

Perceptions of redistribution: Report on exploratory qualitative research

Alan Hedges

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Centre for Analysis of Social Exclusion
London School of Economics
Houghton Street
London WC2A 2AE
CASE enquiries – tel: 020 7955 6679

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Telephone: UK+20 7955 6679
Fax: UK+20 7955 6951
Email: j.dickson@lse.ac.uk
Web site: <http://sticerd.lse.ac.uk/case>

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Editorial Note and Acknowledgements

Alan Hedges has worked in and around the worlds of social and market research for over 40 years. Since 1971 he has operated his own consultancy, advising on and carrying out research (with a particular focus on qualitative methods). He now specialises in public sector and social policy fields, and has worked on behalf of most government departments. He has had a good deal of experience of both qualitative and quantitative research, particularly as a practitioner but also as a user, and has written and lectured widely on research methods and applications.

This project was intended as exploratory research prior to designing a module of the British Social Attitudes Survey which explored attitudes towards the issues discussed here at national level. The exploratory research was commissioned by CASE and the National Centre for Social Research and was funded by the ESRC. A module on these issues was included in the 2004 BSA survey, also with support from the ESRC, and analysis of the results of these will be published at the end of 2005.

The author is particularly grateful to John Hills (CASE) and Alison Park (NCSR) for their help in planning the study and providing content for the stimulus material used. He is also indebted to all those who gave their time to take part.

A copy of a fuller version of this report, with more details on the methodology used is available from Jane Dickson at CASE (j.dickson@lse.ac.uk).

Address for correspondence:

The Manor
Great Billington
Leighton Buzzard
Beds LU7 9BJ
Tel: (01525) 372516
Fax: (01525) 851649
email: alan@privets.co.uk

Abstract

This paper represents the results of a small-scale qualitative study, exploring public perceptions of the redistributive effects of taxation and public spending in the UK. Redistribution is not at the top of people's minds when they consider these issues and it is a complex subject on which they have thought little. People appear to apply separate principles of 'fairness' and 'mutuality' to the structures of taxation and public spending. Fairness in taxation may involve more progressivity than the current system, and those with low incomes may need more help. The support this implies for the redistributive impact of government does not appear to be primarily motivated by concerns about making incomes more equal, but rather the outcome of belief in a system in which everyone can get help when they need it, and everyone contributes according to their means.

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Key words: Redistribution; attitudes; taxation; public spending.

A Summary and conclusions

A1 The study

This paper is based on the findings of a small-scale qualitative research project originally intended to provide input into the design and development of a projected *British Social Attitudes Survey* module, covering public perceptions and values in relation to redistribution within the tax system. The work was commissioned jointly by the National Centre for Social Research (NCSR) and the Centre for Analysis of Social Exclusion (CASE), with ESRC funding.

41 people were involved in six small group discussion sessions held in three areas of Britain in April of 2003. The sample was selected by quota methods, taking into account household income and political leanings as well as lifestyle and gender. The study was designed and carried out by Alan Hedges, an independent social researcher.

This was purely an exploratory project, and the sample was limited in size – and also in the field time available to unpack a complex and ramified set of topics. The findings should be regarded throughout as grounded hypotheses rather than proven facts, and some of the issues could usefully be further explored.

A set of stimulus materials was developed to provide relevant information for participants as the discussion progressed. (See B)

A2 Summary of main findings

1 The context for considering redistribution

The public generally has limited knowledge and understanding of the complex system by which tax is collected and spent. This is normally seen as a difficult issue, and of limited interest. People are often concerned with the impact of taxation on their personal finances, and with the quality of the services and other benefits it provides, but they are not normally much interested in the mechanics of the process, or in the intricate balances within the system. Knowledge is typically incomplete and fragmented, and misconceptions are sometimes apparent. In many ways the public perspective tends to be bottom-up disaggregated and concrete, rather than top-down, unified and abstract. People have a rough-and-ready (but still usually fragmented and incomplete) knowledge of the way the system impacts on them as individuals, but only a limited understanding of the system as an overall entity. (C2.2)

There seems a widespread perception that British taxes are high and rising, although many participants had little idea how much they actually pay themselves. At the same time there is an even stronger perception that the

services and benefits provided are often unsatisfactory, and have been cut back in many ways. Participants often feel that the situation continues to deteriorate, leading to an image of worsening value. There is a sense of paying “more for less” as time goes on. Few people think they see signs that the corner has been turned, in spite of recent increases in government spending. (C2.3)

Taxation is not only a complex, but also a somewhat painful subject, because it involves ‘your’ money being taken away from you. Even those who thoroughly endorse the principle (and even the level) of taxation often find the actual practice of having to pay unpleasant. Discussion of taxation and public spending (or indeed anything to do with money) tends to have a strong emotional as well as a rational component. (C1.1, C2.2)

Many participants felt that what they get back from the state isn’t commensurate with what they pay out. This is inevitably only an impression, not the outcome of an actuarial calculation on their part – members of the public can only guess how much they pay in tax, and they typically have little or no idea about the cash value of the services they receive, particularly where these are benefits in kind. Some were quite surprised to see estimates of the cash value of services drawn by different income groups (see D14). People tend to think of services like health and education as just ‘free’, and usually have little notion what these might be worth to them. This aggravates their sense of poor value, which primarily arises from discontent with aspects of the service provided (as does the prevalent assumption of waste and inefficiency). (C2.2, C2.3)

However, my impression is that the current mood is more concerned with getting the services fixed than with reducing taxation. That’s certainly not to say that people don’t care about the level of tax, but that they would feel more content with it if they felt they were getting the kind of service they really want and need. Some say they would be willing to pay more if this would really get them good service, and not be wasted. (C2.3)

Dissatisfaction about the above matters is often near the front of people’s minds, and tends to dominate their perceptions in this connection. When they do think about taxes and spending this is what usually grabs their attention – issues like redistribution tend to get drowned out by complaints about services, taxes and the value these represent. (C2.1)

People are aware that there are many different types of tax, but they often find it difficult to call more than a few examples to mind at one time. One of the key differences is between income-based and spending-based taxes. Participants were generally aware that these exist, but often hadn’t thought through the full implications. This is important for redistribution, since income taxes are

generally redistributive and spending taxes are not. This is again not something many people seem to have thought much about. (C2.2, C3)

Similarly people are broadly aware of many of the ways in which taxes are spent, but again they don't usually carry a clear mental picture of all the categories (much less the amounts spent on each). One of the most important distinctions is between benefits in cash and benefits in kind, but again this had not often been thought through prior to the discussions. Benefits in cash have a more-or-less known value (even if people often don't have the precise amounts in their minds), but participants typically had little notion of either the cost or the value of benefits in kind – and often haven't even thought to wonder about it. They certainly don't have anything approaching a synoptic figure in their heads that says 'this is the amount I get back from the state in return for paying my taxes'. The various services tend to live in different parts of people's minds, so there is little impetus to aggregate them mentally. Thus there is no vivid sense of a quantum of benefit to offset the more sharply visualised quantum of pain that paying taxes causes. (C1.1, C2.2, D14)

On the other hand much of the controversy about public spending relates to cash benefits. People are often centrally preoccupied with the quality of education and (particularly) health services, but there rarely seems to be much argument about these being universally available – except in isolated situations like 'health tourism'. With Social Security by contrast there is often lively debate (and sometimes strong feelings) about who should get what. (C1.1, C2.2)

In spite of criticisms of services there seems to be general support for the principle of the welfare state as something which supports people when they need help, and which spreads the cost of doing so proportionately to their ability to pay. Some people have misgivings of one sort or another about its detailed implementation, but I did not hear arguments in favour of abandoning it. Many participants felt they would have been worse off if the welfare state had not existed, in spite of their criticisms about its shortcomings. Private sector provision is beginning to look expensive and unreliable in various respects. However, many have little idea about the cost of private healthcare and education – and even if they do they have no real basis for comparing these with the (largely unknown) costs of state provision. (C2.4)

There were large differences of opinion about whether people should be allowed to opt out of paying for services like health and education if they make private provision, but the balance of feeling seemed opposed to this. However, not everyone has thought through the full implications of allowing or not allowing opt-outs. (C2.6)

Means testing of benefits and services tends to be redistributive, but attitudes to it vary a lot – not only between individuals, but between types of benefit. Benefits in kind like health and education are not generally seen to be means tested, and people were not arguing that this should change. However, opinions were more divided about cash benefits. The mood tended to be opposed to means testing pensions, although some would like to see child benefit means tested. Means testing as a concept seems widely unpopular – not only because it's seen to be expensive to operate, stigmatising and damaging to take-up, but also because it is thought to draw unfair and arbitrary lines between people whose needs seem similar. Moreover many feel that there is an inalienable right to (for example) pensions simply because people have “paid in” for them. (C2.5)

Participants did not perceive different kinds of service and benefit in the same way. Pensions are seen very differently from other cash benefits, the criteria applied to education are very different from those applied to child benefit, etc. People would apply (for example) the idea of means testing very differently to each of these areas. (C2.5)

2 *Perceptions of redistribution*

Redistribution is a complex phenomenon. There are basically two types:

- **Temporal** redistribution, in which an individual may be a net contributor at some points in time and a net beneficiary at others, as their needs and means fluctuate through their lives.
- **Interpersonal** redistribution, in which resources tend to flow from people with larger means and smaller needs to people with larger needs and smaller means. (D1)

The study deliberately took an oblique approach to redistribution – rather than exploring the semantics of the term itself it seemed preferable to talk about taxation and public spending, and then nudge the conversation in the direction of the redistributive elements. At a later stage in the discussions stimulus materials were used to illustrate some of the outcomes of redistributive processes. (D2, D14)

The semantics of the term itself were not explored, but the impression is that most people would understand it more in the interpersonal than the temporal sense. Redistribution over time is an integral part of the basic welfare state deal, almost like an insurance contract – you pay in steadily when you can so that you can draw out when you need it. It is probably where some people *systematically* win or lose (usually because of differences in income levels) that the notion of redistribution starts to have much meaning. (D1)

On the whole participants supported the idea of redistribution, albeit with some caveats and qualifications. Most found it easier to get their minds round the concept when they saw some concrete examples of the ‘gains’ and ‘losses’ for different income groups (although these needed careful explanation). These examples did not usually change people’s minds substantially about supporting redistribution. Some were a little stunned by the very large amounts of resource transferred between the highest and lowest income groups (particularly when they looked at lifetime outcomes). But in general these outcomes were largely accepted as fair. (D3, D14)

Some participants persisted in feeling that those in the highest quintile group for income could reasonably be expected to pay more, although such sentiments were sometimes diluted when participants saw the extent of resource transfers taking into account the value of services as well as the cost of taxation to produce a net win/lose figure. The impression is that the level of annual household income at which people might be expected to pay extra would probably be in the region of £100,000 or more, although this was not extensively probed. (D14)

Many participants were surprised to find that the lowest income group pays a higher proportion of its income in tax than the highest group, which struck them as unfair and wrong. This effect is due to the regressive impact of spending taxes, a factor which many hadn’t considered much before. (C3)

My impression is that for most participants the reasons for supporting an element of redistribution are not primarily rooted in egalitarian sentiments. The main drivers typically (and in varying proportions) seem to be:

- A feeling that we have a collective duty to support those in need.
- A belief that rainy days come unexpectedly, and that we all have an interest in ensuring that support is there if and when we need it.

However, there was no time to explore these complex motivations thoroughly. (D3)

Participants were shown a quadrant diagram listing combinations of flat-rate and income-based options for both taxes and benefits. Income-related payments plus flat-rate benefits seemed most popular – but some also want an income-based element for some of the benefits. This choice seems fairly close to the current system. (D10)

People seem happier with the notion of redistribution if they picture it as a process whereby individuals pay into and draw out of a central pot – which is indeed the case. Some get less comfortable when they visualise it as one person (or group of people) making direct payments to another. This is not actually

what happens, but it is a way people sometimes look at it. The outcome is the same, but the implied narrative (and hence the emotional tonality) can be very different. (D4)

Two fundamental concepts which underlie many people's attitudes to redistribution are 'fairness' and 'mutuality'. The former word was used a lot, the latter is just a label I have applied to a loose but important bundle of ideas. People have simple common-sense notions of what is fair, and the report lists some of the ways in which the word was used. The problem is that simple and widely-endorsed 'fairness' criteria often conflict with each other. Therefore the decisive factor is often not just what the criteria are, but how they are balanced off against each other – but in the real world people do not often have occasion to think through this trade-off process very far. (D5)

The notion of 'mutuality' describes a basic set of common expectations which seem to relate to the way people perceive the welfare state. The important thing is not that everyone should pay or draw the same, but that there should be a mutual set of rights and obligations which ensure that individuals draw what they reasonably need to and contribute what they reasonably can. What people tend to talk about (and value) is evening out risk, supporting those most in need of help, and sharing the financial burden according to ability to pay. Since both means and needs clearly vary between individuals this is by nature a redistributive mechanism, but again the redistribution is almost more of a by-product than an up-front objective. The main aim is simply to make sure that everyone gets access to good services and is reasonably free of worry and hardship. (D5, C2.4)

In this sense the welfare state looks a bit like a club. The problem some people raise is what happens to those who aren't members of the club (like 'asylum seekers' and 'health tourists'); or who are technically members but who haven't bothered to pay their dues (by not working when they reasonably could, or by manipulating or defrauding the system in their own interests)? Some feel such people shouldn't be entitled to the same benefits as those who have conscientiously done their bit. In their minds it is unfair to the conscientious to redistribute their resources to those who are not (as it were) members in good standing. Examples of this issue sometimes engender a lot of heat. But others take a more inclusive and Samaritan-like view, seeing mutual responsibilities as more a matter of common humanity than merely of membership and paying dues. In practice few would advocate leaving even the least 'deserving' cases without any support at all, but different people would draw the line in different places. (D5, D6.1)

Mutuality nevertheless remains a good way of describing one of the main engines of support for redistribution. The argument is mainly about what constitutes a violation of mutuality, and what should happen when this occurs.

There is a strong element of insurance in people's perceptions of the welfare state. Life is uncertain, and loss of health or employment could be painful and destructive if there is no support when it happens. However the insurance model is limited – it fits aspects of health and unemployment well, but seems less applicable to education or even pensions – these are not 'risk' factors in the same way, but merely cyclic or periodic episodes of need and heavy expenditure. (D11)

The insurance model can also appear largely self-interested – you support others so they will support you when your time comes. But there also seem to be more altruistic elements in some people's make-up – you support others because it is right to do so, and because you sympathise with their predicament. Some people also perceive societal or systemic benefits – living in a kindlier society, enjoying the economic and social fruits of a well-educated population, and so on. However these indirect benefits are perhaps less obvious and more complex to analyse than direct benefits to individuals. (D3, D11)

One factor which may threaten aspects of the redistributive consensus in future is the dwindling sense of continuity and the growing mood of uncertainty about the future of the system. Temporal redistribution depends intrinsically on continuity – your turn to draw may never come if the entitlements you have been providing for others no longer operate when your time comes to need them. This kind of continuity is no longer so readily taken for granted. (D12)

People often seem more uncertain about redistribution between geographical areas than between income groups. Uncertainty is magnified when talking about people from outside the 'welfare club' area (basically Britain), as noted above. I saw little or no sign that the Devolved Administrations have so far changed English people's perceptions of the club boundaries. This may or may not happen in future. (D13)

At the end of the groups participants were shown some CASE calculations of the lifetime impact of redistribution. This was a new thought to many, and had to be explained carefully. The figures projecting resource transfer over a whole lifetime tend to seem shockingly large to some, but in spite of this the pattern shown largely seemed to be accepted. (D14)

A3 Some conclusions and implications

The main conclusion is that redistribution is not currently a front-line issue for many members of the public. Knowledge and understanding of the tax and spending system is limited and fragmented, and other issues (notably service quality, and also the level of taxation) seem more gripping than the way liabilities and entitlements are distributed. Redistribution becomes a matter of direct public concern mainly in high-profile (and often contentious and strongly argued) cases of disputed entitlement – asylum seekers currently seem the most common reference here, but it is often applied generally to those who are not thought to have satisfied the principle of mutuality by contributing reasonably to the system. These factors don't generally undermine the principle of redistribution, they only affect where you draw its borders.

There appears to be widespread support in all the sectors studied for redistribution on something like the current model, and there is some feeling that those at the bottom of the income ladder need a bit more help, while those at the top might reasonably contribute a bit more than they do. This support does not usually seem to be primarily motivated by a direct desire to make incomes more equal – it seems to be the inevitable outcome of the widespread belief in a system in which everyone can get help when they need it, and everyone contributes according to their means. This seems more redistributive in effect than in intent.

Redistribution is itself a complex subject, which few people have thought extensively about. Participants needed to be given some information (particularly about redistributive outcomes) in order to engage with it at more than a vague and generalised level. Key information can be absorbed, but it does need to be clearly presented and explained.

B Basis for this paper

This paper is based on a small piece of qualitative research carried out for CASE and NCSR in summer 2003 and funded by the Economic and Social Research Council (ESRC).

It was a very small-scale project – not intended as self-standing, but originally designed to provide material for developing a British Social Attitudes survey module. Nevertheless it yielded some rich insights and ideas, which are set out below.

The study was entirely qualitative in approach, based on group discussion techniques, and designed to generate insight into the way people think, feel and behave. Qualitative research is concerned with understanding the way people operate, rather than measuring the frequency with which different attitudes or behaviours occur. It cannot provide statistical information – words like ‘most’ or ‘few’ or ‘widespread’ are sometimes used to suggest the general drift of opinion, but these are to be interpreted only as broad descriptive indicators. Even by qualitative standards this study is small in scale and the number of sampling points was limited. The findings should therefore be read as grounded hypotheses rather than established facts.

