/00 is 14.5%, as opposed to the 15.2% shown in Table 6 above.

More detailed results are given in Appendix Table A:3.

Aggregating the spending figures, public spending has remained relatively steady over this period, from 32 percent in 1979/80, to 27 percent in 1995/6, and back up to 30 percent in 1999/00. Public provision dropped markedly, from 27 percent in 1979/80 to 16 percent in 1995/6, and has stayed level since, at 18 percent in 1999/00.

## 4. Aggregate Results

### 4.1 *Proportionate welfare spend*

Table 7 shows the overall welfare spend from a proportional perspective; that is, taking total welfare spend in each year as 100 percent, what are the relative sizes of each constituent category of spending. It aggregates all the results from the individual services in Sections 3.1-3.5; the only difference is that housing spending is calculated on a consistent time series basis, using Sefton (1997) rather than Sefton (2002) (see the discussion of housing results for more detail on this).

**Table 7: Overall Welfare Spending**

<b>Overall Welfare spending: annual proportions (%) by type</b>			
	<b>1979/80</b>	<b>1995/96</b>	<b>1999/00</b>
Pure Public	52	50	49
Public: user charges	2	1	1
Public provision: with competition	5	1	2
Public provision: with competition: user charges	0	0	0
Public decision: contracted out	6	9	10
Public decision: contracted out: user charges	0	1	1
Private: public funding	10	10	8
Pure Private	24	27	29

\* Percentages rounded to whole numbers.

Overall, one can see a relative decline in *Pure Public* and a rise in *Pure Private*, both from 1979/80 to 1995/96, and again from 1995/96 to 1999/00. However, shifts over the period are very gradual, and even in 1979/80 there is a mixed picture with *Pure Public* representing only 52 percent of the total spend. The largest change over time is the increase in *Public decision: Contracted out* spending, which rises from 6 percent in 1979/80, to 9 percent in 1995/96, and 10 percent in 1999/00.

Table 8 below shows a similar analysis, with Housing removed, as Housing is atypical in having a very large private sector role. When Housing is removed, there is no change in *Pure Public* or *Pure Private* spending between 1979/80 and 1995/96, with a slight decrease in *Pure Public* and increase in *Pure Private* in 1999/00. This suggests that much of the decline in *Pure Public* and rise in

*Pure Private* recorded between 1979/80 and 1995/96 in Table 7 are due to trends in the Housing sector. Similarly, when Housing is excluded, there is no longer an increase in *Public decision: Contracted out* spending between 1995/96 and 1999/00.

**Table 8: Overall Welfare Spending Excluding Housing**

<b>Overall Welfare spending excluding housing: annual proportions (%) by type</b>			
	<b>1979/80</b>	<b>1995/96</b>	<b>1999/00</b>
Pure Public	62	62	61
Public: user charges	1	0	1
Public provision: with competition	6	2	2
Public provision: with competition: user charges	0	0	0
Public decision: contracted out	8	11	11
Public decision: contracted out: user charges	0	1	1
Private: public funding	9	9	7
Pure Private	15	15	17

\* Percentages rounded to whole numbers.

Coming back to overall welfare spending including Housing, it is clear from the analyses of specific services in Section 3 of this paper that some of the trends within individual services, as well as the changing relative sizes of the services, offset each other. Most importantly, while Education, Health and Public Social Services all show a clear shift away from *Pure Public*, Social Security spending shows an increase in Pure Public spending since 1979/80.

#### **4.2 Total welfare spend**

Based on the analysis given in this paper, total welfare spend has increased since 1979/80, both in real terms and as a percentage of GDP. Overall welfare activity grew from 33 percent to 39 percent of GDP between 1979/80 and 1999/00. Looking at the composition of this growth, private provision increased from 41 percent to 48 percent of the total provision, and private finance increased from 27 percent to 31 percent of total financing. In other words, the growth in welfare activity is particularly due to growth in private provision and finance, which was relatively larger than the growth in public provision and finance.