The objective was to explore and map public understanding of and attitudes to the ways in which taxes and welfare spending in the UK have the effect of redistributing resources between different kinds of individual, groups, and stages of the life cycle in the British system of tax and spending. This is not easy – not only because redistributive mechanisms are complex, and not something which the public normally give much thought to, but also because public understanding of the workings of tax and spending is typically somewhat limited.

Six group discussions were carried out in three regionally-spread English locations: Barnet (London suburb), Sheffield (Northern city) and Rugby (smaller Midland town). 48 people were recruited for the study, and 41 of these actually took part, an average of nearly seven people per group. The sample was selected by quota methods. Quotas were set to ensure a good mixture of participants in terms of household income and political leanings, age or life stage and gender. Details of methods and sample (including a sample profile) are in the full report (available from Jane Dickson at CASE, j.dickson@lse.ac.uk).

The research was carried out by Alan Hedges, an independent qualitative researcher specialising in social and public sector studies.

There are two broad ways of approaching a complex topic like redistribution. You can work outward from the word itself, finding out what people understand by it, and what they think of it. Or you can come at it more obliquely, by exploring perceptions of the tax and spending system and working round to examine how people understand and feel about the redistributive elements of this. This study generally took the latter oblique approach. This was productive, because it avoids the risk of setting up particular expectations, and possibly getting trapped in a semantic box by focusing on words rather than ideas. However it would also have been good to have more time to unpack the term 'redistribution' itself, but this was not practicable given the amount of ground to cover.

Because public knowledge is limited various materials were prepared to stimulate discussion and help people to express their views and priorities. Copies of all these materials are in the full report, and some of the main items are reviewed in C3, D10 and D14.

The study necessarily covered a wide range of subject-matter, and there was not enough time in a standard 1½ hour group to focus in detail on many interesting topics, which could have done with lengthier unpacking than was possible in the time available.

Moreover opinion often evolved during discussion as participants talked through the issues and took in information. Few people had extensive ready-made understanding of many of the matters under discussion, and attitudes often evolved during the conversation.

Verbatim quotations are sometimes used to illustrate the way people think and talk. Each quote is preceded by 'M' or 'F', showing whether the participant is male or female. 'I' denotes remarks from the interviewer. Quotes are followed by a label showing the main characteristics of the session it came from:

Area	'Bar' = Barnet, 'Shef' = Sheffield, 'Rug' = Rugby
Income group	Among pensioners (Sheffield) 'Higher' = £10,000 or more, 'Lower' = below £10,000 Among non-pensioner groups (Barnet, Rugby) 'High' = £26,000 or more, 'Low' = below £26,000
Type	'Left' = politically left-leaning, 'Right' = right-leaning 'Mixed' = mixed or no political affiliation 'Pen' = pensioner (mixed affiliations)

The income groups are all based on gross household incomes. In practice all the higher pensioner incomes were in the range £10,000-£25999.

C Background and context

This chapter sets out some perceptions of the tax and spending system as context for subsequent discussion of redistribution.

C1 Understanding of tax and spending system

C1.1 Fragmented awareness and understanding

Most people's understanding of the system by which the state raises and spends money is severely limited. Some have more expertise (and more interest) than others, but few in these sessions had more than a fragmentary picture of what happens.

This is mainly because it is an extremely ramified and complex system. There are lots of different taxes, and many different types of expenditure. Even the bones of what happens are difficult to get the mind round, but at the level of detail each of these financial sources and destinations involves an extremely intricate machinery of practice and regulation. Much of this is literally unknown, but even where the elements are at least vaguely familiar it is difficult for most people to juggle more than two or three aspects in their minds.

F: "I don't think people are given enough information, and it's not put simply enough for people to understand it" (Shef higher pen)

It also tends to seem a fairly arid and remote topic, not one which most people would want to spend a lot of time thinking and talking about in a general sort of way. They are sometimes interested in certain aspects of the inputs and outputs – like the amount of tax they pay, whether it seems fairly levied, the services provided, whether money seems to be spent efficiently and on the right things, and so on. Issues like these sometimes arouse strong feelings, but few people normally spend time contemplating the machinery itself, or the way it operates, or the way different parts of the system balance out.

F: "It's things you don't normally think about, isn't it really?" (Bar high right)

People usually have a rough-and-ready working knowledge of the system. They know at least roughly how the thing works overall:

- Government, councils and other authorities collect money by various means
- They then spend this on a whole range of services.

But members of the public don't usually seem to have thought this through very far, and their picture of both the tax and the spending side of the equation typically seems incomplete, patchy and hazy – and sometimes inaccurate.

Knowledge of different types of tax: Many of the types of tax are at least vaguely known, but if you ask people to list the ways by which the state raises money they will typically think quickly of two or three types, after which they tend to dry up fairly quickly. Other kinds of tax often bubble up to the surface of the mind sooner or later during discussion, but few people have a ready-made synoptic grip on all the different ways in which revenue gets raised, which they can call on in thinking about the way the system works. Even the information they already have in their heads often has to be put together painstakingly before it is ready for use. Sometimes misconceptions are apparent.

F: "I know they make an awful lot in tax on cigarettes"

F: "And petrol"

I: "So you pay tax on cigarettes, what else do you pay tax on? How do you pay taxes?"

F: "Petrol"

F: "I think there's tax on beer too. All the basic things that the commoners like"

F: "On VAT"

M: "It's everything, food"

I: "How else do you pay money to the state and to the councils?"

F: "The council tax, poll tax, so it's on the water rates and all that sort of thing, a kind of tax but it's a service"

M: "It's PAYE innit?"

M: "Your tax on your earnings obviously goes to there, your national insurance" (Rug low mixed)

The different types of tax do not necessarily even live in the same mental pigeonholes. People's experience of the system is disaggregated. They pay different types of tax to different people at different times and in different ways, and for most of the time in ordinary life there is no particular incentive to put all this together into one integrated global picture of taxation.

Awareness of tax amounts paid: Participants typically seemed unaware of what they themselves actually pay in tax. Even if they wanted to work out the total amount of tax they pay it would be very laborious at best, because of the large number of different amounts paid through different channels at different times. It would hardly be feasible to tot up all the thousands of bits they pay.

In practice it would in any case be impossible for an individual to work out their total tax bill, because some of their taxes are more or less invisible. Spending taxes like excise duty or VAT are often not identified separately on purchases, so people have little idea of what they have actually paid. Income tax, NI and council tax are at least in principle knowable, since people are told what they have to pay and/or what they have paid – but few people integrate these payments in their minds, and often they don't even remember how much they

have recently paid under any one of these headings. They get statements, but these don't often become organised knowledge in their minds

This tends to apply even where they seem visibly aggrieved about their perceptions of the level of taxation. Thus people often feel they pay too much tax without having a clear idea how much they do actually pay.

Not only did participants typically seem unclear about how much tax they pay personally, most seem unsure about how much tax the state raises in total, or how this breaks down by type of tax (either in absolute or percentage terms).

Awareness of what tax is spent on: This vagueness also extends to the spending side. Most people can quickly mention a few of the things public money gets spent on, and when they are shown an actual list it contains few surprises¹. People generally know that money is spent on education, health, law and order, bin collection, social security and so on – but again they can't always call more than a few of these to mind at any one time.

Typically participants had little idea what the total annual spend is, or how this breaks down between different types of expenditure.

It became clear that few participants had even tried to work out what they get back from the state in benefits of one kind or another, and that most would not know how to attach value to benefits in kind – even if they thought of doing this, which seems unlikely (see C2.1 and C2.2).

Among the materials shown to participants to stimulate reflection and discussion was a list of the main heads of government expenditure (see sheet F). This was not something most could begin to construct for themselves. Many people could not even call all these categories to mind – they generally stuck after naming two or three of them. Certainly the amounts would rarely be known.

¹ When I showed a list of heads of expenditure there were a few items people hadn't thought of at all – like debt interest, for example, which is not widely known or understood.

F Where did the money go to?

15% went on health	£58 billion
13% went on education	£51 billion
29% went on social security:	£112 billion
Pensioners	£64 billion
Children	15 billion
Working age	£33 billion
6% went on defence	£24 billion
6% went on law and order	£23 billion
4% went on transport and housing	£15 billion
1% went on overseas aid	£5 billion
6% went on debt interest	£22 billion
21% went on other things	£82 billion

2001-2002

Some commented that these figures might show what is spent, but they don't tell you how productively it's spent – or what the services are actually “worth”. Given widespread perceptions of “waste” and inefficiency (see C2.3) these are often not seen as the same things at all.

M: “One of the issues here was about how efficiently they spend, so the administration of these are actually in those figures – you can't see how much is going to administer it and how much is actually coming to the people” (Bar high right)

C1.2 Terminology of tax and spending

Even the names of the various taxes and benefits are sometimes hazy – many find it hard to remember the term ‘Council tax’, for example, and the term ‘Poll tax’ is still frequently heard. This is not helpful when it comes to understanding how things work – some do not seem to have a clear grasp, for example, of the differences in the basis on which local taxes have been collected over the last few decades (rates, community charge and council tax), although they sometimes have views about the principles that underlie them (like property value and capitation).

Things that have ‘tax’ in their title (most obviously income tax) seem to come more quickly to mind when talking of taxes than things with other names. Duties are often referred to as ‘taxes’ (for example it's ‘car tax’ not ‘vehicle excise duty’ to most people). Conversely most think of ‘VAT’ rather than ‘Value Added Tax’, so that is sometimes more slowly remembered in the

context of talking about taxes – although it is clearly seen as a kind of tax once mentioned.

National Insurance also generally seems recognised as a tax once mentioned, but it often tends to surface more slowly in discussion of taxation.

C2 Perceptions of tax and spending

C2.1 Attitudes to tax and spending

People are often ambivalent about the system by which the government raises and spends money. As we have seen there is a good deal of uncertainty about just how the system works in detail. Participants also often had conflicting (and often unreconciled) principles, aspirations and needs in their minds.

Tax and spending is not a subject most people usually seem to invest a great deal of thought in. It seems a complicated and unrewarding topic, and some of its associations are painful rather than pleasurable, particularly on the tax side. Particular issues may arise from time to time which provoke discussion and may even arouse strong feelings (like the state of the NHS, or the recent rise in council tax), but in the main it is something that whirs away in the background without attracting much active notice.

The extraction of tax tends to have uncomfortable or even painful associations. Few people actually like paying tax, even those who are quite content in principle with what they have to pay. Some of your money just disappears from your control and use, and that isn't a pleasant thought.

M: "We've all said we think the principle of paying tax is all right, but I think most people if they could avoid paying some tax by – if you said, like, 'You've got to have one of your windows bricked up', or whatever, 'cos they used to have the window tax, then quite a lot of people would do that. Or you'd get an accountant, or whatever you do" (Bar high right)

When that money is spent on services it ought to provide a balancing element of pleasure to offset the pain, but that doesn't usually seem to be the case. Service provision is often hedged about by dissatisfactions (see C2.3). Moreover people aren't usually clear about the linkages between what they spend and what they get, and don't tend to attach cash values to the services received (see C2.2). So there tends to be a rather lop-sided view of the balance between getting and spending.

Responses to taxation have powerful emotional as well as rational roots.

M: "I think people have an emotional response to money in general. It's not always logical, the way people spend money. And people always have an

emotional response to how money is spent – and how money is diverted”
(Bar high right)

There is a common perception that we are an overtaxed nation, although this perception is not usually based on a clear understanding of what we actually pay, or how this compares with other countries, or how it has changed over time.

F: “I think we pay too much tax anyway at the moment. I’ve been quite crippled with everything that’s recently happened, like the council tax and everything, and petrol” (Bar high right)

I: “Do you think you know what money is taken from you and what it’s spent on?”

M: “Too much”

M: “Yeah, I’ll go along with that”

F: “Yeah, we’re too highly taxed in this country”

I: “Do you think in this country people pay more taxes than you would, say in France?”

All: “Yes”

F: “Or even America”

F: “I don’t know whether we’re higher taxed – are we higher taxed?”

F: “We’re probably taxed in different ways”

F: “Do they not pay more income tax in Europe? And then everything else is a bonus”

F: “Don’t they have to pay for their own medical care?” (Rug low left)

Taxes are also widely thought to be rising.

The upshot is that participants were often wary and defensive in talking about taxation.

M: “They like to get money off you, don’t they, the state?” (Rug low left)

There were some clues that participants would often feel better about paying taxes if they felt they knew what was happening to their money, and that a proper account of the expenditure was given.

F: “If we knew where the money was going – I can’t be bothered with people who say, ‘I don’t want my tax to go up’ – then don’t expect to be part of a system, don’t expect National Health, don’t expect your bins, don’t expect libraries, don’t expect anything if you don’t wanna pay tax” (Bar high left)

M: “It would help if it started with accountability – there isn’t clear accountability to the general public – all we get is a chance every three or four years to vote a new government in, and they’re stuck for another four years”

F: “And they all do as bad”

F: “Criticise the previous one and then do what they said they wouldn’t do”

M: “Accountability – crystal-clear accountability. All these areas to the lay person are such grey areas. It’d be interesting to have independent consultants, third parties, that would really make these people and services accountable. Then you could get rid of the wastage and put the money back in where it’s needed” (Bar high left)

F: “I don’t think we’re told the truth in many respects, I don’t think we’re told as much as we’d like to know, how money is truly spent”

M: “Yeah, well the government and anything is run on a need-to-know – and we don’t need to know!”

F: “I think it’s getting worse as time goes on, I mean they pretend they’re telling us a lot, but really I don’t think they do – they’re very secretive” (Shef lower pen)

C2.2 Not a single homogeneous system

The tax and spending system is not usually thought of as a single homogeneous entity. The logic, criteria and dynamics vary in some ways from sector to sector.

If we take a bird’s-eye view of the system we can treat all forms of taxation as equivalent – all revenue-raising devices, differing only in the way they operate. In the same sense we can treat all forms of expenditure as equivalent. The global notion of ‘redistribution’ depends on this – we lump in different kinds of tax and different kinds of benefit, chucking health, education, pensions, other social security, policing, transport etc into one pot, on the assumption that they can all be treated as equivalent.

This is a perfectly valid (indeed useful) perspective – but it is a high-level abstraction, and we shouldn’t assume that this is the way people normally look at things. Sometimes they have to make some effort to put together things which they normally think of as quite different.

People’s perceptions of the tax and spending system tend to be specific, concrete and low-level, rather than generalised, abstract and high-level. The kind of synoptic bird’s-eye view of the whole system which comes naturally to policy analysts and researchers is something members of the public often have to make an awkward adjustment to. In the context of the present study this adjustment was an important part of the process of deliberation, and to some extent needs to be fuelled by information (see C3, D14).

Different types of tax: As noted above, people are broadly aware there is a range of different types of tax, but most haven’t thought deeply about the implications of these.

One of the most important distinctions from the point of view of redistribution is the difference between income-related taxes and spending-based taxes. This is

something most people are vaguely familiar with. They know that income tax is progressive (although very few use that word), that the more you earn the more you pay. They also know that taxes like VAT, petrol tax and so on are not income-related, and that everyone who buys items that bear these taxes pays the same.

However not many people seem to have thought through the implications of this to the point of working out that spending taxes bear relatively more heavily than income taxes on low-income households. This was apparent from reactions to some of the stimulus materials, where people were quite surprised to see that those in the quintile group with the lowest household income pay a slightly higher proportion of their income in tax (see C3).

This means that one of the most important sets of tools on the collection side of redistribution is somewhat fuzzy in many people's minds.

Some people also have other views about these two different types of tax, but these vary considerably between individuals:

- Some prefer income-related taxes because it seems fairer to raise money in proportion to people's ability to pay than to take in money on a flat-rate basis.
- On the other hand income tax is a very visible bite out of the paypacket.
- The ubiquitous and invisible nature of spending taxes is also sometimes disliked.
- There were occasional references to 'stealth taxes'.

F: "Well, they're all stealth taxes, aren't they? That's what they all are, he's put thousands on" (Shef higher pen)

- There is also some tendency to feel that you have some 'choice' about paying spending taxes, whereas income tax seems unavoidable².

F: "The taxes on spending you control yourself – then I don't have to buy if it's on it, whereas my income will be taxed whatever I do" (Bar high left)

M: "But VAT gives you a choice – if you don't wanna buy a thing with VAT on you don't buy it. But with income tax, if you earn a certain amount, you've got to pay it automatically"

M: "No choice – no choice"

F: "Yeah, I think that VAT's better really, you've got your choice"

² This is an interesting perception which I've come across in other studies. It's hard to see in general terms that people really have more chance of avoiding spending taxes by abstaining from spending than they have of avoiding income tax by abstaining from earning. Both are possible in theory, but neither seems practicable as a general strategy.

M: "But you haven't – it's on petrol, it's on gas, it's on electricity"

F: "Holidays – everything" (Shef higher pen)

Some participants argued that spending taxes amount to double taxation – you've already paid income tax on the money coming in, now you're taxed on the same money as it goes out.

M: "The thing is, you're taxed on your wages, then you're taxed on things you buy, and then VAT, that's like three lots really isn't it? I'd rather just pay tax on your wages – more tax on that, and don't pay tax on the other things" (Rug low left)

M: "Part of me would say it's horrendous that throughout your life you're paying tax on money you've already been taxed on" (Bar high left)

A few people suggested introducing a more progressive element into spending taxes by taxing "luxuries" more heavily than staples. But where this was talked about people couldn't easily agree what would constitute a 'luxury', or where the line should be drawn.

M: "Maybe there should be luxury tax where if people can afford to buy luxury items then they should be paying more VAT on them items"

I: "So you'd have some items which you'd increase the rate of VAT on?"

F: "Like food is zero then put other staple things up to a certain level"

I: "So what would you class as luxury?"

M: "Your beefburger 1%, your 12 ounce steak 5%"

F: "Or even on cars you could go by a certain value, up to about 15 or 20 – but once you get to the 60-70, if they can afford to buy and tax a car of that value then they could afford to pay more in tax"

F: "But food-wise if you're doing that then the poorer people wouldn't see a steak at all" (Rug low mixed)

Different kinds of benefit: Just as taxes differ in character, so in many ways do the benefits and services people receive in return for them.

The public tends to think differently about health, education, pensions, other forms of Social Security, and so on. This is considered at greater length in C2.3.

An example of this is the extent to which people think differently about the application of means testing to different types of service and benefit. Some participants favoured means testing child benefit (CB), but no-one made a similar argument about education (although these are both benefits applied to parents of children), or about pensions (see C2.5).

One of the biggest differences in many participants' minds seemed to be between cash benefits and benefits in kind. People do in some senses seem to think differently about these.

One feature is that cash benefits have a potentially knowable value. People don't always know the exact amounts, particularly of cash benefits they don't actually get themselves (and occasionally even of those they do). Sometimes there are misconceptions, and some seem to exaggerate the value of cash benefits in their minds – as when they envisage asylum seekers or others living luxuriously at the public expense (see D6). However there is in principle a determinable cash value to these benefits.

Conversely there is no cash value attached to health, education or other similar services. People are not told what it costs for their children to attend school, or to have particular treatments on the NHS. They don't know what they pay for these services – even in general³, and certainly not in a usage-related way. Nor do most have in their heads any real notion of a 'market rate' which would tell them what it 'really' costs for hospital treatment or school attendance.

The nearest some people come to this kind of knowledge is if they have private health treatment. Apart from those with private health insurance this sometimes happens when someone is taken ill on holiday. The cost is often covered by holiday insurance, but such patients are often struck by the amount that has to be paid. This tends to make them glad they have a free health service, and gives them some sense that it is worth a lot to them. However these are exceptional cases, and even these give only partial fragments of cost information.

F: "People knock the National Health Service, and I know it's understaffed and there's a lot wrong, but I was in Spain on holiday in September and I had to have an appendectomy – and it was wonderful, and my insurance paid for the operation, and that was great. But when I saw how much they'd had to pay out – and I thought if it had happened here I would have just been taken and given the same treatment" (Shef higher pen)

M: "My daughter at 18 was involved in a serious road accident in America – we got a bill for a week's medical care for £23,000! And fortunately she was insured, but had that accident happened here in Britain we would

³ What you pay for education is in principle knowable in a general way from council tax demands, but it seems unlikely from the way people talk that many people would generally have this figure in their minds – and in any case it doesn't tell you what it is costing to educate your own child or children, since you pay this whether you have school-age children or not. What you pay for health is not stated at all on tax demands, even in this general way.

have reaped the benefits of that through the National Health scheme”
(Shef higher pen)

One implication of the more typical ignorance of costs is that these services are not merely free at the point of delivery, but in a sense costless to the individual. That doesn't of course mean that people don't think they pay anything, but there is hardly any sense of having paid a given amount for a given service.

Supermarket shoppers can see the basket-load of goods they have bought, and they know exactly what it has cost them, whether they pay in cash or by card. No doubt those who buy private education are acutely aware of how much they pay a year in fees, but people who have just sent their child to a state school for a year are not particularly conscious of having received a given amount of value from the state.

I use 'value' here to relate to the perception of receiving a quantum of benefit – this is not to do with how much they value the school in the sense of thinking it performs well or badly, nor with how much their particular child gets out of attending⁴.

The effect of all this is that many people tend to underestimate the cash value of the benefits in kind they receive from the state – simply because they don't know the costs, and aren't reminded of the various benefits they receive. This applies even to the specific services they receive directly (like medical treatment), and even more to indirect benefits (like insurance value or freedom from worry) or systemic benefits (like living in a kindly, supportive or well-educated community).

In many ways this low awareness of the cost of services may be desirable – for example if it enables people to use the services freely and without getting anxious about what it's costing, which probably improves access to services. On the other hand it means that the benefit pan in the mental scales tends to weigh light relative to the tax pan. This study suggests that many people are sharply aware of the tax system draining money from them (even if they aren't certain about the precise amounts involved), but they don't have equivalent awareness of all the ways in which money flows back to them through services and

⁴ There also is a more subtle set of arguments relating to whether the service is 'worth' what it costs, supposing you knew what the cost was. People often believe that public services are poorly administered, and that there is a lot of waste in the way public money is spent. When they were given figures in some of the stimulus materials about the benefits people in different income groups receive from the state (see D14) a few people were therefore inclined to challenge these. In this sense statements about what a service costs may not reflect its value as seen by the taxpayer.

benefits. Some were visibly surprised when they saw estimates of the cash value of services in Charts N and P (see D14) – sometimes to the point of finding them hard to believe.

Participants usually seemed more relaxed when discussing benefits in kind than cash benefits. Some expressed anxieties about people getting things they shouldn't be entitled to (see D6), but these tend to relate more to cash benefits (although there were some comments about foreigners using the NHS). There could be various reasons for this:

1. As noted above, people seem generally less aware of the cost of benefits in kind.
2. The most contentious field is usually Social Security (see D6), which largely involves cash benefits. Payments in cash can be seen as 'hand-outs', but benefits in kind like health and education are not often looked at in this light.
3. Handing over cash projects a more direct and vivid image of resource transfers than (say) sending your child to a state school or having an NHS operation.

Partly for all the above reasons people do not tend to aggregate all the benefits they do (or might) receive from the state, and they don't tend to think of them all as interchangeable entities. Participants were usually able to understand information given in the discussions about net benefit flows (see D14), but there is not much sign that this is normally the way they would tend to think about it themselves. Healthcare, schooling and Social Security are all understood to be part of the welfare state, but they are not all normally pictured as the same kind of entity.

C2.3 Perceptions of public services

I found a fairly widespread mood that the public not only pay too much in tax but they also get too little for it – two mutually-reinforcing perceptions. This difference between what people feel they pay and what they get is often put down to supposed inefficiency in the way money is spent, and/or supposed misdirection of resources into the wrong types of activity.

M: "I'm paying too much for what I've got" (Bar high right)

F: "And that health service thing, if it was run more efficiently it wouldn't be costing us so much"

F: "It's the running of the system"

F: "Definitely"

F: "Nothing's efficient" (Bar high left)

F: "I just think there's too much being drawn off of it and not enough being put back into it. I don't think the sums are not right, but I think that it's just used very badly, so the sums won't work out" (Bar high right)

Although there is a fairly strong perception of being heavily taxed I detected more concern with what people get out of the system than what they put into it. Given a choice most study participants would rather improve the services they get than cut the amount they pay. Indeed some volunteered that they would be prepared to pay more if only it would bring the NHS and the education system up to the standard they expect. Views on this inevitably differ between individuals, but I sense that the centre of gravity probably currently leans more towards service improvement than tax-cutting⁵.

M: "Hospitals seem to have got worse and worse, like the time you wait and things. And so somewhere it's under-funded, somewhere the money's not going to where it should do"

I: "But again, would you be content with what you're paying if you were getting what you think you should be getting?"

M: "Yes, I would guess most people would say that"

I: "So it's not that you feel you're paying too much, but you feel you're getting too little for it?"

M: "Yeah, yeah"

M: "Yes, generally I would agree with that. In fact I'd probably go a bit further and say, obviously depending on how much, I'd be prepared to pay more to get a good service. I mean, again, being specific, the state of the roads is absolutely atrocious. I'd probably be prepared to pay more to get a better service and have things improved" (Bar high right)

M: "If the money is collected, and if it's spent properly you can't fault it, it's just that it's not spent properly" (Shef lower pen)

F: "If I felt it (NHS) was running efficiently I'd pay more tax. If I could specify to pay more tax providing it went into an efficiently run NHS I would do it, but I would be anti a tax increase if I felt it was just going to be wasted"

F: "Yes, I agree with that"

M: "But the bottom line is, I bet everyone in this room would say, 'Irrespective of what I pay, I deserve to expect the services that you're promising. I don't mind paying 40% tax, but give me the service'. Equally, the man down the road doesn't mind paying 23/24% tax, but give me the service"

F: "Yes, absolutely"

M: "Or tell me what I need to pay to get the vital service" (Bar high left)

⁵ Some people argue that they should be able to have both – they feel that improving efficiency and reducing waste ought to provide better services at less cost.

M: *“All the taxes taken into account, I would say about the effective rate would be around almost 40% if you take into account indirect tax, VAT, plus the taxes. For paying that kind of money, the service in general is not good. NHS, we had a bad experience when the baby was born. So my view is the spending is not efficient. I mean, there are other countries within Europe which have higher tax rates, but the service is better”*

I: *“If the service was good, and you were pleased with it, would you be happy about paying what you’re paying for it?”*

M: *“Yep”*

I: *“So it’s because you don’t feel the service is what it should be?”*

M: *“Yeah”* (Bar high right)

M: *“At the end of the day what we’re talking about in terms of tax is what we’re getting for our tax money, not what we’re paying. That’s the issue. Show me the value”*

M: *“Quality service”*

F: *“Yeah – and we’d pay more, I think, if the services were so much better”*

F: *“Isn’t it for anything you buy, you want value for money whether you buy a pair of shoes, or a car, or so?”* (Bar high left)

The feeling that payments and receipts don’t balance seems to arise in part from the fact that most people have a very imperfect and incomplete mental picture of what they do actually get out of the system, and the cash value of all the benefits and services they receive (see C2.2).

More importantly, however, it arises from a perception that the services received just aren’t good enough. People are often critical of the quality of health, education, policing, transport and so on.

M: *“They’ve paid their whole life and they are British born, and still they are upset with the way they are treated in the hospitals”* (Bar high right)

M: *“I phoned the police up in Rugby, and they turned round and said to me, ‘Oh we ain’t going to be able to get anybody out to you ‘cos we’re too busy’. So what do you pay your poll tax for?”* (Rug low left)

F: *“The type of things you generally use, the fire, police and ambulance, whatever, you just see are being shut down rather than increased”*

F: *“If you ring up for the police and they say, ‘We can’t come at the moment’, by the time they do come, whatever the problem is, it’s over with. And you want them there straight away not two hours down the line – or even the next day sometimes they’ve come out, too late then”* (Rug low mixed)

F: *“I personally think that everywhere they should be spending money, they’re not – the health service, the schools, education. Everything seems to be cutting, we seem to be getting less than we’re expecting and that we need all over the place – I mean look at the fire-fighters – everything like that, the people that we really need – police force, the nurses, everyone”* (Bar high left)

There is assumed to be a lot of waste and inefficiency in public spending.

M: "They build a beautiful maternity unit and then closed it two years later"

F: "It's really posh and that and the next thing you know they've closed it down and you can't have operations or nothing down there now"

F: "There's no maternity care there now, you have to go to Coventry. I think it's the futility of having used all the money to upgrade this from a very run down hospital to this huge super-doooper state of the art and then shut it"

M: "It's a waste, a pure waste"

F: "It's like the train station isn't it, at Rugby? They more or less said it was gonna close, then did it all up, spent millions on the roof. And now they said they're gonna shut it and open it somewhere up the road. Build a new one completely from scratch" (Rug low mixed)

M: "Across the board – health service, public transport, whatever – it's the culture that's in there, there is huge wastage. I don't know the simple answer, but we all know if we could really squeeze and see through all these grey marginal areas. I bet you'd find a great proportion of this money that vital services need being wasted annually" (Bar high left)

F: "I think a lot of money's wasted"

M: "I don't think it is wasted, it's spent somehow, but not on us"

F: "I see it wasted. I walk my dog at 6.00 in the morning, before I go off to work, and I see three, four people doing absolutely nothing, being paid for that time" (Bar high right)

F: "Too much of it is paid out probably at the top, to the people who are managing it, then they get kind of quite fat fees, the too many chiefs and not enough Indians, probably – or something like that"

M: "See, we don't object to any of this, all we object to is waste. If the money is going to the right places, nobody is bothered"

I: "Do you think it's going to the right places at the moment?"

M: "I don't think so, personally"

F: "I'm sure a lot of money is wasted. I don't quite know where, but probably I think perhaps on keeping too many at the top in very expensive jobs – I don't know, I might be wrong" (Shef lower pen)

Moreover there is also a common feeling that the service situation continues to worsen. Some know that the government is spending more, or plans to do so, but any beneficial effects from extra spending aren't yet generally visible. Many feel that the cost/service balance is tipping further in the wrong direction – it was often said that the public is "Paying more and getting less".

M: "Things like collecting the rubbish seem to become less and less labour-intensive, so going back to the year dot, the dustbins used to be emptied, they'd come into the garden, take the dustbins, they'd tip onto the thing – now you've got to put it in plastic bags, put them out by the front gate, not even by the front door – it just seems you're paying more for less"

- I: "Is that just about rubbish collecting, or do you feel that about a lot of other things?"*
- F: "No, I think that about a lot of other things – the police have been cut back. We had a major issue a few weeks ago – rang the police, really quite serious, and in actual fact it took me 20 minutes – because we now come under Colindale. Barnet are no longer functional, Whetstone are no longer functional. And I very rarely see a policeman now"*
- F: "'Cos what you're paying is just going up and up and the service is not getting any better – or it's getting worse"*
- F: "I pay £20 a week for just me and I think, 'Well what do I get for that?'"*
(Bar high right)
- M: "My mother went into a residential nursing home last September which I've gotta pay for until most of her money runs out. We received a letter the other day when she was originally receiving homecare, support, home help, etc, saying the Council are not only gonna put the community charge up for this year, they've cut 2.7 million pounds off the budget and can no longer provide elderly people with shopping services, housework. So we're paying more and getting less for it"* (Bar high left)

There were clues that it might take public opinion some time to catch up even if quality really does improve in some services. In commenting about NHS problems, for example, participants often quoted fairly old anecdotes. Most people's direct interactions with the health service are localised and sporadic, and citizens usually depend largely on the media and the grapevine for any global appreciation of what is actually happening. These may or may not give them a true picture of what is really happening.

Some participants acknowledged that providing good public services is difficult.

- F: "The one thing you can say in their defence though is that people are living longer. We have a lot more knowledge on how to treat people, and therefore they're not dying as expected when the National Health Service was set up. So the more that we progress with heart operations, liver transplants, heart transplants – it costs a lot of money, and as much as I think that Barnet General and Chase Farm have got one of the worst reputations in the country, I do sympathise in a way with the National Health Service that it – I think it's very badly run, but people are just going to live longer, we're just going to have better treatment – and it costs a lot of money"* (Bar high left)
- F: "Like the health system, it's a bottomless pot, innovation just keeps growing and you've got to keep up with it all the time – and there's never enough money to keep up with it"* (Rug low left)
- M: "We've had different governments, Labour or the Conservatives, it's not really improved dramatically when either party was in power. So maybe there's something fundamentally wrong, if neither lot can make the sums add up – if one party blames the other party for the mess that was caused"*

for it not working, then it must be fundamentally wrong that they can't make a transport system work, or they haven't got enough money for hospitals. So I don't know why that is because I don't know enough about economics" (Bar high right)

F: "But there is more offered in the way of treatment that wasn't available 50 years ago, I mean medicine has progressed, so they can save more lives by doing different procedures. That would cost – and obviously cause more waiting lists" (Shef lower pen)

The main implication of the above for redistribution is that the public's minds currently seem much more focused on what they get and what it costs them to get it than on the way the precise balance of cost and benefit varies between individuals (see D2).

Moreover the performance criticisms rarely translate into a desire to move away from state provision to some other non-state model. Most people seem wedded to the concept of the NHS in particular. They are often concerned about its performance, but there is a fairly broad consensus that this is in principle the right way to arrange for healthcare.

I: "Is it a good idea to have a health service – by which I mean something which is funded broadly out of taxation and national insurance which the government pays for and which is free at the point of delivery. Is that something you're sympathetic to, or not?"

F: "Yes, I'm very much in favour of that. I'm German and I know what happens in Germany, and the amount of money they pay into their private health insurance – yes, they get a treatment which is slightly faster, but it's not necessarily better, because I know it from source that once you are in the system, you get the best of treatment in the health service. I'm totally for it, yes"

F: "If it was run better"

F: "I think so, yes"

F: "I was going to say, if it were run efficiently I think I agree with it, I've seen what happens in the States to people who are on lower incomes" (Bar high left)

F: "Thank God for the National Health Service, I must admit about that – that's something we couldn't do without"

M: "But where's the money gone from it all? You get a waiting list now, they put income tax up now to pay for hospitals" (Shef lower pen)

America is often quoted as a model to be avoided.

F: "I think if it was private – it is very good in America, but it's good for those who pay, it's not good for those who don't" (Rug low left)

F: "It would be like America I suppose, where you can't get anything"

F: "You couldn't afford it, so they would just not go to a doctor, and people would die, 'cos they can't afford to – " (Bar high right)

So people generally want the government to make the NHS work – and so far this view persists in spite of a certain amount of pessimism and cynicism about whether it is on the road to achieving this. Some volunteered the view that they would be prepared to pay more for the NHS in particular if they believed this would make a decisive difference to services – although this would not be readily believed by many people because of the widespread perceptions of waste and mis-direction of funds.

The performance criticisms rarely translate into a desire to move away from state provision to some other non-state model. People generally want the government to make the NHS work – and so far this view persists in spite of a certain amount of pessimism and cynicism about whether it is on the road to achieving this. Some people volunteered the view that they would be prepared to pay more for the NHS in particular if they believed this would make a decisive difference to services.