**Table 9: Total Welfare Spend**

<b>Total welfare spend (based on own analysis)</b>			
	<b>1979/80</b>	<b>1995/96</b>	<b>1999/2000</b>
£ billion (1999/00 prices)	192.4	314.7	357.5
As % of GDP	32.7	38.7	38.7
Public finance: as % of total welfare spend	73	71	69
Public finance: as % of GDP	23.8	27.4	26.6
Public provision: as % of total welfare spend	59	53	52
Public provision: as % of GDP	19.4	20.6	20.1

<b>Total welfare spend (based on 'Public Spending' data, National Accounts)</b>			
	<b>1979/80</b>	<b>1995/96</b>	<b>1999/2000</b>
£ billion (1999/00 prices)	136.2	203.7	210.2
As % of GDP	23.1	25.0	22.9

It should be noted that Public Spending as recorded in the National Accounts gives somewhat different results on the overall growth in welfare spending, reflecting definitional differences, and in particular the exclusion of tax reliefs from the National Accounts figures.

Hills (2004, Section 6.4) gives a more detailed analysis of these results, looking at total welfare spend both in aggregate and by service.

## **5. Conclusion**

In many respects, this analysis shows that key trends found by Burchardt (1997) have continued into the late 1990s. The most notable change over time is the increase in *Public Decision: Contracted Out*. There have also been ongoing drops in *Pure Public* and rises in *Pure Private* spending, though it is important to be clear that these do not correspond directly to one-another; the decline in *Pure Public* is less sizeable than the continuing rise in *Pure Private*.

These shifts in the composition of welfare activity have been relatively small and gradual. Indeed it is striking how small the shifts are; the largest category change between 1979/80 and 1999/00 is still only 5 percent. As such, the overall levels of welfare spending have shifted only somewhat, with *Pure Public* consistently the largest category – around half – of spending. *Pure Private* is slowly edging up, from being a quarter (24 percent) of all spending in

1979/80, to being 29 percent in 1999/00; at this pace it will be a third of all spending by around 2015.

The overall picture obscures some contrasts between sectors, in both the trends in spending and the levels of spending. Housing, with its unusually large private sector role, drives many of the overall proportionate welfare spending changes. Income Maintenance and Social Security is unique in showing an increase in *Pure Public* over time. The increased role of *Public Decision: Contracted Out* is particularly significant in Personal Social Services, as well as in Housing.

In terms of their relative importance to the total welfare spend picture, public financing has not decreased as much as public provision. The continuing increase of welfare activity as a percentage of GDP is shown by this paper's analysis to be particularly due to rising private sector welfare activity – both provision and financing – being added to ongoing substantial public welfare financing.

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## **Appendix: Detailed Results by Area**

### **Grossing procedure**

Where published data was for a national unit other than the United Kingdom, this was grossed up to estimate total UK expenditure. This was done using the following grossing factors (based on Office of National Statistics population statistics, released March 2004):

England: 1.2

England and Wales: 1.14 for 1979/80, 1.13 for all other years

Great Britain: 1.03.

## Table A:1: Education

All figures are for UK in 1999/00 £million (GDP deflated).

General notes:

Does not include training or pre-school education expenditure

Does not include student maintenance grants

Current expenditure only

Most figures in this table are grossed up from England or 'England and Wales' data

Category	Description	Amount in 1979/80	Amount in 1995/96	Amount in 1999/2000	Notes
<b>Public provision, finance and decision</b>	State primary and secondary schools	13,086	16,954	18,018	Local authority current expenditure. Includes 6th Form Colleges in 1979/80. Grossed up from England figures.
	Special schools	803	1,302	1,397	Local authority current expenditure. Grossed up from England figures
	Grant-maintained schools		1,998	170	Central government expenditure and grants to local authorities. Changes in funding arrangements in 1999/00 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
	Meals & Transport	1,799			Local authority current expenditure. Assumed to be public provision in 1979/80. Grossed up from England figures
	Teacher centres, child guidance & pupil support		628	1,301	Local authority expenditure. Grossed up from England figures

	Miscellaneous	1,399	1,920	1,324	Local authority and central government current expenditure. Includes research, administration and inspection. Grossed up from England figures
	<b>TOTAL</b>	<b>17,087</b>	<b>22,803</b>	<b>22,210</b>	
	Percent of grand total	65.5%	57.0%	53.9%	
<b>Public provision and finance, private decision</b>	<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	
	Percent of grand total	0.0%	0.0%	0.0%	
<b>Public provision, private finance, public decision</b>	<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	
	Percent of grand total	0.0%	0.0%	0.0%	
<b>Public provision, private finance and decision</b>	<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	
	Percent of grand total	0.0%	0.0%	0.0%	
<b>Private provision, public finance and decision</b>	Non-maintained school fees	442	272	325	Local authority current expenditure. In 1979/80 includes teacher centres, child guidance and pupil support. Grossed up from England figures.
	City Technical Colleges		71	56	Central government expenditure. Grossed up from England figures.
	Voluntary, non-maintained special, music and ballet schools	151	151	245	Central government grants. For 1999-2000 includes new dance and drama scheme. Grossed up from England figures.