Many people do not seem to be clear about the cost either of the NHS or of private healthcare, but it tends to be assumed that the NHS is less expensive for the citizen than private medicine would be.

F: "When you think of what percentage of our income we pay into the NHS, it's relatively small. When I compare it to what they pay in Germany, you would be shattered. So for that amount, if you count it per year, it is very little and we get quite a lot from it, there are a lot of holes, and tremendously big ones, but I'd much rather be in the NHS than privately insured" (Bar high left)

C2.4 Attitudes to the welfare state

People generally support the notion of having a welfare state. Even the pensioner groups in Sheffield, who had complained long and bitterly that they were not getting a pension that reflected what they had paid in over the years, were more-or-less unanimous that they would have been worse off if the welfare state had never been introduced after the war, and instead they had been able to keep the money they had paid in to make their own provision.

I: "Do you think if the state hadn't collected the money from you it has in taxes, and it hadn't gone in for the welfare state, do you think you'd have been better off if you'd just been able to pay your own way, or not?"

F: "No – no, I don't think so, in the long run, no"

M: "Well, you wouldn't have been, would you – obviously"

F: "You've got to have national insurance, otherwise we wouldn't have got the pensions we've got now – that we're grumbling about now"

M: "When I were little me mum always used to pay a doctor and somebody would knock on the door every week and you paid your doctor's bill. And then they brought national health in to – how many of you could pay for the operations and everything?"

F: "We couldn't"

F: "Impossibility"

M: "You couldn't – we couldn't afford to do it"

F: "Even the private insurance would probably be beyond most of us, it certainly would be beyond me" (Shef lower pen)

I: "If you could put the clock back and not have a welfare state, and have provided for yourselves all these years, do you think you'd be better off now?"

F: "No"

M: "No, you'd be worse off"

M: "You've got to be worse off"

I: "It may seem a silly question, but from the point of view of citizens like yourselves, why is a welfare state valuable to you?"

M: "Well, anyone at our age, if you remember when you had to pay for the doctors, it didn't matter how much money you hadn't got, you'd still got to pay for a doctor's visit. I mean I've had a quadruple heart bypass, how much would that've cost?"

I: "So in one sense it's like a kind of insurance"

F: "It is, yes"

M: "Well of course it is, yes"

F: "It's reassurance as well"

M: "It's a national insurance, isn't it for everybody?" (Shef higher pen)

The main perceived purpose and rationale of the welfare state in the minds of most participants is to support people when they need help, and to provide good public services, while sharing the cost of doing so fairly according to people's ability to pay. That is likely to be a fundamentally redistributive mechanism, both in temporal and interpersonal terms, but this is an incidental rather than a primary purpose, and it is not necessarily specifically seen as an engine of interpersonal redistribution.

Notions of the welfare state tend to imply a common membership. We all pay in and draw out according to established principles. Some people contribute more or less because means vary – but in principle everyone "does their bit" as far as they're able. Similarly some people draw more than others because their needs are greater – and all of us have periods when we either give or take more, because of lifecycle changes or random life events.

M: "Now that's what the welfare state's about, there's nobody'd be left destitute if you've no money" (Shef higher pen)

F: "It's a measure of civilisation, isn't it – how you support people?" (Shef lower pen)

That's often seen as "only fair" – and it's what the welfare state is about. It's a kind of social contract. No-one actually called it that, but that's the implication of the way many talked about it. This notion raises some questions about membership and entitlement, which are further explored in D5 below.

The only common criticisms of the welfare state were that:

a) Some feel it is not delivering the services and benefits it should.

I: "Explain to me why you think it's important, having the health service, having pensions, having state education and the benefits"

F: "Because at the end of the day you've got to have some money coming in from somewhere, so you've got to pay it in to get it back. But I think what you've paid in, it isn't enough what you're getting back at the end of it, when you've paid all them years" (Shef lower pen)

b) Some say it is abused by people who take out but don't bother to pay in (see D6).

I: "The principle of that is that everybody pays into it, and people take various things out of it at different stages"

F: "And some people take more out than they should. Well, I think they have done over the last 40 or 50 years, I think there's been an awful lot"

F: "It's been abused"

F: "It's promoted a lot of idleness. Having watched years and years and years of people, young lads perhaps who could get a job who won't get a job, because they feel they might get tuppence less if they work than they would if they apply to the state, I think it's bred a certain sort of dependence into people – which isn't perhaps a bad thing in many cases, but you think to yourself, 'My God, if we hadn't got that welfare state, they'd have been bloody working by now'" (Shef lower pen)

C2.5 Means testing

Most participants seemed ambivalent but very wary about means testing. There is quite a lot of opposition to the idea, but some participants advocated its use. The term 'means testing' itself tends to be unpopular, but some people favour the concept – at least in certain circumstances.

The appeal of means testing is mainly the obvious one – that it avoids the problem which arises with universal benefits of resources going to people who don't actually need them (or shouldn't have them). Means testing is therefore potentially a tool of redistribution, in that it focuses benefits more sharply to the point of need. This keeps costs down, helps to avoid waste, and stops taxpayers' money going to people who are already too well off to need it.

M: "Most probably some of the people who get that don't actually need it. It seems a bit unfair in that sense, that people get money who don't actually need it" (Bar high right)

M: "Why should a man who is say 30 year old with four children on £100,000 a year get family allowance? Why isn't that divided amongst the poorer pensioners"

F: "But they pay it back in tax, don't they?" (Shef lower pen)

M: "Would anybody on 56,000 a year be dependent on a state pension? A state pension would be a dinner out on a Saturday night. That man will never be on 8,000 – he'll retire on more than what I got when I were working" (Shef lower pen)

The following were prominent among the many objections raised to means testing:

- a) It often seems to operate unfairly, because its thresholds discriminate between apparently similar cases. Such distinctions can seem arbitrary and unfair. Means tests usually cut off close to the ground, so that people on the wrong side of the threshold still often seem to merit support. Means testing seems not only to cut out well-off people but also to deprive some who are still in need. There were many anecdotes about people with small amounts of income or savings – just enough to push them over the threshold and disqualify them from getting help, although their need for help is thought as great as many of those who do qualify. Those who are a little further up the income scale also often feel they lose by this exclusion, even if they are not in severe hardship.

M: "There was a case on the radio last week – a woman was getting £86 so she applied for the minimum income guarantee, which I think was 96, but her two daughters were putting £5 each into a bank account for this woman, which she declared. They found out, they said she couldn't have the minimum income guarantee because what she was getting with the £10 was 96!" (Shef higher pen)

F: "Well, I've got a cerebral palsy grandson and my daughter's husband works, because he works she can't get nothing, because he works it's means tested"

M: "Yeah, that seems an injustice"

F: "That's not fair"

F: "That is what I call a genuine case" (Shef lower pen)

M: "My father worked on the railway all his life, up to being 65, and when he retired he got his old-age pension, plus £3 a month pension from the railway, and at that time they were giving butter out to the pensioners, and they were getting a little bit of meat. He couldn't claim it, because he was two old pence over the limit, so he couldn't get it" (Shef lower pen)

- b) People who have “paid in” or “saved” may lose out in favour of those who have not. Those who are disqualified because they have small amounts of savings or private pension often feel bitter and cheated – they complain that they would have been better off if they had just gone out and spent or shirked instead of building up small nest eggs. This strikes them as wrong because it seems to penalise thrift and endeavour, and to reward idleness and profligacy.

F: “When me dad died she had his pension from British Steel, and because she was 8p over on her pension, and having me dad’s pension, she couldn’t get no family income support, she couldn’t get nothing. She’d have been better off if she hadn’t’ve got me dad’s pension, ‘cos she would’ve been able to get help – but me dad had worked for that pension, and she were entitled to it. But she got penalised for it” (Shef lower pen)

- c) Means testing substitutes a culture of ‘claiming’ for a culture of automatic entitlement. This is seen to have various drawbacks:
- ◆ It reduces access to benefits, and also take-up. The pensioner groups in particular often quoted official pronouncements about the amount of state support which goes unclaimed.

M: “Have you seen it in’t newspapers recently, how many millions and millions of pounds there is in the government’s bank account, that pensioners haven’t claimed, because they don’t know how to claim” (Shef lower pen)

- ◆ Many people find ‘claiming’ intrusive or humiliating. It seems that you have to make out a case why you should get special treatment. That in itself makes people feel that they are being treated as ‘different’. They have to provide ‘private’ information and lay themselves open to official scrutiny. The process can make them feel helpless or unvalued, and can introduce a sense of stigma.

M: “If you want any help, you’ve got to apply for it, nobody comes knocking on your door. And it’s very, very hard – hard” (Shef lower pen)

M: “You should not have to beg. It should be as a right” (Shef lower pen)

- ◆ “Big forms” are felt to be confusing and frustrating.

M: “All these systems are mathematically so complicated that your average person loses out, because if they’re anything out the ordinary in terms of you’ve got – I don’t know, a disabled child – unless you know exactly what you’re entitled to, you’re struggling to get any other benefits. And we talk about these 23-page forms – I’ve done my wife’s tax return for childminding recently, and I’ve made a claim for my

daughter to get some extra benefits for having her eyes tested – and they're unbelievable. Every single page is an exception” (Shef higher pen)

M: “When I get to 75, somebody will say to me, ‘You can get some more money’, ‘Oh good’, and I’ll get a form, it takes me about four year to fill in, I think, ‘Oh bother! I’m not bothered about it’ – and it’s a very clever idea with these big forms” (Shef lower pen)

M: “They should simplify it”

M: “Of course they should, we’re all pensioners. Yeah, because some of the people lose out, they don’t claim it – it’s too complex”

F: “And if you did that then we wouldn’t have all these forms to fill in and people would understand the system” (Shef higher pen)

- ◆ Making it difficult to claim is sometimes seen as a government ploy aimed at reducing expenditure – if people are put off claiming it cuts the amount the state has to fork out.

M: “This new tax credit for pensioners what they’re bringing in, the state department have already said that there’ll be a million people not apply. £1,000 a time they’re talking about, all going back to the state department because they won’t apply for it”

F: “Yes, they’ve said a lot of people don’t understand”

F: “And it’s because it’s not explained”

F: “17 pages to fill in and a 49-page booklet to read, and it says even the legal profession have got a job to decipher it so what chance have we got?”

M: “It’s the same for the people with kids as well, they’re having problems with that – if you don’t apply, you don’t get it. And some’s applied seven months since and they’ve heard nothing whatsoever”

F: “The system’s bunged up” (Shef higher pen)

- d) Many feel that people should receive benefits they have ‘paid in for’ whatever their means. This tends to be strongly felt in relation to pensions, for example, although less often in relation to child benefit (see below). High earners have in fact paid in more than most, some argue.

F: “They say the people who get a lot of money don’t need it, and perhaps they don’t – but after all, they are paying more into the system than anybody else, so they’re entitled to get out what there is” (Shef higher pen)

- e) Some people see means testing as expensive to operate – in principle it cuts wastage by improving targeting, but some suspect that in practice it reduces the amount left to distribute by increasing administration costs.

F: "The bureaucracy, the red tape, all the paperwork – you're paying someone to do all that, and that must cost a hell of a lot more than giving us more. It's very expensive to do, because I'm thinking of the manpower and the work that they have to put in, that costs a hell of a lot. So that money really could be distributed amongst the pensioners" (Shef lower pen)

M: "It probably costs millions to make any type of change, just to restructure and retrain people" (Bar high right)

F: "There's certain things that I think they could cut back on, but to actually spend the manpower to specify certain cases, I probably wouldn't think it was feasible" (Rug low mixed)

M: "Well if it was flat payment, how many civil servants would you get rid of for a start? Thousands of them, thousands of them" (Shef higher pen)

- f) A few also argue that income tax in itself offsets the 'wastage' of giving higher earners money they don't need. They have not only paid more towards providing the money, but they will have to give more of it back again in tax. Increasing tax rates at the upper end of the income scale was sometimes suggested as a better way of dealing with this issue than withdrawing entitlement.

As already noted, many participants were disposed to think differently about applying means testing to different kinds of benefit and service. In general they seemed more likely to favour it for cash benefits than for benefits in kind. There were few calls to apply means tests to health or education, which tend to be seen as general entitlements which should not depend on income.

M: "There's a difference between child benefit and education" (Bar high left)

But not all cash benefits were thought equally suitable for means testing. Many argued strongly against applying it to pensions, which are often seen as an inalienable right which people have bought through their contributions. Some don't feel this way about child benefit however (for example). There is a school of thought which would have it withdrawn at least for high-earning families, on the grounds that they don't need it. It is sometimes seen as just providing pocket money for wealthy children (or their parents). One might have thought that Child Benefit recipients had 'paid' for it in the same sense that pensioners have, but this isn't the way it's usually interpreted. The following extended piece of dialogue illustrates the ways in which people's minds work about this.

F: "Why do we pay child benefit to everyone from the person that lives in the multimillion pound house and the person that lives in Mayes Lane?"

M: "So you need to be means tested, is that what you're saying?"

- F: *"I don't really like means testing, but I don't agree with across-the-board child maintenance. It was set up after the war where the man went down the pub and drank his wages and the woman had nothing to feed the kids on. Those times have changed"*
- F: *"I teach students who come from households where the home's worth three million – they're having a private education, they do not need child benefit. So I would rather it was means tested, and went to the lower end of the spectrum"*
- F: *"On the case of child benefit, yes, I would say means testing would have to come into it. 'Cos I don't have children, that's my choice, I don't mind paying for education through my taxes. I'd pay more for education, but I do resent child benefit"*
- F: *"I think more rich people shouldn't get it (child benefit), people that are living in the big houses don't need it"*
- F: *"I'm not saying if you're poor you're not allowed to have children but I still think if you're on the breadline, I don't think you should go ahead and have two, three, four, five children expecting the state – "*
- F: *"No, I agree with that totally"*
- I: *"What about something like state pensions then, I mean what would you say about rich people getting those?"*
- M: *"It's a bit of a different situation 'cos obviously they pay national insurance contributions to pay for that"*
- F: *"They've paid in and also how do you become rich and how long have you been paying into it before you become rich, how hard you work to become rich, or do you win the pools?"*
- M: *"Also, by virtue of the fact that they're affluent people, they've made a higher level of contribution"*
- I: *"But that would also apply to child benefit?"*
- F: *"Yes it would – yes it would, I'm just against child benefit really basically"*
- F: *"Well yes, so am I, because for a lot of people it is a necessity, and for others it's just pocket money for the mother, when you take the very rich ones"*
- F: *"I know children who are getting £40, £50 a week pocket money whose parents are in receipt of child benefit"*
- M: *"Well again, they pay more tax as well"*
- F: *"Yes, I mean that money could be used so much more efficiently"*
- F: *"Surely that money could be used for free nursery schools, because that's what's really needed"*
- M: *"That really does hurt a lot of people – when we first had our daughter – my partner works and basically living in London we couldn't either of us afford to give up work – so you're automatically accepting the fact you're gonna have to put probably £400-£500 a month personally in, just for childcare during the week"*
- F: *"But if the child benefit was paid for a free access to nursery, or kindergarten, or whatever is required, that would surely be a better way of spending it"*
- M: *"Quite frankly, I think people that are more affluent in terms of income, or equity, all the rest of it, wouldn't probably have an issue in not getting child benefit"*

F: "I don't think they would"

M: "And if you took that sum of money, and invested it in the vital areas we're talking about across the board everyone must benefit"

F: "Nursery care" (Bar high left)

Part of the reason why some would means test child benefit seems to be the argument that people should take responsibility for having children and not expect the state to foot the bill.

M: "The primary responsibility of raising the child is with the parents, so when they have the child, so if you are giving it out, then it should go to the people who need it, that's going to make a difference – but on the pension thing, it's like buying another product, an insurance product – if I go into the market, if I buy something, I expect to get something for it. If you're not going to give me something back for it then don't take the money from me for it" (Bar high right)

F: "What about those people who are working perfectly hard and who are being paid £4 or £5 an hour – are you saying they have no right to have children if they wish"

F: "Yes, they have a right to have children as long as they don't expect the state to pay for them" (Bar high left)

However they don't generally seem to argue this way in relation to education. This is often seen as the child's right, and/or something which is important to society.

I: "You were suggesting that as somebody who doesn't have children yourself you're completely happy to pay for education but not for child benefit. What line do you draw between those?"

F: "Well I draw the line really, and it's quite a basic one, if you can't afford children you really, really shouldn't expect to have them and have the state pay for them"

I: "You wouldn't apply that to education?"

F: "No I wouldn't, but what comes first? Because it is set up and because I think a child has the right to be educated – never mind why it was brought into the world in the first place and what happens at home, it has the right to be educated and education"

F: "Makes a better world basically"

F: "Well, hopefully it educates people to be more open-minded and hopefully get on in the world, and leave whatever is bad at home, if there is things bad at home" (Bar high left)

Only a few participants spoke in favour of means testing pensions.

M: "I think sometimes that there should be a cut-off point when you've got to a comfortable stage where you can live off that, they should say no, you're not having any more"

F: "My ex-husband's a fire officer and until recently he was getting more pension than I was earning full-time. And on that I don't feel that they need to have a state pension as well" (Rug low mixed)

Some of those who are resolutely opposed to means testing pensions argued that the winter fuel allowance should not go to well-off people. This appears inconsistent – it's not obvious why this distinction is made.

M: "Like the winter fuel allowance, that's not means tested, is it? That's like the family allowance. Whatever you earn – you could be a millionaire"

M: "That is stupid – they should never have it, it's barmy, a man like Richard Branson, 60"

M: "Anybody, who's a millionaire or whatever"

M: "He can have £200 fuel allowance. It's wrong, it should be for 65 pensioners" (Shef lower pen)

In one group the case came up of a couple said to be denied cash benefits to support their child who suffers from cerebral palsy, because they are over the income limits. This was generally condemned as wrong by the group members – largely on the grounds of sympathy and the obviously 'deserving' nature of the case. "There's no price on suffering", as someone put it.

Some people would be happier with means testing which just cuts out high earners rather than slicing between different levels of poverty.

M: "Say like somebody earning 24 grand, the wife possibly does a part-time job, she earns, what, eight grand, something like that a year – but they still get £40 a week for their child – why, when they earn that much?"

F: "Well I'm not even thinking of those, I'm thinking about the ones where they're on 60 or 100 or more" (Rug low mixed)

C2.6 Opting out

Views differ about the extent to which people should be able to opt out of paying part of their taxes if they are making private provision (eg for health or education). Even among those who have made their own provision opinion still divides. Some said they thought it right to pay into the public purse even though they had also paid privately. Conversely some of those in favour of opt-outs were not making (or in some cases likely to make) private arrangements themselves.

On the whole the balance of opinion among participants in this study seemed to be against letting people opt out. Some people took this view even if they themselves had paid for private health insurance and/or private education.

The issue of opting out sometimes arose in relation to people without children having to pay for education. Some argued that they shouldn't have to pay for schooling other people's children – but this doesn't seem the general view.

It was sometimes argued that:

- “It's their choice” if people decide to pay for private healthcare or education – or even if they decide to have children. They should therefore bear the extra cost – and should still fulfil their obligations to pay into the club.

F: “The rich are getting a bit of a poor deal really, aren't they?”

F: “But the higher income probably have private education, private health”

F: “Yes, they have private education, yet they pay into the education service”

F: “And the health service”

M: “That's their own choice, it's their own choice”

F: “That's why we don't have kids, but I still pay for education, so I don't mind that”

F: “I mean we had our son privately educated, yet I paid into the system, but that was my choice”

F: “If you choose not to have children, or you choose to have your children privately educated, you should still pay to have everyone else educated”

F: “Yes, yes, yes”

M: “That's right, yeah, definitely, I think”

F: “Yeah. Well the same as other things, like theatre, culture – I take advantage of it a lot, others say, ‘Why should I pay for this, I'm not taking advantage of it?’. It's swings and roundabouts – I pay for things I might not have an advantage in, yet I use others”

F: “It's lucky that we live in London though because people who pay for all those cultural things in the Outer Hebrides don't really have a lot of chance to use them” (Bar high left)

- State services would suffer if they lost the contributions of those who opt out (who would probably be high earners and therefore heavy contributors)⁶ – there wouldn't then be enough money to run the system properly for those that need it.

I: “Do you think that's fair, that somebody should have to pay both if they choose to pay privately?”

M: “No, well if they choose to pay privately then they should just pay privately, they shouldn't have to pay”

F: “Then you'd lose the top three brackets out more or less wouldn't you? Then there wouldn't be enough to fund what's left”

M: “That's right, it's a vicious circle” (Rug low mixed)

⁶ This seems an important point, which was not universally recognised by participants.

- Opting out would produce a two-tier service, with those able to pay jumping the queue, and those not able to pay getting second-class treatment.
- It would violate the principle that those who are better off should help support those in need.
- Private health insurance doesn't cover all medical needs, so even those with private provision may still need to use the NHS in some situations.
- Private medicine depends on the NHS infrastructure.
- Taxes are not just about direct consumption, but about helping to build a society that benefits everyone (what I have called 'systemic' benefits). It isn't only a question of buying personal services – everyone should contribute because education is an important social and economic good from which everyone benefits, and the availability of free healthcare or schooling also affects the kind of society we live in. These societal benefits should not be put at risk through letting people opt out.

I: "Do you feel that people who don't have children should be paying into the state, to contribute to education for other people's children?"

F: "I certainly don't, I certainly don't think that's fair at all"

M: "It sounds a bit cheesy really if you say it's like everybody's future, the future generation. So the better education they get, the better the future will be for all of us"

M: "Moreover, they'll be paying for the system when they grow up and we're retired and need to claim pension or whatever, so you might say it's for the greater good of all"

M: "If you have no children, why should you pay for somebody else?"

F: "Well, I disagree, because they're the future. It's all about our country, it's all about being united and it's all about putting back in, and progression in our country, so I do feel – having said that I've put my children through private education"

I: "Do you think it's right that you should have to pay for state education?"

F: "I'm happy with that" (Bar high right)

- Everyone pays for some things they don't use, but it's "swings and roundabouts", because they benefit from other people contributing to the things they do use.
- It would seem unfair to allow people to opt out of education spending without letting them opt out of other expenditures they may object to (like defence). But the system would become less cohesive if citizens were allowed to pick and mix which elements they bought into.

M: "It'd be a bit like saying if you never call the police out you wouldn't pay, or if you never went in hospital"

I: "So we all have to pay in and we all get out?"

F: "Yeah"

M: "You die at 64 and 330 days, you never draw a pension" (Shef higher pen)

- Even if you have no children you went to school yourself – and others paid for you.

F: “Well, it would be very hard to differentiate between those that have got children and haven’t – to sort out how much each one should pay? And also, even if you haven’t got children, you were at school yourself, and you might have been from a family of seven children, and then your parents paid the same amount as somebody with one child, so it’s like swings and roundabouts really” (Bar high right)

The first two or three of the arguments in the above list were most commonly heard, the others less often. Many people don’t seem clear precisely what private health insurance does and doesn’t cover, and not many have thought through the social or systemic implications of letting people opt out. Few participants had more than one or two of these notions in mind, although they sometimes responded positively if someone else in the group raised other ideas.

Conversely the main arguments in favour of allowing people to opt-out were usually:

- It’s unfair that someone should pay twice.
- It’s unfair that someone should pay for what they don’t use.
- It would give more people more choice about going private.
- Going private benefits the state system by taking off the pressure and freeing up resources for those that need them.

I: “If you’ve got private health insurance, should you be able to opt out of the health service?”

F: “Yes”

M: “Yeah, I think so”

F: “Yes, because if you can afford private health service, use it, and let the people who can’t use the National Health Service – and get the waiting lists down”

F: “The thing is then there’d be a lack of money going in” (Rug low left)

In the case of education the issue of opting-out was sometimes raised not merely in relation to people who pay for private education, but also in relation to those who do not have any children of their own. Again views divided – but again the general feeling seemed to be that they should not be able to opt out, for similar kinds of reason.

A few people made a converse argument – that those who were allowed to opt out of contributing to the NHS because they have private health provision should not be allowed to use the NHS at all.

M: "Sometimes I think that can be unfair because say like you have a private scheme, you've got that cushion, but on the other hand if that fails you've got another cushion, you've got another level to fall back on. To me that seems unfair, because I haven't got a cushion to fall on, just the NHS. I think sometimes that people should have that taken away from them. If they have a private scheme that is all they have. They shouldn't have to have the NHS as well – therefore in turn you shouldn't pay into it" (Rug low mixed)

I suspect that the more people see public services like health and education as essentially consumer goods the less resistant they would be to the idea of opting out, on the principle that consumers should not pay for what they don't receive. Conversely the more people see these as social goods the more resistant they would be to opting out because of the effect on the system and on society ('two-tier' provision, a less well-educated society, economic effects, a less kindly culture, and so on).

However, while I believe this is a likely relationship, I found that people were inclined to lean towards the individualistic rather than the social or systemic perspective. This may partly reflect contemporary values and mores, but it may also be that the collective arguments are more complex and elusive than the individual arguments. It is easier to see how something would affect you or your family than to see how it would affect the system as a whole. Systemic outcomes do of course ultimately impact on individuals, but such effects may be diffuse and difficult to observe.

C2.7 Hypothecation of taxes

The British tax system has not traditionally been hypothecated (collected and earmarked for specific purposes). Taxes collected by diverse routes normally go into a central pool from which the whole range of expenditures are met. The public sometimes assume that some taxes are *supposed* to be hypothecated, which sometimes leads to a sense of grievance if this does not seem to happen.

M: "What we're critical of is how the money collected is redistributed, because if everything collected which was for the health service went on the health services, and every car tax was for the roads everything would be – but it isn't, everything gets lost" (Shef lower pen)

The most obvious examples are vehicle excise duty and other taxes on motoring. There tends to be a pre-supposition that these taxes are meant to be collected for the benefit of the motorists who pay them, but are actually secretly diverted to other purposes. This notion is often resented. It strikes many people as 'fairer' if taxes on a specific group of people are spent in their interest, a concept which some take as justifying the imposition of the tax.

F: “They get £26 billion for fuel and cars [reading from Chart C]”

M: “And that’s 7%”

F: “But that doesn’t go into the pot for mending roads and building roads does it? It goes into a general pot” (Rug low left)

M: “You pay car tax – that’s supposed to be to keep the roads. Have you seen the state of some of these roads round here? They haven’t been touched for years, and they’re always digging them up – they’re a disgrace” (Rug low left)

M: “And if you look at taxes that you’re paying, the car tax, for instance, or the road tax, doesn’t actually get spent on the roads, a lot of it. The congestion charge, how much of that is gonna go on public transport?”

M: “I think everything apart from the money that’s to run the system, it’s all getting spent on public transport”

M: “Yeah, well it should be – and hopefully it will” (Bar high left)

There does not often seem to be a comparable assumption that duties on alcohol or tobacco are meant to be spent on drinkers or smokers – they are “just taxes”, probably designed either simply to raise money, or (in some eyes) to discourage or even punish disapproved behaviour.

National insurance (NI) is another example of a tax which people half believe is hypothecated, although accounts differ about precisely what it is supposed to cover – the NHS, pensions and perhaps Social Security tend to figure in this. One common narrative suggests that NI was set up to fund some or all of these services and benefits, but people are unsure whether they are (or ever were) funded entirely from this source. Some assume this used to be the case, but probably no longer is. However the association of NI with NHS and pensions probably makes some people feel better about this particular form of tax, simply because these are highly valued services. Some participants wondered whether some of the NI income is siphoned off for other purposes, which tends to strike them as unfair (again because they approve of the assumed core purposes of NI and don’t want to see these diluted). Some people assume that NI is just another feeder to the pool of general taxation, but this appears to be a less common (and less comfortable) assumption.

C3 Taxes paid by different groups

In the later stages of the discussions participants were shown some information about the taxes people actually pay. First they were introduced to the notion of income quintiles⁷, using chart H. This was usually an unfamiliar concept which needed to be carefully explained.

⁷ Quintile groupings were used in preference to deciles in order to limit the number of figures participants had to grapple with. The experience of the study suggests that this is

H Grouping household incomes

Let's divide all households into five equal-sized bands, according to income

Income band	Average gross income per year (before tax)	Typical couple's weekly take-home pay
Lowest band	£8,400	£150
2nd lowest band	£14,300	£223
Middle band	£22,100	£311
2nd highest band	£32,000	£430
Highest band	£56,800	£678

2000-2001

Although this was only an introductory chart some people found the quintile groups interesting in themselves. There was occasional surprise at the figures – particularly at the lower end of the scale. Some wondered how people manage to live on household incomes as low as £8,400 (particularly in areas like Barnet).

Chart I was then shown to illustrate various aspects of the tax paid by each of the quintile groups introduced above.

The second row of this chart shows the average amount of tax paid. This was not in itself found surprising – people generally expect to see higher income groups paying larger amounts of tax.

But there was indeed quite a bit of surprise and disquiet about the third row, which shows tax paid as a percentage of income. People were surprised that the

about right – 10 groups would probably be hard to take in. On the other hand there is a tension between this desirable simplification and the ability to discriminate – particularly at the ends of the scale. For example the top decile is much broader than the pictures of 'high income' that people tend to have in their minds. Participants wanted to be able to make separate judgements (say) about people earning £100,000 and upwards. This is nearly twice the average for the top quintile group. So while the quintile groupings are much more manageable, deciles would come closer to enabling people to make the kinds of discrimination that interest them at the top end of the scale.

lowest income group pay the highest proportion of their income in tax, and the highest income group pay the lowest. The differences are slight, but they run in a direction which most people neither expect nor approve.

I Taxes paid by different groups					
	Income bands				
	Lowest	2nd lowest	Middle	2nd highest	Highest
Average gross income	£8,425	£14,286	£22,084	£31,996	£56,848
Total tax paid	£3,452	£5,184	£8,350	£12,222	£20,157
Tax as % of income	41%	36%	38%	38%	35%
Taxes on income	28%	40%	49%	57%	66%
Other taxes	72%	60%	51%	43%	34%

2000-2001

They don't expect it because in this context they tend to have an income-related taxation model in their minds, and since they know that income tax rates rise with increasing earnings it would seem to follow that the higher income groups would pay relatively as well as absolutely more in tax. These figures therefore seem counter-intuitive – to the point where some people queried them.

F: "I would've thought that (%) would go up with the wages going up"

F: "But you'd expect it to grow, sort of start at 35"

I: "You'd like to see the percentage going up across the page rather than going down across the page?"

F: "Well I thought that's how it went anyway, believe it or not" (Rug low mixed)

F: "41%'s a bit high, isn't it, for them, they haven't got much left? Very high"

M: "I would have thought it'd have been the other way round – 35% for them and 41%" (Shef higher pen)

This pattern also strikes most people as inappropriate. It seems wrong that people on lower pay should be contributing a higher proportion of their incomes in tax, even if the absolute amounts are smaller. The tax system leaves people

who don't seem to have enough to start with an even smaller proportion of their income.

F: "I think that's disgusting, that lowest rate, I do"

F: "Being penalised, yes"

F: "Definitely"

M: "I would think so"

F: "As a proportion of their income"

M: "Well they haven't got it right, have they, 'cos the lowest paid's paying the most percentage, for a start"

F: "That is wrong" (Shef higher pen)

F: "It doesn't look fair that the people at the lowest end are paying more – I don't understand why that is" (Bar high left)

M: "It seems topsy-turvy. Well, the lowest paid pays the most percentage of tax!" (Bar high right)

People generally feel that a reverse slope would be more appropriate – tax should rise with increasing income, as a percentage as well as an absolute amount. Participants were hesitant to suggest what the percentages ought to be, and there was no time to experiment with getting reactions to different kinds of slope. But the general feeling was that the present situation as reflected in these figures is not right. The implication is that the highest group should be paying more, and the lowest group less.

M: "I'd go to the other extreme and say sting harder the ones that are up there earning the millions"

F: "Well he's got a good accountant probably, that knows the system like these politicians have got" (Shef higher pen)

F: "It strikes me that those people who are at the lower end are paying a very high percentage of their income on tax when in fact £8,000 a year in this area is not sufficient for somebody to even pay the rent on a council place and to feed their family, even if their family is small. It's below subsistence for anybody who's got children and therefore they're put in the situation where they probably are going to be in receipt of some sort of income or tax benefit" (Bar high left)

M: "I'd still like to see this line even out more, so that the lowest aren't paying 41% of their income – I'd rather the highest earners were paying 41% of their income. I'd like to see a more progressive system" (Bar high left)

M: "These lower bands should come off income tax altogether"

I: "So they're paying too much tax?"

M: "Yeah, at the lowest band" (Shef lower pen)

F: “The highest tax band is 40% isn’t it? So even people who earn £200,000, they pay 40% – which is not right, is it?” (Bar high right)

Most of the comments about this chart tended to focus on the two outer quintile groups, the highest and lowest earners. Some people commented about the intermediate groups, sometimes in relation to their own status – but it was mainly what happens at either end of the scale which drew most attention.

The reason why the lower income groups are paying such a high proportion of their income in tax is explained by the last two rows of percentages, which demonstrate that it is the impact of spending taxes (which are not progressive) that determines the pattern, and shows why this result is counter-intuitive. These rows needed explaining – their meaning is not usually self-evident. It became apparent that although participants were already vaguely aware of the difference between income and spending taxes (and in spite of the fact that this had already been considered earlier in the discussion), not many were ready to leap unaided to an appreciation of how this impacts differentially on the various income groups, and how it explains the unexpected pattern of row 2 in the chart.

One apparent implication of what people said is that there ought to be some shift of emphasis away from spending taxes and towards income tax, since this would produce the more progressive slope in relative taxation that people seemed to expect and desire. There wasn’t time to go into this option properly, however, and some participants were hesitant about endorsing a shift of this kind whose full implications they didn’t feel able to digest. This could be explored by giving people examples of possible outcomes, but it would need more time and material than were available here.

Many participants were interested in the amount people have left after tax – this after all is what determines the household’s standard of living and its disposable income. This figure is not directly stated in the chart. Looked at from this standpoint, what you have left should be a key determining factor in deciding what you can afford to pay. If you haven’t got enough left you’re paying too much tax, if you’ve got a lot left you could probably afford a bit more. This is not to say that people want the various income groups to come out with equal take-home pay, but they feel that some account should be taken of the residual post-tax amount.

F: “I think it’s the amount of spare cash you have left that should be taken into account, everybody really should be able to have a house, a car if they want it, there should be a certain amount of things that people should be allowed to have and then taxed on what you’ve got left. I’m not saying you earn £10,000 and you want a Mercedes, but you should be able to have a similar level of comfort” (Rug low mixed)

M: "Look at this total tax paid. The lowest one, that's near on half their wages a year, but if you look at the top one they've still got £36,000 to live on. So it's like the poor's getting poorer, and the – "

M: "The rich are getting richer" (Rug low left)

F: "Well, it looks very unfair really, doesn't it, in a way? The lowest income group are paying more out of their living expenses – what they're left with is less than the person who's the richest" (Shef lower pen)

M: "Well, if I were earning 56,000 a year and were having stopped 20,000 I shouldn't like that, for a start"

F: "No, but if you were getting 8,000 and you were paying 3,400, you wouldn't like it either"

M: "No – no, you wouldn't"

F: "That's awful"

F: "No, I think it's terrible, isn't it?"