	National Grid for Learning Meals & Transport		1,019	60 1,025	Assumed to be entirely private provision. Grossed up from England figures. Local authority current expenditure. Assumed to be contracted-out in 1995/6 and 1999/2000. Grossed up from England figures.
	Higher & Further Education	5,515	8,387	8,438	Local authority and central government grants to institutions. Includes teacher training. Grossed up from England figures.
	<b>TOTAL</b>	<b>6,108</b>	<b>9,900</b>	<b>10,150</b>	
	Percent of grand total	23.4%	24.8%	24.6%	
<b>Private provision, public finance, private decision</b>	Assisted places scheme		141	131	Central government expenditure and grants to local authorities. Grossed up from England figures.
	Higher and further education	758	1,327	624	Local authority and central government expenditure on tuition fees. Original figures include teacher training. There was 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, from England and Wales figures otherwise.
	<b>TOTAL</b>	<b>758</b>	<b>1,467</b>	<b>755</b>	
	Percent of grand total	2.9%	3.7%	1.8%	

<b>Private provision and finance, public decision</b>	<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	
	Percent of grand total	0.0%	0.0%	0.0%	
<b>Private provision, finance and decision</b>	Consumer expenditure	2,131	5,804	8,070	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 the 'public provision, private finance, public decision' category.
	<b>TOTAL</b>	<b>2,131</b>	<b>5,804</b>	<b>8,070</b>	
	Percent of grand total	8.2%	14.5%	19.6%	
<b>All</b>	<b>GRAND TOTAL</b>	<b>26,083</b>	<b>39,974</b>	<b>41,184</b>	
	Percent	100.0%	100.0%	100.0%	

**Sources:**

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Office for National Statistics (1996, 2000) Consumer Trends Q4 available at <http://www.statistics.gov.uk/statbase/product.asp?vlnk=242>

**Table A:2: Health**

All figures are for UK in 1999/00 £million (GDP deflated).

Category	Description	Amount in 1979/80	Amount in 1995/96	Amount in 1999/2000	Notes
<b>Public provision, finance and decision</b>	NHS hospital and community services	16,531	30,416	35,661	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 financed directly by the HAs or the DoH.
	Misc. NHS expenditure	3,333	4,202	6,684	Spending such as: central administration costs, ambulance services, mass radiography, laboratory, vaccination, research & development.
	General ophthalmic services	172			Sight tests and dispensing paid out of public funds. Assumed to be all public provision in 1979/80.
	<b>TOTAL</b>	<b>20,036</b>	<b>34,618</b>	<b>42,345</b>	
	Percent of grand total	70.5%	64.0%	64.5%	
<b>Public provision and finance, private decision</b>	<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	
	Percent of grand total	0.0%	0.0%	0.0%	

<b>Public provision, private finance, public decision</b>	NHS hospital charges	133	248	84	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'. Patient payments for sight tests and dispensing. Assumed to be public provision in 1979/80.
	General ophthalmic services	95			
	<b>TOTAL</b>	<b>228</b>	<b>248</b>	<b>84</b>	
	Percent of grand total	0.8%	0.5%	0.1%	
<b>Public provision, private finance and decision</b>	NHS private patients	109	255	331	"Pay beds"
	<b>TOTAL</b>	<b>109</b>	<b>255</b>	<b>331</b>	
	Percent of grand total	0.4%	0.5%	0.5%	
<b>Private provision, public finance and decision</b>	General dental services, prescriptions, general medical services	5,116	10,485	12,963	Paid out of public funds. Assumes no patient charges for general medical services (such as GPs).
	General ophthalmic services		120	174	Sight tests. Assumes all privately provided in 1995/6 and 1999/2000. Estimated based on England and Wales expenditure, adjusted using figures on number of sight tests in Scotland and Northern Ireland.