F: "That's worse – at least you've got plenty left when you've paid your – "
(Shef higher pen)

Some people were more sympathetic to the position of higher earners, who may have worked hard for their success. "They pay enough".

M: "I've a brother-in-law who's in business, he started from scratch, he re-mortgaged the house so that they could start this business and now he's running a good business – he's ready for retiring, so he's had a good income, but he's earned that money. Why don't industry pay more tax? But somebody who's earned it, worked their way up the ladder from shop floor to the top, they've earned it, they shouldn't have to pay it because they've earned it"

M: "Well, you could put everybody in that class"

F: "But when you look at this they've a better standard of living and a lot better way of life than what these people have on the lower end, so the standard of living's a lot, lot better than what somebody is trying to – they could go to the shop and go and get a hundred pounds worth of groceries from Tesco – this person on the lower wage can't go and do that every week with what they're going to get" (Shef lower pen)

M: "All living round London, we'd all say, 'How on earth do people exist on 8,000 a year?', but with the best will in the world, the people at the top end have to work damned hard to get yourself to that stage in life and earn that sort of money. You're already paying 40% across the board. So with the best will in the world you'd love to see an equilibrium – people generally who are putting the effort in might not have the wherewithal to get the top jobs, but they're working damned hard – but unfortunately, you have to find that money somewhere else, and you cannot expect these people up the top to carry it" (Bar high left)

Others countered that rich people have accountants who find them dodges or loopholes which are not open to poorer people. This implies that they probably don't pay the taxes they should (hence the figures may be misleading) – so some argued we shouldn't feel too sorry for them.

F: "Well, they've got accountants and things"

M: "They're the biggest fiddlers of the lot. You see if you pay Pay As You Earn there's no way that you can fiddle anything – not like a businessman, they can claim this and claim that" (Shef higher pen)

M: "Richard Branson – I bet when I were working I paid more tax than him, I didn't get his money. But I couldn't distribute my money to non-this and that – I didn't have financial experts to tell me how to get away with it. The people such as in that height do not pay tax as what they should do. It's offshore, anywhere" (Shef lower pen)

D Perceptions of ‘redistribution’

D1 What is redistribution?

Redistribution happens when money paid by some taxpayers is spent for the benefit of others. It takes places in two main ways:

Type 1: Redistribution over time (temporal redistribution)

Type 2: Redistribution between people and groups (interpersonal redistribution).

Type 1, temporal: Redistribution over time is involved when people pay in at some points in time and draw out at other points when they have particular needs. This is in some ways analogous to insurance – a small regular spread-out payment cushions the risk of an unforeseen, heavy or concentrated expenditure. It can cover random or accidental needs (like ill-health or unemployment), periodic needs which run in phases (like education or maternity), or lifecycle-related needs (like pensions).

Potentially people get their money back, because what they take out at times of need trades off against what they pay in across their lives. As with insurance there may not be a precise balance for given individuals, though – people who are ‘unlucky’ take out more than they put in, because they have greater needs, whereas others who have fewer needs may pay in more than they take out. That’s generally seen as all part of the deal, however – the main point of insurance is to deal with this kind of imbalance. The point is also to provide the “peace of mind” which comes from the knowledge that you’re covered if something goes wrong – which is valuable even if you never have to claim.

Type 2, interpersonal: Redistribution between people and groups happens when there is some systematic disparity between what different individuals and groups pay in and what they take out.

The disparity has to be ‘systematic’, because there would obviously be more-or-less random winners and losers even under a purely insurance-based model. Almost all my participants would accept the latter – it seems fair and self-evident that those who are ‘unlucky’ in their health or in other respects should consume extra resources, and those who enjoy good health (or are otherwise less in need of services) should consume less.

Systematic disparities over a lifetime would mainly include flows from higher to lower income groups, but also (for example) from the healthy to the chronically sick, and from men to women. In any one year resources would flow from working age people to pensioners, but in some of these cases this would be an example of temporal rather than interpersonal redistribution.

There is a complex interaction between temporal and interpersonal redistribution. The reality of the way the tax system works is that people who draw out heavily in a given year are being ‘paid for’ by others who are subscribing but not drawing out. To that extent the system is actually redistributing from the latter to the former group. This means that many pensioners would seem like net beneficiaries – they are apt to draw out heavily in terms of pensions, other benefits and health, but if they are not earning many would contribute little in tax. Yet at other stages in their lives they might well have been net payers-in. In terms of redistributing money between individuals or households we therefore need to distinguish between short-term flows and lifetime flows. Short-term flows imply a degree of redistribution between people which would to some extent be self-cancelling if you take a lifetime view.

This is a very subtle and complex distinction which most participants were nowhere near making spontaneously for themselves, and which they often found difficult to get their minds round. ‘Swings and roundabouts’ is a phrase I sometimes heard to describe the way the system works, but in practice it is very hard to disentangle these intricately-related pieces of fairground equipment in this case.

I therefore showed people evidence about the extent of redistribution both on a spot and on a lifetime basis (see D14). I found most participants able to take these in, but they needed to be carefully explained. Many people did not find them easy to absorb, and the full ramifications were not always apparent to them.

D2 Approaches to studying redistribution

I took the view that it would be more useful to study redistribution by discussing underlying principles and practices than through semantic examination of the word ‘redistribution’ itself. Time pressures in relation to the size of the field precluded taking both approaches. I wasn’t sure how many people would understand the word itself, or what it would be taken to mean. I wanted to get down to the bedrock as far as possible, rather than just ending up with knee-jerk responses to the terminology.

With hindsight I think this basic approach was justified, but I’m inclined to regret not having found out more about direct perceptions of the concept of redistribution itself. This could do with more qualitative exploration in future if the opportunity presents itself.

The word itself was hardly ever used spontaneously by participants in discussion, although much of what we were talking about is clearly related to it.

My sense is that understanding of the term would have been incomplete and imperfect. This fits my impressions from the study, but it was not directly tested.

A few more knowledgeable or thoughtful people used terms like ‘progressive’ in relation to taxation, but few seemed to have thought much about these matters in general systemic terms before. If they discuss the impact of the tax and welfare system they tend to talk about specific issues which may or may not have redistributive components.

Put bluntly, questions about the quality, cost and value of public service delivery are very much front-of-mind for most people, but questions about redistribution generally aren’t – except for a widespread general notion that very high earners could contribute a bit more. It was notable in the discussions that people often *wanted* to talk about public services and their cost, but it was much harder to get them talking about redistribution. This is partly because the latter involves a much more diffuse and difficult set of issues, but also because it is usually a more remote concern, which currently has very little emotional head of steam behind it. I sense that people in pubs would sometimes talk about the perceived shortcomings of the NHS, the difficulties of getting the police to take notice of your burglary, the unreliability of the trains, rising council tax, taxes on motorists, and so on. I don’t get the impression that they would often be talking about redistribution.

I: “When you’re paying into public services people are putting in and taking out different amounts”

M: “I think that’s fair enough, we’ve all said that’s fair enough. I think it’s the quality of public service. So it’s about management really, management of public services – it’s not really an issue of money” (Bar high left)

The exception to this is where redistribution involves high-profile and emotive issues like benefits for asylum seekers or people who won’t work. Here the steam pressure can be very high for some people (see D6). The public doesn’t tend to identify these primarily as issues of redistribution, and the more general underlying basis of redistribution within the system does not currently seem salient in people’s minds – or indeed very perceptible.

I have some sense that what would normally be understood by ‘redistribution’ tends to be Type 2 (interpersonal) rather than Type 1 (temporal). The latter notion is in part a familiar feature of welfare state provision. The element of ‘insurance’ inevitably involves ebbs and flows across the lifecycle, but this is not necessarily normally regarded as ‘redistributive’ – because of the ‘swings and roundabouts’ notion it is seen as potentially self-cancelling (what you pay

in today you get back tomorrow). However, this is an impression rather than a firm conclusion, because I didn't explore the semantics directly in the sessions.

The obviousness of the redistributive effect varies between different types of benefit. It is perhaps most manifest with cash benefits – particularly working-age benefits like those paid to unemployed people. With pensions the redistribution across individual lifecycles to some extent masks the redistribution between higher and lower earners (“the pension I'm getting is what I've paid in for all these years”) – see D9.

D3 Reasons for supporting redistribution

As already noted in C2.4, participants did recognise that some individuals put more into the welfare state than others, and that some take more out. That is widely regarded as part of the basic deal, because some people need more help, and some can afford to contribute more. It most obviously happens across the income scale. Insofar as most people have an organised concept of 'redistribution' I suspect that is largely what it would be.

This principle was widely endorsed among participants (albeit subject to certain caveats and within certain limits). The main reason advanced for supporting it is as stated above – that hardship should be alleviated in times of need, and that the cost of doing this should be spread in proportion to what people can reasonably afford. Some people also feel that a compassionate and mutually supportive society is desirable in itself.

There were inevitably some differences between population sub-groups defined by income, political leanings, and lifestage, but in the main these variations were surprisingly small in relation to the core agenda. Redistribution tended to be endorsed by all segments, often with similar criteria and caveats. Support for shifting the tax burden upwards was by no means confined to low-income groups.

There was not much evidence that support for redistribution is driven primarily by an egalitarian agenda, although elements of this could sometimes be detected. That's to say people do not usually seem to be starting from the premise that there is too much economic inequality, and that it is the function of the tax and welfare system to even it out. Any progressive redistribution across the income scale will tend to have that effect to some degree, but that didn't usually seem to be the primary objective. The most common idea is to make sure that:

- everyone gets what they need to live comfortably and avoid hardship whether or not they have enough money to pay, and

- the cost of achieving this is fairly borne and reflects people's ability to pay.

Given that both means and needs vary between individuals and families this necessarily implies redistribution – but that is not usually felt to be the key objective in itself, it is more a means to an end. It is redistributive in effect, but not necessarily specifically redistributive in intention. Participants did not usually analyse it clearly in these terms, but this seems the general drift of what they said.

The main exception to this is where some people are seen to have excessively large incomes (the 'fat-cat' image), in which case some feel there is intrinsic merit in trimming their earnings down a bit, quite apart from expecting them to contribute proportionately to the public purse. I suspect that some people would favour an element of redistribution in its own right at both extremes of the income scale. Poverty should be alleviated, and excessive incomes are often criticised. However these matters were not fully explored, and there would probably be some dissent.

Insofar as there are general guiding concepts they seem to be 'fairness' and 'mutuality', which are further explored in D5. Different people sometimes have different notions about what is and isn't fair (particularly at the level of detail), but there is often a degree of consensus. 'Fairness' often tends to involve an element of redistribution, but this can seem unfair if it is carried too far or operates in what seem unreasonable ways.

Some study participants did express more specifically egalitarian views, but these were comparatively uncommon.

M: "If the gap between rich and poor has got greater over the last 15 years probably the balance isn't right, maybe there should be more progressive taxes... I want a progressive tax – I'd rather live in a more equal society where there's not such a gap between rich and poor, I'd like the gap between the rich and the poor to be less rather than more. I'd rather someone who's earning a lot less money was paying less tax" (Bar high left)

With hindsight it might have been useful to show people information about the widening gap between rich and poor, to see whether or not they would interpret this as in itself a case for greater redistribution. As it was few people brought it up spontaneously, and it was not probed.

Again it is important to stress that the perceptions described above often emerged only gradually from discussion as people grappled with the issues.

Participants did not often come along with thought-out views about these matters which they were ready to articulate from the outset.

D4 Different pictures of redistribution

There are clues that the public tend to be least comfortable with redistribution when they picture it as a direct transfer of resources between individuals or social groups. They tend to be more at ease with a model which portrays a central pot (or pots) which everyone pays into and draws from in varying amounts according to needs and means. By implication if the amounts put in and taken out vary between individuals then there is a transfer of resources between them – but it is an indirect transfer. This does not feel quite the same as a situation where A makes payments directly to B.

The latter direct payment model does not in practice occur, but it can be a way of picturing things. It seems more likely to be applied to cash benefits, but can relate to any kind of state support.

One notable example in the study was in the Barnet area, where many people had the notion that a very dramatic rise in their council tax was due to money being given to poorer areas in the north (see D13). In this case very graphic images of money being directly transferred from their pockets to people in other areas seemed to aggravate their indignation. They didn't necessarily literally think it was happening in exactly this way, but this is how they tended to rationalise it to themselves.

It may be argued that the financial outcome is much the same either way, but the emotional tonality is somewhat different – and it tends to be the emotional reaction which principally shapes people's views about redistribution.

D5 Concepts of 'fairness' and mutuality

Insofar as I could detect underlying principles in relation to redistribution (and indeed to many aspects of the way the tax and spending system operates in general) they seemed to be 'fairness' and mutuality.

At various points in the discussion participants argued that it is 'fair':

- That the healthy majority should help to support those whose health is poor
- That people who can afford more should pay more
- That those who succeed through their own efforts should be able to enjoy the fruits of their success
- That people should not be left in hardship even if they have not pulled their weight

- That those who have made an effort and paid their dues should be rewarded for that.

Conversely it was suggested as unfair if people:

- Are given public money that they don't need
- Have to pay out money for essential needs that they can't afford
- Who haven't paid in should be given as much as (even more than) those who have
- Aren't allowed to enjoy the fruits of their own enterprise, talents, education etc.
- Have to pay for things they don't use
- Don't get what they've paid in for
- Miss out on support because they're just on the wrong side of an arbitrary threshold
- Are penalised by losing entitlement for saving and being prudent
- Are penalised for being honest
- Are penalised for working all their lives by getting no more than those who have not worked
- Are penalised for being married.

M: "Well, I don't think it's fair to bring them up to luxury level when they've paid nothing" (Shef higher pen)

F: "My mother-in-law went into residential care and the whole income from a house that was sold went into her care – which we don't grudge, but it seems unfair when some people don't contribute" (Bar high left)

F: "My husband's contributed for 45 years, and why should I be penalised 'cos we're married? Everybody knows somebody who's cohabitating. They get two lots of money. 'Cos we're married we don't get anything"

M: "Yeah, but people are doing this purposely though these days"

F: "Of course they are" (Shef higher pen)

F: "That's another thing I think's unfair meself – because you're wise enough to save your money and use it sensibly and let it build, why should you lose out on Family Tax Credit just because somebody else didn't want to save theirs, and spent it all, and has got no savings? Why should they get the help when you can't just because you saved your money? Obviously if you was a millionaire, won the lottery or something, fair enough" (Rug low mixed)

All these things were said in the study, and some of them recurred frequently. Others could be added to the list. I suspect that many such postulates would command wide support – they all sound very reasonable, and it's hard to quarrel with them, taken individually. The difficulty is that widely-endorsed desiderata like these often conflict with each other when applied to real-life tax and

welfare issues. For example the idea of rewarding people who have paid their dues tends to conflict with the notion that even those who haven't pulled their weight shouldn't be left in serious hardship. A fine balance needs to be struck in such cases.

F: "I'm quite happy for people who are on low incomes to be helped out"

F: "Yes"

M: "Oh yes, I am"

F: "I'd hate to see anybody – but if you have saved, why should you be penalised for your savings?" (Shef higher pen)

Trade-offs and priorities therefore have to be established. It seemed from the study that this process of debate and trade-off has not got very far in many people's heads. The issues are intricate and difficult, and the public does not usually have much real information to work on. Moreover, although particular issues may surface in public debate from time to time there is not often scope or incentive to progress such ideas very far.

There are not only conflicts between individuals who hold different views but (at least as commonly), between different sets of values which co-exist within the same head. Different cases or situations (or different ways into discussing an issue) sometimes throw different principles into relief.

What we therefore generally have is a rough-and-ready set of acceptable but potentially conflicting and largely unreconciled notions of fairness. Dissent often arises when different people latch on to different elements and treat them as over-riding principles.

The other general principle often applied to redistribution is what I have called 'mutuality'⁸. This term was not actually used in the discussions (unlike 'fairness', which came up all the time), but it seems a useful way of summarising an inchoate but powerful nexus of ideas. The system is fair even if some people pay in or take out more than others, so long as everyone shares the same basic rights and responsibilities. The core of this is that everyone has to pay in what they reasonably can in the light of their means, and this entitles everyone to draw out what they reasonably need in the light of their circumstances (see C2.4).

⁸ The term 'mutuality' was never used by participants, but I have chosen it as a label for the underlying principle I felt they were often trying to express. However, it would be wrong to imply that many have this concept neatly packaged in their minds. It usually seemed to be an underlying set of dispositions rather than a coherent front-of mind concept.

The result is not equality in what different people pay and what they draw, but it involves a balancing sense of mutual rights and responsibilities. So long as proper mutuality is preserved the system is potentially seen to operate fairly – although there is often disagreement about how the rules should be drawn to effect a proper balance. For many participants it seemed to be mutuality more than equality that legitimates redistribution.

In this view mutuality implies a sort of ‘club’ or social contract. If you are a member you have to abide by the rules – and if you aren’t a member you aren’t entitled to the benefits.

There are (as it were) two moral bases for the notion of entitlement:

- You’re entitled because you’re in need (**‘Samaritan’** model)
- You’re entitled because you’ve paid (**‘membership’** model)

The proper balance between these two criteria underlies much of the disagreement about how the welfare system ought to work. What you think is ‘fair’ depends largely on this.

The **Samaritan** approach tends to be inclusive, and stems from broad humanitarian feelings. It suggests that we have a responsibility to people in need, which does not depend on them being members of our club or having paid their subs, or even being ‘deserving’ cases. This is, for example, the impulse which often makes people feel that treatment or support should not actually be denied even to those who don’t meet the membership criteria.

The **membership** approach is in some ways more exclusive. It depends on mutuality. Members of the club undertake to help each other out providing they all abide by the rules and pay their dues. The purpose of the welfare state club is to support each other in times of need, but the undertaking does not extend much outside the club.

In the real world these two distinct approaches overlap considerably. The club is itself motivated by a mixture of self-interest and Samaritan feeling. The balance varies between individuals, but both are present.

The more anxious people are about fraud, abuse or unrestricted use of club benefits by outsiders the more inclined they are to take a membership approach, and to interpret it more strictly. The membership model is considered further in D6 below.

D6 The welfare ‘club’ model

In D5 I suggested that the model of a mutual-help club is a useful metaphor for aspects of the public’s notions of redistribution. This concept needs a bit more unpacking.

In many eyes the benefits should normally only be available to people who are participating members of the club and who have paid their dues, as discussed below.

D6.1 A British club

To begin with the club is generally seen as a British club, the contract is a contract between British citizens. It doesn’t cover everyone in the whole world – the rest of the world doesn’t contribute (although it may or may not have schemes of its own), and isn’t therefore entitled to draw on the benefits⁹. In this view redistribution within the welfare state is basically a British affair, and therefore only British citizens are members¹⁰. Some people get very ratty at the idea of outsiders coming to siphon off the benefits of a system they haven’t taken part in or contributed to.

M: “I believe in a welfare state that does actually – ”

F: “Not for the world though, is it?”

M: “Well no, let’s say in Britain to start with” (Shef higher pen)

Once the focus moves outside Britain the rules change. ‘Foreigners’ do not belong to the club, do not contribute to it, and hence are not entitled to benefit under the principle of mutuality. In most people’s eyes those who come to live in Britain and function (at least *de facto*) as citizens thereby become members of the club, and few would suggest that their entitlement should be restricted because they didn’t pay subscriptions in earlier years. But the sticking point for many participants comes where people are thought to be climbing on board the gravy-train at the last minute for opportunistic reasons, simply in order to get the benefits, but without accepting the obligations.

⁹ A few people mentioned reciprocal arrangements like the EU’s E111. Where mentioned this was seen as a reasonable two-way deal between analogous systems which satisfies ‘fairness’ and ‘mutuality’.

¹⁰ There could be intricate ‘membership’ questions developing within Britain since Scotland, Wales and Northern Ireland now have Devolved Administrations (DAs). If the DA tax and spending systems were seen to be sufficiently decoupled then the English might start seeing England rather than Britain as their ‘club’. However, this was not examined in this research, and there is no evidence to suggest it has so far happened to any great extent. The current situation is probably that people tend to think of all British citizens as members of the same welfare club, and it’s not at all clear yet how far (or how quickly) that might fragment.

The two archetypal examples of this which are usually quoted are:

- People who come to Britain when they need an operation just to make use of our free healthcare. This is seen as fairly common, and is often deplored as an abuse which leaches precious resources away from proper members of the welfare club – whether the visitors come from America or from poorer countries.
- “Asylum seekers”, who are sometimes believed to be coming to Britain just to enjoy benefits to which they haven’t contributed.

F: “Lots of people come from abroad to use our system – that I don’t agree with. There isn’t sufficient for us to. I’m not being disrespectful to the people that live here, but a lot of people just come over – I’ve got a friend in America – she actually comes over here to have eye operations, and I think that is wrong. I don’t agree with people from overseas – if they come over and they pay privately, then that’s different” (Bar high right)

F: “Well, it should be people who have actually contributed – some might not have contributed for a very long time”

F: “So if you’re mentally ill and you’ve never worked, you’ve never contributed you should still get treatment”

F: “Yes, because you live here – but people who just come and take advantage of our health service – this, I think, is wrong”

F: “And Housing Benefit and everything else that goes with it”

F: “I don’t mind people from the Continent when they come here, because I take the E111, and I go to Germany and I fall ill and I get treatment – and we’ve had treatment there. But this is an arrangement between the countries in the EC”

F: “I think Britain is seen as being a soft number” (Bar high left)

F: “There’s an awful lot of people coming in. They don’t go to other countries, it seems to be Britain that most people aim for”

M: “As long as it says ‘Seeking asylum’ that’s it, you’re in. Then you wait for your passport”

F: “Or you get these families coming across with about 20 of them and suddenly they’re given five-bedroomed houses, and ‘Come and stay here and we’ll look after you’”

F: “That I think’s unfair, when they come over and they house them, give them furniture everything. Then there’s people, like my daughter with a baby, and she can’t even get a house to save her life and she’s having to live with me. And her husband’s living with his mother, they’re living apart and they can’t get nowhere” (Rug low mixed)

M: “It’s the asylum seekers. . . They keep coming over here, right, why should we have to pay for them? We’ve got enough homeless – it’s time they called it a day. I’m not racist or nothing, but this is a small island, we’ve got enough of our own people, we don’t want no more, but they come over, you’re paying for them all the time, houses and all that – and half of them are not going to get work anyway” (Rug low left)

Disputes about where the boundaries should be drawn again tend to arise in relation to asylum seekers, a somewhat stereotyped issue which often arouses passions. On one side of the argument these are seen to be people who may have suffered and who deserve our help and compassion. On the other side they tend to be portrayed as opportunists who are trying to take advantage of our generosity by tapping a welfare system they have not contributed to – they are not paid-up members of the club.

Such people are not seen as entitled members of the club, at least *ab initio*. Some think they do in practice get pretty free (and generous) access, and they object to this – sometimes vehemently. The worry is partly that universal entitlement would throw on to the British taxpayer an unsustainable welfare load, thereby depriving bona fide club members who have paid their dues. This in turn strikes some people as unfair – why should club members pay at all if others can come and get the same entitlements for nothing?

F: “I would like those people who have actually contributed through their earnings to be paid, but those people who just come into the country – OK, if they come from the EC where there is an arrangement, but there are people coming from far away – they live here in big families, and they just take – and people like you, who’ve paid and paid and paid, you can’t get it. And that I object to” (Bar high left)

M: “If they came over here and have an accident, it don’t cost them a penny, we’re paying for that, and it’s something that we’ve paid into since – what is it, 1947, something like that” (Shef lower pen)

Overseas aid is in a sense redistributive in effect, but it does not fall under the ‘mutuality’ umbrella and stands outside the workings of the welfare state. Helping poor people in developing countries may seem to parallel helping poor people in Britain on the ‘Good Samaritan’ level (although views about that diverge sharply on the ‘charity begins at home’ dimension), but this is not generally seen as the same kind of activity from the point of view of club membership (see D5). A distinction is perhaps being made between ‘charity’ and ‘mutuality’ (although certainly no-one expressed it like that). Similarly asylum seekers, immigrants, foreign visitors and ‘health tourists’ are not usually seen as paid up members of the club.

A few people questioned why we should be giving overseas aid at all instead of providing more help for our own disadvantaged. The phrase “charity begins at home” was again sometimes heard in this context.

D6.2 Paying your dues

Apart from whether they are members of the club at all, the other qualifying feature of the contract in many people’s minds is whether a member has paid

their dues. This doesn't mean how much they've actually paid, but whether they've made a reasonable effort. If you're ill, having children or genuinely unable to get work then it's part of the deal that you get supported and aren't expected to pay in while that's happening. But many people would argue that if you've just opted out or haven't bothered to get a job you haven't kept your side of the bargain and therefore shouldn't expect the rest of society to keep its side. In this view mutual entitlement implies mutual obligations.

M: "Too many people take the Michael I think. For example, sometimes people will split up for the sake of splitting up, and claiming benefits from different houses, and still say they've got their child with them on either end – but they'll be both claiming still" (Rug low mixed)

F: "It's horrible for me to say it, but I'm a hard-working mum who earns my money and pays my tax, and pays for everything – my poll tax, everything, my electricity, everything I have I pay for. Now I'm working in council premises where the people play the system – they don't go to work, they have a life of luxury, they don't pay for anything. Everything is supplied for them. And I'm sometimes thinking to myself, 'Who's the mad person here?'" (Bar high left)

M: "I know a lad, he ain't worked since the age of 21, he's 37 now and he's got five kids, and he gets over £1,300 a month off the dole and off his child support and everything – and he's turned round and says, 'If somebody pays me over £1,300 a month, I'll go and work', 'cos he knows for a fact that no-one would. So he just sits at home all day on the dole – and there's people like us who have to pay for it" (Rug low left)

One difficulty with applying a principle like paying dues is that it is largely a matter of supposition whether or not benefit recipients have contributed what could be expected of them – certainly in the aggregate case, but even at the individual level. The following comments by an epileptic woman hint at how this might look from the recipient's viewpoint.

F: "From the age of 16 when I left school I've always tried for a full-time job, nobody will ever let me have one. The moment they know I'm epileptic and have quite a few, even though I get warnings, I've never got a full-time job. The job I do now I've only been there four years, it's only part-time but it's better than nothing. It's the only job I've ever got. But by the time I become an old-age pensioner, because I haven't had a full-time job and I haven't paid into all these schemes I'm gonna get the most diddiest pension going. And yet I didn't ask to spend my whole life not getting a full-time job"

I: "What do you think should happen then in a case like this, how should it work?"

F: "Well, if things are means tested and they look at people as individuals"

F: "Well, if there's an extenuating circumstance or something that can be proven – I mean you can be medically proven" (Rug low mixed)

Many people assume that a good deal of freeloading goes on, and this is often supported by anecdotes about those who have no intention of working, claim what they aren't entitled to, and so on. Sometimes the anecdotes seem to relate to deliberate fraud, sometimes just to a supposed laxness in the system that allows people to claim without challenging their entitlement. There seems as yet to be limited public awareness that changes in the benefit system like Jobseekers Allowance now embody a more challenging approach to unemployment (and participants were sometimes sceptical about its likely effectiveness when this point was raised).

A few participants pointed out that there is a lot more publicity about overclaiming and fraud but much less about underclaiming of benefits.

M: "DSS were chasing what was said to be seven million pounds of fraudulent claims over the year, but what they didn't publish was that there was two hundred million pounds unclaimed because people didn't know how to claim, they're so complicated" (Shef higher pen)

D6.3 Strength of feeling

Both the above issues (national membership and paying your dues) sometimes engender considerable heat, for a whole range of reasons:

- People fear that the costs will swamp the system, and club members in good standing will lose out.
- It seems unfair if those who haven't paid in seem to get more than those who have
- They feel they are themselves paying to support 'undeserving' cases.
- Allowing those who have not paid their dues to enjoy the benefits appears to penalise the conscientious and thrifty in favour of those who are dishonest, feckless or lazy – which strikes people as morally wrong as well as unfair¹¹.

M: "If you've got a house they'll take it off you to pay for it, where them that's paid nothing again, get it all free"

F: "There's a lot of bitterness, a lot of bitterness about"

M: "I can't see that it's done fairly in most cases because the people that've helped themselves in the first place are getting penalised for others that's done nothing" (Shef higher pen)

F: "If you've worked all your life, been taxed all your life, and put a little bit – just gone without a few little things, because you think, 'Right, I've got to

¹¹ The same thing is often said about disallowing benefit claims where people have small amounts of capital. The argument is that thrift is a virtue to be encouraged, but is being penalised in favour of those who have been reckless or prodigal with their means. This sometimes arouses moral indignation.

think about my retirement', because you've saved some money and put it in that bank, you're penalised. And that shouldn't happen, that should not happen! You shouldn't be penalised for saving. Like me, we worked, we didn't go out every night like a lot of the young ones do now – and I tell you, when they get to 65, they will get everything that's coming to them, because they've nothing in the bank"

M: "It'll be thrown at them"

F: "But because you've been steady, and you've saved, and you've thought, 'No, I'll go without that, and I'll do this', because you've done that, you're penalised – and that is wrong"

M: "It's a fact – it's very unfair" (Shef lower pen)

F: "My husband worked from 15 until 60 and got £52 for it, and we're reading in the papers what people are getting after not paying a ha'penny in income tax" (Shef higher pen)

F: "Believe me, if there's anything going, she'll get it 'cos she knows the system and she's lived on it for years"

F: "And they milk it, don't they?"

F: "None of the family work, and none of her sons work"

M: "We resent it – and yet in actual fact it's an entitlement – 'cos we're all entitled to it" (Shef higher pen)

F: "I think the welfare state is quite easy for some"

M: "Yeah, it's too relaxed, that's why you have God knows how many people coming into this country because they see it as a golden opportunity to rob the state – because it's so easy. And I know lots of foreign people that I've worked with in the past and they've said how easy it is to come into this country, to get on the bandwagon, to get money off the state and live off it the rest of their lives – and not worry about going back. And they can in turn feed their family abroad" (Rug low mixed)

Discussion of Social Security benefits in particular tends to be characterised by conflicting and sometimes violent emotions – sympathy for those who are truly disadvantaged warring with suspicion and anger about others who may be suspected of just looking for an easy ride at the taxpayer's expense. The latter feeling is often fuelled by apparently exaggerated folklore and anecdotes about the perceived generosity of the benefits paid and the apparent ease with which they can be claimed by people who shouldn't really be entitled. Much of the hostility about asylum seekers also seems to have this kind of origin. The following extended dialogue illustrates aspects of this.

I: "Take another case – a young woman who's a single parent, she's got a couple of kids, she's never worked so far, she's still fairly young, she's been having children all the time. What about in her case – she's not put much in?"

M: "Has she had the kids to order? That's what I think"

F: "Is she married or just anybody's kids?"

F: *“No, she’s young, she’s a single parent”*
M: *“Why is she single, has she lost her husband?”*
I: *“Would that make a difference?”*
F: *“Yes. But they’re having children just to anybody. They’re getting a house, they’re getting the furniture, they’re getting kept”*
F: *“That’s when it started when they were being given a house”*
I: *“So that you wouldn’t think is fair? But you think it’s fair if the husband had died or she’d been deserted?”*
M: *“Yes”*
M: *“I think they should do like America does when they get welfare for one kid and if they have any more they get nothing extra – that’s what I think”*
F: *“I do, I agree with that”*
M: *“This is the lower end as well, of course, what does this kind of thing – they’ll have a houseful of kids”*
M: *“How do you draw lines, how do you make distinctions like that? How do you say this girl doesn’t deserve it, this one does?”*
F: *“Well they can’t, they can’t”*
M: *“Well you can because if they had more than one child they don’t get any extra pay – it’s simple”*
F: *“People who come into the country, they’ve got two behind them, one in the pram, one in here” (Shef higher pen)*

The upshot tends to be that although some take a more relaxed attitude, many people feel that full entitlement to welfare benefits should depend on being participating and paid-up members of the club. This is not seen to be what happens at present – those who express these concerns tend to feel that the pot is left open for anyone to dip their hands into. Some would like eligibility rules tightened, and many feel that those who have paid their way ought to get some advantage from it, even if humanity dictates that even ‘non-contributors’ should be given some support.

Feelings on these matters again sometimes run high – in some cases fuelled by exaggerated pictures of the amount of money involved, or the generousness of the benefits, or the ease with which people who have not paid their dues can tap into the system at will.

The issue of redistribution tends to be clouded by these ‘club membership’ considerations – many are very unhappy about the thought of money being redistributed to people who do not have a real need or a genuine basis for claiming. The vehemence of these feelings sometimes overlays sympathy for those who really are in need – the term ‘benefits’ has come to be associated more in some minds with abuse than with the alleviation of genuine need. It is also in relation to benefits that issues of mutuality and club membership most often arise – put crudely, the feeling is that scroungers shouldn’t be supported because they haven’t done their bit as members of the club. These feelings are not universal, but they don’t seem uncommon either.

However, most participants in the study would not want to draw rigid lines about ‘membership’ issues. Many see broader humanitarian principles which may override contracts, rules and contributions (the ‘Samaritan’ approach, see D5). The impression is that not many people would simply turn off the welfare tap altogether to people who don’t meet membership criteria. This is particularly true of healthcare – many participants criticised societies in which people don’t get care unless they can prove their credentials. Some people seem to take a more inclusive, some a more exclusive approach to these matters. Some would argue that people who have paid their dues should benefit from having done so, and the system should not allow itself to be persistently taken advantage of by people who do not respect its mutuality.

My impression of the general sentiment is that if people are accepted as citizens and are prepared to fulfil their side of the mutuality bargain they should be entitled to the benefits of citizenship more-or-less *ab initio*. Until then they are not members of the club, and although they should be dealt with humanely and charitably, the club rules don’t really apply at that point.

This neat formulation tidies away a lot of real dissent about how ready we should be to accept as citizens people who are suspected of simply climbing on board to get the benefits, and who may not actually work once established here. This is a fraught and contentious issue in which suspicion and hostility conflict with (and sometimes overcome) humanitarian impulses. Participants visibly took up a range of different positions on this spectrum, and there seem to be considerable differences between individuals – although again there are also sometimes conflicts within a given individual’s mind.

D7 Altruism and self interest

The ‘Samaritan’ approach described in D5 rests mainly on altruistic feelings, and its drivers are largely moral and ethical. The ‘Membership’ approach has more obvious elements of self-interest, insofar as people themselves stand to benefit from belonging to the club if and when they need support. However self-interest is not the only basis for membership, and altruism was sometimes also apparent in that context.

These two notions are not in reality quite as discrete as they seem. There may be some kind of spectrum on which hard-nosed self-interest sits at one end and disinterested humanitarian feelings at the other – and both these elements did certainly surface. But many people have a foot in both camps, and the elements were often not easy for either participants or moderator to disentangle.

The notion of ‘mutuality’ (see D5) can be seen as having elements of self-interest and elements of altruism. Even statements like ‘you never know what

might happen' sometimes seem to partake both of a specific desire to ensure against personal mishap and a more general sense of the uncertainty of things which makes it incumbent on us all to support each other in times of need. People are concerned to a degree about mishaps which befall other people as well as those that affect themselves – although it would be surprising if the latter did not normally loom larger in their minds.