	Contracted-out care	86	93	115	In 1979/80: NHS expenditure on "contractual homes and hospitals" (grossed up from England & Wales figure); in 1995/6 and 1999/2000 Laing & Buisson estimate of acute health care purchased from independent sector.
	Ancillary services		122	300	Not available for 1979/80; 1995/6 figure includes only contracted-out laundry and catering (grossed up from England figure); 99/00 figure includes a wider range of services.
	<b>TOTAL</b>	<b>5,201</b>	<b>10,820</b>	<b>13,552</b>	
	Percent of grand total	18.3%	20.0%	20.7%	
<b>Private provision, public finance, private decision</b>	Glasses voucher scheme		191	167	Estimates based on England and Wales expenditure, adjusted using figures on number of cases in Scotland and Northern Ireland.
	Private medical insurance		96		Cost of tax relief on PMI for over-60s. This was abolished with the 1997 Budget.
	<b>TOTAL</b>	<b>0</b>	<b>287</b>	<b>167</b>	
	Percent of grand total	0.0%	0.5%	0.3%	
<b>Private provision and finance, public decision</b>	General dental services & prescriptions	369	937	860	Patient charges. Includes patient charges for services not detailed elsewhere.
	<b>TOTAL</b>	<b>369</b>	<b>937</b>	<b>860</b>	
	Percent of grand total	1.3%	1.7%	1.3%	

<b>Private provision, finance and decision</b>	Over-the-counter medicines, spectacles and contact lenses	1,743	3,812	4,885	Consumer expenditure, excluding NHS charges.
	Private medical insurance	360	1,891	2,173	Premiums (whether paid by employer or self), net of tax relief in 1995/6.
	Other private medicine	384	1,248	1,227	Consumer expenditure on private medical, dental, optical and nursing fees. Excludes NHS payments, PMI, purchase of medicines or other goods.
	TOTAL	2,488	6,951	8,285	
	Percent of grand total	8.7%	12.8%	12.6%	
<b>All</b>	<b>GRAND TOTAL</b>	<b>28,431</b>	<b>54,115</b>	<b>65,624</b>	
	Percent	100.0%	100.0%	100.0%	

**Sources:**

Association of British Insurers (2000) Insurance Statistics Yearbook 1989-1999 London: ABI

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### Table A:3: Housing

All figures are for UK in 1999/00 £million (GDP deflated).

General notes:

Calculation of several categories (economic subsidy for LA and HA tenants, right-to-buy discount, and owner-occupier imputed rent) are based on methods that use estimates of current rental value of dwellings. As discussed in the Housing Section of the main paper (Sect. 2.5), two alternative methods for doing so were used for 1999/2000. The first, labelled 'Timeseries', is the same method as used for earlier years. The second, 'Alternative', is a more sophisticated method giving the best possible estimate; it is able to be used only for 1999/2000 data.

Minor tax reliefs, eg rent-a-room scheme, not included

Effect of rent controls on private properties not included

LA = Local Authority; HA = Housing Association

Category	Description	Amount in 1979/80	Amount in 1995/96	Amount in 1999/2000 (Timeseries)	Amount in 1999/2000 (Alternative)	Notes
<b>Public provision, finance and decision</b>	Housing Benefit for LA tenants	2,068	6,252	5,530	[as Timeseries]	Rent rebates in 1979/80.
	Economic subsidy for LA tenants	5,334	2,027	7,711	8,576	Economic subsidy calculated according to method in Sefton (1997) and Sefton (2002). 1999/00 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.
	Homelessness provision		56	50	[as Timeseries]	Public provision. Grossed up from England figure. Not identified separately in 1979/80. 1995/6 figure is from 1994/5 data grossed up using GDP deflator.

	<b>TOTAL</b> Percent of grand total	<b>7,402</b> 18.0%	<b>8,336</b> 11.5%	<b>13,292</b> 14.5%	<b>14,156</b> 15.2%	
<b>Public provision and finance, private decision</b>	<b>TOTAL</b> Percent of grand total	<b>0</b> 0.0%	<b>0</b> 0.0%	<b>0</b> 0.0%	<b>0</b> 0.0%	
<b>Public provision, private finance, public decision</b>	LA rents  <b>TOTAL</b> Percent of grand total	3,752  <b>3,752</b> 9.1%	3,265  <b>3,265</b> 4.5%	3,253  <b>3,253</b> 3.5%	[as Timeseries]  <b>3,253</b> 3.5%	Net of Housing Benefit. 1995/96 figure is for calendar year 1995; 1999/00 figure is for calendar year 1999.
<b>Public provision, private finance and decision</b>	<b>TOTAL</b> Percent of grand total	<b>0</b> 0.0%	<b>0</b> 0.0%	<b>0</b> 0.0%	<b>0</b> 0.0%	
<b>Private provision, public finance and decision</b>	Housing Benefits for HA tenants	204	1,571	2,806	[as Timeseries]	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	158	424	2,852	3,172	1979/80 and 1995/6, assumes economic subsidy is same proportion of rent per dwelling as for LA dwellings, calculated following method in Sefton (1997). 1999/00 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. Bed & Breakfast accommodation and private leasing. Not identified separately in 1979/80. 1995/6 figure is from 1994/5 data grossed up using GDP deflator. Grossed up from England figures.
	Homelessness provision		223	88	[as Timeseries]	
	<b>TOTAL</b> Percent of grand total	<b>363</b> 0.9%	<b>2,218</b> 3.1%	<b>5,745</b> 6.2%	<b>6,065</b> 6.5%	
<b>Private provision, public finance, private decision</b>	Mortgage Interest tax relief	4,685	2,967	1,600	[as Timeseries]	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).
	Income Support for Mortgage Interest	112	736	527	[as Timeseries]	
	Housing Benefit for private rents	577	3,767	2,890	[as Timeseries]	

	Right-to-Buy discount		1,450	3,554	4,442	Annualised value, following method in Sefton (1997). Figure for 1995/6 is a 1993 figure GDP deflated; figure for 1999/00 is a 2000/01 figure GDP deflated.
	<b>TOTAL</b> Percent of grand total	<b>5,373</b> 13.0%	<b>8,921</b> 12.3%	<b>8,571</b> 9.3%	<b>9,460</b> 10.2%	
<b>Private provision and finance, public decision</b>	HA rents	380	1,427	1,224	[as Timeseries]	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 from GB figures).
	<b>TOTAL</b> Percent of grand total	<b>380</b> 0.9%	<b>1,427</b> 2.0%	<b>1,224</b> 1.3%	<b>1,224</b> 1.3%	
<b>Private provision, finance and decision</b>	Owner-occupiers' imputed rents & spending on repairs and maintenance	20,971	43,933	53,496	52,608	Net of MIRAS, ISMI and, from 1995/96, annualised RTB discount. 1995/96 figure is from calendar year 1995; 1999/00 figure is from calendar year 1999.
	Private rents	2,967	4,518	6,370	[as Timeseries]	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).
	<b>TOTAL</b>	<b>23,938</b>	<b>48,451</b>	<b>59,866</b>	<b>58,977</b>	

	Percent of grand total	58.1%	66.7%	65.1%	63.3%	
<b>All</b>	<b>GRAND TOTAL</b>	<b>41,209</b>	<b>72,617</b>	<b>91,950</b>	<b>93,135</b>	
	Percent	100.0%	100.0%	100.0%	100.0%	

**Sources:**

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## Table A:4: Social Security

All figures are for UK in 1999/00 £million (GDP deflated).

General notes:

See Table A:5 for details of pension calculations

Category	Description	Amount in 1979/80	Amount in 1995/96	Amount in 1999/2000	Notes
<b>Public provision, finance and decision</b>	Expenditure on basic state pension	26,201	34,767	39,164	Including contributory and non-contributory pension, widows pensions and Christmas bonus. Grossed up from GB figure.
	Other Social Security	26,030	51,065	49,637	Grossed up from GB figure. Excluding pension, Housing Benefit, Income Support for Mortgage Interest and Income Support for residential care, as these are all included elsewhere.
	Child Support Agency		54	156	Payments to Secretary of State for benefits repaid. Grossed up from GB figure.
	TOTAL	52,231	85,886	88,957	
	Percent of grand total	57.2%	65.2%	64.4%	
<b>Public provision and finance, private decision</b>	SERPS contributions	8,854	4,472	5,734	Non-contracted out contributions which could have been contracted-out. See pensions table for details.
	<b>TOTAL</b>	<b>8,854</b>	<b>4,472</b>	<b>5,734</b>	
	Percent of grand total	9.7%	3.4%	4.2%	

<b>Public provision, private finance, public decision</b>	Child Support Agency		30	323	Payments to persons with care. Grossed up from GB figure.
	<b>TOTAL</b> Percent of grand total	<b>0</b> 0.0%	<b>30</b> 0.0%	<b>323</b> 0.2%	
<b>Public provision, private finance and decision</b>	<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	
	Percent of grand total	0.0%	0.0%	0.0%	
<b>Private provision, public finance and decision</b>	<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	
	Percent of grand total	0.0%	0.0%	0.0%	
<b>Private provision, public finance, private decision</b>	Contracted-out deductions, incentives and tax reliefs on pensions	12,503	20,692	18,410	See pensions table for details.
	<b>TOTAL</b> Percent of grand total	<b>12,503</b> 13.7%	<b>20,692</b> 15.7%	<b>18,410</b> 13.3%	
<b>Private provision and finance, public decision</b>	<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	
	Percent of grand total	0.0%	0.0%	0.0%	

<b>Private provision, finance and decision</b>	Occupational and private pension contributions	17,647	19,813	23,853	Net of tax reliefs and contracted out deductions. See pensions table for details.
	Private "welfare" insurance	99	760	879	1979/80 and 1995/6 figures include Permanent Health Insurance and Mortgage Payment protection in 1995/6. 1999/00 figures exclude the latter.
	<b>TOTAL</b>	<b>17,746</b>	<b>20,573</b>	<b>24,732</b>	
	Percent of grand total	19.4%	15.6%	17.9%	
<b>All</b>	<b>GRAND TOTAL</b>	<b>91,334</b>	<b>131,653</b>	<b>138,156</b>	
	Percent	100.0%	100.0%	100.0%	

**Sources:**

Association of British Insurers (2000) Insurance Statistics Yearbook 1989-1999 London: ABI

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## Table A:5: Pensions

All figures are for UK in 1999/00 £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

Category	Description	Amount in 1979/80	Amount in 1995/96	Amount in 1999/2000	Notes
<b>Public provision, finance and decision</b>	Basic state pension	26,201	34,767	39,164	Contributory and non-contributory retirement pensions, widows pensions and Christmas bonus. Grossed up from GB figure.
	<b>TOTAL</b>	<b>26,201</b>	<b>34,767</b>	<b>39,164</b>	
	Percent of grand total	40.2%	43.4%	44.9%	
<b>Public provision and finance, private decision</b>	SERPS	8,854	4,766	5,734	Proportion of contracted-in contributions which could have been contracted-out. Calculated using figures on the average rebate (based on those given to contracted-out persons), times number of SERPS persons. Grossed up from GB figure.
	<b>TOTAL</b>	<b>8,854</b>	<b>4,766</b>	<b>5,734</b>	
	Percent of grand total	13.6%	6.0%	6.6%	
<b>Public provision, private finance, public decision</b>	<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	
	Percent of grand total	0.0%	0.0%	0.0%	

<b>Public provision, private finance and decision</b>	<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	
	Percent of grand total	0.0%	0.0%	0.0%	
<b>Private provision, public finance and decision</b>	<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	
	Percent of grand total	0.0%	0.0%	0.0%	
<b>Private provision, public finance, private decision</b>	Contracted-out deduction for occupational pension	7,206	6,163	5,960	Difference between full NI rate and contracted- out rate. Grossed up from GB figure.
	Tax relief	5,296	12,261	9,397	Grossed up from GB. 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), and (1- basic rate) relief on fund income. 1995/6 and 1999/00 figures calculated using methodology in Le Grand and Agulnik (1998) CASEpaper 5.
	Incentive payments and rebates for personal pensions		2,268	3,053	Grossed up from GB figure.
	<b>TOTAL</b>	<b>12,502</b>	<b>20,692</b>	<b>18,410</b>	
	Percent of grand total	19.2%	25.9%	21.1%	

<b>Private provision and finance, public decision</b>		0	0	0	
	<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	
	Percent of grand total	0.0%	0.0%	0.0%	
<b>Private provision, finance and decision</b>	Occupational pensions	17,061	14,657	19,930	Employees and employers contributions, net of tax relief and contracted-out rebates. Grossed up from GB figures.
	Personal pensions	586	5,156	3,923	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. Grossed up from GB figure.
	<b>TOTAL</b>	<b>17,647</b>	<b>19,813</b>	<b>23,853</b>	
	Percent of grand total	27.1%	24.8%	27.4%	
<b>All</b>	<b>GRAND TOTAL</b>	<b>65,204</b>	<b>80,039</b>	<b>87,160</b>	
	Percent	100.0%	100.0%	100.0%	

**Sources:**

Benefit Expenditure Tables 2003 [www.dwp.gov.uk](http://www.dwp.gov.uk)

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## Table A:6: Public Social Services

All figures are for UK in 1999/00 £million (GDP deflated).

General notes:

Data for 1979/80 collected under different headings than subsequent years, so not directly comparable

Income Support amounts are grossed up from GB

All private spending amounts are for the UK

All other 1979/80 and 1995/96 data has been grossed up from England and Wales

All other 1999/00 data has been grossed up from Great Britain

Category	Description	Amount in 1979/80	Amount in 1995/96	Amount in 1999/2000	Notes
<b>Public provision, finance and decision</b>	Residential care	1,546	2,111	2,085	Local authority expenditure on own provision, net of user charges. In 1979/80, assumes residential care for "other groups" is all publicly-provided.
	Non-residential care	1,038	3,137	3,639	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.
	Miscellaneous	1,166	1,528	2,055	Administration and regulation. In 1979/80 includes fieldwork. In 1995/6 includes capital charges not included elsewhere, and purchasing costs. In 1999/00 includes unallocated expenditure and purchasing and care management costs.

	Centrally -financed	39	150	240	e.g. training and research. Current expenditure. In 1995/96 and 1999/00 includes 'Service Strategy and Regulation'.
	<b>TOTAL</b>	<b>3,789</b>	<b>6,926</b>	<b>8,019</b>	
	Percent of grand total	71.0%	42.6%	42.1%	
<b>Public provision and finance, private decision</b>	<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	
	Percent of grand total	0.0%	0.0%	0.0%	
<b>Public provision, private finance, public decision</b>	Residential care	459	415	517	User charges for LA-provided services
	Non-residential care	65	161	268	User charges for LA-provided services.
	Miscellaneous	13			
	<b>TOTAL</b>	<b>537</b>	<b>576</b>	<b>785</b>	
	Percent of grand total	10.0%	3.5%	4.1%	
<b>Public provision, private finance and decision</b>	<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	
	Percent of grand total	0.0%	0.0%	0.0%	

<b>Private provision, public finance and decision</b>	Residential care	333	2,666	3,815	Local authority expenditure on contracted-out services. In 1979/80, estimated as total net cost minus cost of own provision.
	Non-residential care	233	1,228	1,507	See notes for residential care.
	Income Support	28	1,715	846	For residents of independent care homes. 1995/6 and 1999/00 figures are grossed up from GB figures.
	<b>TOTAL</b>	<b>594</b>	<b>5,609</b>	<b>6,168</b>	
	Percent of grand total	11.1%	34.5%	32.4%	
<b>Private provision, public finance, private decision</b>	<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	
	Percent of grand total	0.0%	0.0%	0.0%	
<b>Private provision and finance, public decision</b>	Residential care	10	724	1,444	User charges for contracted-out services.
	Non-residential care	15	66	127	See notes for residential care.
	<b>TOTAL</b>	<b>25</b>	<b>789</b>	<b>1,571</b>	
	Percent of grand total	0.5%	4.8%	8.3%	

<b>Private provision, finance and decision</b>	Residential and non-residential care	395	2,371	2,497	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.
	<b>TOTAL</b>	<b>395</b>	<b>2,371</b>	<b>2,497</b>	
	Percent of grand total	7.4%	14.6%	13.1%	
<b>All</b>	<b>GRAND TOTAL</b>	<b>5,340</b>	<b>16,271</b>	<b>19,038</b>	
	Percent	100.0%	100.0%	100.0%	

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