Although altruism and self-interest were both apparent, it tends to be the notion of insuring against a 'rainy day' which tends to come more widely and rapidly to the surface when people try to express why they feel as they do.

I: "You would think it fair that taxpayers who may not themselves ever need long-term care for the elderly, should nevertheless be supporting those that do need it?"

F: "Yes I do"

F: "Yes, because you don't know who's going to need it and who isn't" (Bar high right)

There is another class of motives beside self-interest and altruism, relating to the kind of society which different approaches to welfare both reflect and help to generate. For example some people said that they would not want to live in a society which asked people whether they had insurance before deciding whether to treat them. This seems related to the altruistic view that sick people should be helped, but it is not quite the same thing. For some there is the notion that a kindly and supportive society is desirable in itself.

M: "It's just the society you live in. You're gonna live in a society where not just you, but everyone else is covered – don't wanna live in a society where people are dying, people are getting ill just because they haven't got the ability to pay"

M: "I would think that's like basic human rights"

F: "Yes, but you have to pay for it"

F: "Well we do. People do say it's a free service – it's not, we all pay for it, and we've paid for it all our lives" (Bar high left)

M: "Well again, it depends what sort of society you want to live in" (Bar high left)

M: "We were just talking about here, 'I might need something out of the system, so therefore I'll put something in'. Is there an element of we need to support other people, regardless of – we haven't sort of touched on that element at all, I guess it's not just who takes what and who's paid what, it's what responsibility have we got to one another as a society"

I: "So it's more than an insurance system?"

M: "Yeah. The caring environment, caring society" (Bar high right)

This notion of societal dividends also sometimes emerged in discussing education – if we educate our children well we enjoy a more civilised and more effective society, quite apart from the direct benefits to the individuals receiving the education. This is sometimes advanced as a reason why people without children should still pay for state education (see C2.6).

These societal arguments were again less commonly heard than the more obvious ‘insurance’ arguments, but they nevertheless seem worth considering.

A few participants reflected that what they had paid in would be wasted if they didn’t actually need to draw on the services, but other people in their groups tended to contest this view – sometimes on the ground that your contributions would have bought you security and “peace of mind”, and sometimes on the more systemic or societal grounds described above.

M: “I ain’t been in a hospital for about nine months and I’m paying all this national insurance, tax, for nothing”

F: “But it’ll be there when you do need it”

F: “Say if you got run over now, and you turned up and they said, ‘Sorry, you’ve never paid a penny”

M: “Yeah, but then that’s like in America, you pay your insurance”

F: “Yeah, but you don’t pay it when you use it, you pay it continuously. And I should think theirs is about £300, £400 – my parents live in America, and it’s very expensive – and they’ve never used it” (Rug low left)

D8 *Winners and losers*

It is implicit in the analysis in D2 above that redistribution produces winners and losers. Money tends to flow from better-off to less well-off households, and from people who are ‘fortunate’ (for example in health terms) to those who are less fortunate. However participants didn’t always have this ‘winners and losers’ effect sharply focused in their minds, and often had to grope towards articulating it in discussion.

On the whole people endorse this effect, but with some reservations. Participants never really queried the principle that people contribute when they can and draw out when they need to – this is to some extent the point of the system under discussion. It implies that citizens will potentially veer between gaining and losing as their fortunes change.

The main qualification to endorsement is that where people are suspected of being wilfully ‘non-contributing’ (shirkers or outsiders) they are not usually considered as paid-up members of the club. Those who have contributed (or at least been willing to do so as far as they were able) are the ‘deserving poor’ (not a phrase participants actually used), but those who haven’t bothered or who

have just clambered on board were not seen by some participants as morally entitled to support. Some people insist that the principles of fairness and mutuality have to be satisfied (see D6).

M: "I don't think people criticise the system – what they will criticise is people who's not paid into it wanting to drain money out" (Shef higher pen)

The following dialogue on this point emerged in answer to a question about whether the state should pay someone's long-term care costs.

F: "If they've paid into the system, yes"

I: "Supposing they've been ill all their life? They haven't worked?"

F: "If somebody's been ill all their life, they must have been getting some sort of – what do you call it – Disability Allowance or something, so that should be taken into account too when checking records or whatever. The government could look back and say, 'Well, they haven't been able to work'. They shouldn't be held to account just because they haven't actually physically paid in any money, because they've been unable to"

F: "It's different if somebody hasn't worked because they don't want to work" (Bar high right)

The welfare state can be seen as a kind of implied state-mediated social contract¹², and the essence of that contract is that the rules oblige citizens to make payments proportional to their means, and entitle them to draw services proportional to their needs. 'Means' and 'needs' are defined by those rules. People often quarrel with the details of these definitions, but rarely with the general principle they embody.

It is therefore not generally felt that what people take out should be directly proportional to what they've put in. What people pay in may legitimately be constrained both by income level (which affects the rate of affordable contribution), or by justifiable and unavoidable periods out of the job market (which limit their ability to contribute anything at those times). This is generally seen as fair enough, and few people would want to curtail entitlement to welfare services or benefits on that basis¹³. As long as people pay in what they reasonably can, most participants would think they should be entitled to draw out what they need on the same basis as those who have paid a larger whack. To

¹² That's my way of describing what people seemed to be saying – no-one actually used this term.

¹³ The system does sometimes curtail entitlement, albeit in a rather inconsistent, residual and fragmentary way. Basic state pension entitlement depends on NI contributions, although means-tested entitlement is paradoxically higher than the full pension. There are also contributory and non-contributory versions of Jobseekers Allowance.

this extent people feel the system is (and should be) redistributive. I referred to this as the principle of ‘mutuality’ (see D3, D5).

The important qualifier in most participants’ minds was that people should be (at least implicitly) party to the contract, and should have fulfilled their part of the bargain by contributing what they reasonably can. To return to the club metaphor, to draw on the club’s benefits you need first of all to be a member, and secondly to abide by its rules as far as your own obligations are concerned. This is the core of what I’ve called mutuality.

D9 Redistribution to pensioners

Pensioners tend to be generally accepted as a kind of archetypal client group for the system, and as such their rights to draw out more than they pay are pretty much unquestioned.

F: “I think if people have paid into the system, when they get to later on in life, and obviously a decline in health is the thing – they’re entitled! They’re entitled, they’ve paid into the system – why shouldn’t they benefit from it?” (Bar high right)

There are two mental models of how pensions work – we might call them the ‘pot’ model and the ‘spot’ model:

- 1) The **pot model** implies that someone pays into a “pension pot” through their working life, and then in retirement “gets back” the fruits of what they’ve paid in. This is a simple and intuitive picture. It is not in fact the way state pension actually works, but it’s roughly how personal pensions operate. More pertinently it is how a savings bank works, and I suspect the imagery may largely derive from that. It is essentially not a redistributive model, because what you draw is pictured as what you yourself have paid in earlier, recycling your own previous contributions.

There could still be an overlay of interpersonal redistribution within the pot model if you have paid in more or less than you then need to draw, but most people don’t usually think about this¹⁴. Some picture a completely individualised personal pot (the most vivid image), others assume there is probably a general fund into which everyone pays and from which everyone draws. What these variations on the pot model have in common is the sense that you are basically getting back what you yourself have put in, not being supported by other people. It all comes out of the pot into which you put it earlier.

¹⁴ Again many people are not sure in any precise terms what they actually paid towards their state pension.

- 2) The **spot model** is a closer reflection of reality, but it seems a much less common image. It takes a spot view of the flows of money rather than picturing this year's pension as the product of investments in earlier years. In practice the state pension someone draws is actually being paid in that year by funds from other people who are earning and paying taxes – just as pensioners will normally have paid for others during their previous working life. That's not how it normally looks and feels, however. The fact that people normally go through a sequential cycle of paying in and then drawing out tends to mask the fact that at any one time they are basically either payers or drawers. It is an essentially redistributive mechanism in the short term – funds in that year flow from workers to pensioners.

The spot model is uncomfortable because it makes pensioners seem less self-standing and more dependent on the support of others. The 'pot' model appears both more intuitive and more appealing.

Moreover the spot model by its very nature rests on an assumption of continuity over time. The consent of the generation of workers depends on their confidence that the next generation will continue to support them when their turn comes to retire. This assumption is no longer made as unquestioningly as might once have been the case – younger workers are no longer at all convinced that they will eventually get a decent pension from the state, which upsets the hitherto more-or-less symmetrical notion of cyclic temporal redistribution.

Pensioners themselves often feel that by having “worked all their lives” and “paid in” they have “earned” a financial respite. Others tend to see them as intrinsically people who need and deserve support from the community – and who have paid in earlier in their lives as far as they have been able.

Pensioners' right to support tends to be seen as unassailable by people below pension age, even when they look at it from a purely self-interested point of view – unless we die early we shall all reach that point, and unless we are very well provided for we shall all want to feel supported.

D10 Redistribution through inputs and outputs

Redistribution can take place at the input stage when money flows from individuals to the state (through progressive taxation), and/or at the output stage when money flows from the state to individuals (through services and benefits). To explore participants' feelings about this I showed a 'quadrant' diagram with all combinations of flat-rate and income-based on both inputs and outputs.

The four quadrants were:

Flat rate in Level out	Flat rate in Income-based out
Income-based in Level out	Income-based in Income-based out

This was not an easy set of concepts for people to take in at first, but the chart seemed to work reasonably well after careful explanation.

F: “Well, it’s difficult – it’s awfully hard” (Shef lower pen)

The meanings of the quadrants were not fully defined for participants. I often gave some explanation in discussion, but to a degree people were left to make of them what they could. My impression is that ‘Income-based out’ was generally interpreted as intended – *limiting* benefits for higher income groups (implying some form of means test, see below), rather than *enhancing* benefits for higher income groups along the lines of SERPS.

There were few takers for the two upper cells in the quadrant, both of which have flat-rate inputs. The idea that everyone should pay in the same amount tends to be dismissed as a non-starter. It doesn’t seem either fair or practical.

On the whole participants tended to endorse the bottom left quadrant – paying in on an income basis plus drawing out on a level basis. It needs to be clarified that ‘level’ here means level entitlement rather than that everyone actually takes the same¹⁵. The system couldn’t work if the output was literally flat-rate throughout.

Some were attracted by the bottom-right option, which is income-based in both directions – and many felt there should be an element of this in the more widely favoured bottom-left option. The ideal position for many people would probably be somewhere between bottom-left and bottom-right, but probably closer to the former.

M: “Bottom left”

I: “Income-based in level out?”

M: “Yeah”

¹⁵ I tried explaining it as ‘Level out, according to need’, but that wasn’t entirely satisfactory. Since ‘need’ is often defined in terms of income (as with means-tested benefits) the notion of ‘flat rate according to need’ can sometimes sound very similar to ‘income based’. ‘Level entitlement’ (as in the above text) would probably be better.

F: "I like the feeling of the right one but in reality it's got to go to the income-in and level-out"

I: "But it'll be one of the bottom two, the answer?"

F: "Definitely, yeah"

M: "Yeah" (Rug low mixed)

I: "So which of those boxes do you think you'd like to come closest to? Would be the fairest and best way?"

F: "The income-based in and income-based out, ideal – but it's not an ideal world"

M: "Somewhere in the middle of the bottom two" (Bar high right)

The bottom-right option (income-based out) implies some form of means testing to relate benefits and services to income levels. Some people would be happy with this, but means testing generally seemed an unpopular concept, for the reasons set out in C2.5.

Some see conflicts between different values and criteria, so there is sometimes an element of ambivalence. I suspect that some participants would have chosen different quadrants for different kinds of service or benefit, but there wasn't time to explore this. If we had had time to unpick this topic further we might well have found that participants would have wanted to veer towards bottom-left for some kinds of service or benefit, and towards bottom-right for others. It would probably have taken many a while to get their minds round that, however. My guess is that health, education and pensions would probably tend to centre on bottom left, whereas cash benefits would probably range along a spectrum from bottom-left to bottom-right. That is somewhat speculative, however, since I didn't actually ask participants directly about this.

The centre of gravity of people's overall values seemed surprisingly near the Marxist notion of 'from each according to his means, to each according to his needs'. I didn't suggest this to participants, but I was often struck that it seemed to be more-or-less what they were trying to say – often with some qualifications, but nevertheless that sentiment in essence. One woman who actually came up with the above form of words seemed slightly surprised to find herself saying it.

F: "It's very communist, isn't it? Am I being a communist?" (Shef lower pen)

As some participants pointed out, the preferred approach seems fairly close to the present system. The views expressed certainly don't seem to suggest that radical overhaul is wanted from this point of view, although they leave scope for tinkering with the precise balance between flat-rate and income-based at the output end. There doesn't appear to be any consensus about whether the system should move towards or away from income-based entitlements. Views differ on

this – and many people are ambivalent, expressing conflicting criteria. Sometimes participants' views differed by context – for example some people argued for means-testing child benefit, but very few for means-testing the basic state pension (see C2.5).

Reactions to stimulus material about 'winners' and 'losers' under the present regime also suggests that participants tended to be broadly content with something like the present dispensation.

D11 Insurance and 'mutuality'

The 'insurance' analogy of welfare is useful, but limited. An insurance model fits the 'random or accidental' health context better than it fits education or pensions. In principle people can generally choose whether or not to have children, so this is not in that sense an insurable 'risk', although it certainly does involve redistribution over time. Retirement is neither accidental nor chosen – it is an ineluctable stage which everybody goes through (unless they die beforehand). Ill-health or unemployment would generally be regarded as 'bad luck', but parenthood and retirement are not typically viewed in the same light. The latter may be periods of reduced income and/or heightened expenditure (and may therefore justify support), but they are not usually seen as insurable misfortunes in themselves.

These factors do sometimes have an impact on views about temporal redistribution. Few people quarrel with the idea of covering bad luck, or indeed retirement, since these are things which are to a large extent beyond the control of the individual, and there is a clear assumption of mutuality. On the other hand mutuality breaks down in some eyes with children and education – a few participants argued that if people have children they should expect to bear the cost. This was sometimes applied to child benefit, although not often to education. Those who don't have children do not draw out these benefits at all. In some eyes these child-related benefits are therefore poised between temporal and interpersonal redistribution¹⁶.

Unemployment is an even more vexed issue. If you see it as a quasi-random and accidental event it belongs alongside health as an insurance risk. However if you believe that some people just *choose* not to work then the assumption of mutuality breaks down (again see D6). They have to be "genuine" to qualify.

¹⁶ It's important to stress that participants didn't themselves articulate it in this way. This is my analysis of some fairly inchoate feelings.

D12 Importance of continuity

The principle of lifetime redistribution depends on a degree of assumed continuity in the system. The rules may change in detail, but you need to be confident that it will be “there for you” when it gets to be your turn – otherwise you may find you’re paying in for others in your younger days, but not getting the reciprocal support in your older age.

I suspect that this continuity has probably been traditionally taken for granted. It was very much part of the concept of the welfare state as it emerged in the post-war years. The promise was particularly implicit in the whole notion of state pensions.

However there were signs from this study that continuity is no longer so readily taken for granted, and some people now actively question it. Will there be state pensions for younger people when they come to retire? Some doubt it, or assume that any pension would be worth little by then. Will there even be a health service?

M: “They’re trying to scrap the pensions, the government, ain’t they? Trying to get rid of them all anyway”

M: “Yeah, they want you to go private on that as well, yeah”

F: “I don’t think my kids will get a state pension”

M: “No, I don’t think I will”

F: “I think I will”

F: “I might – just”

M: “I won’t – like, it’ll all be scrapped”

I: “If you think it’s going to be scrapped, what do you feel about that?”

M: “I think it’s wrong, ‘cos the reason why is, like, they want me to start a pension at work through this school, and that’s £60 a month, and I can’t afford to pay £60 a month into a pension at this time” (Rug low left)

The question marks arise most readily with pensions. They seem to stem originally from the 80s, when the Conservative government’s emphasis on privatisation led many to suppose that the government was bent on winding up the state scheme and letting people make their own arrangements with the market. The breaking of the earnings link strengthened this impression – more so over time, because it has caused the basic state pension (BSP) to decline relative to earnings, to a point where it is now usually seen as not providing enough to live on. This seems to confirm the withdrawal scenario, albeit on a gradual basis. The present government may seem less privatisation-focused, but it has not restored the relative value of the basic state pension to its former level, and some assume it is quietly going down the same path of gradual

retrenchment¹⁷. Whatever people believe about the government's intentions many now feel generally uncertain (and often doubtful) about future continuity, and the unquestioning faith in the future of the system that I guess may have been commonplace between the 50s and the 70s seems to have been leaking away.

- F: "When is the cut-off point for the state pension as we know it today?
Because they're going to stop it eventually, aren't they, or something?"*
- M: "No, well they can't stop that, can they?"*
- F: "No – well, I thought there was something about – you'll have to make
your own arrangement" (Shef lower pen)*

Research participants were not generally predicting the demise of the NHS, but its future also seems less unquestioningly taken for granted than it might have been in earlier years.

Such doubts about the future can clearly affect assumptions of mutuality in the system. Willingness to pay in depends on an assumption (tacit if not explicit) that appropriate support will still be there when your turn comes to draw out. Who would join a Christmas club if they thought there was a fair chance it would stop trading by November? Temporal redistribution by its very nature only works if there is a fairly high degree of continuity in the system. While pensions are the most obvious example of this (because redistribution across time is of their essence), the same principle applies also to health and other services.

At present there is no evidence that many people have got to the point where their uncertainties about future provision have caused them to withdraw support for the principles of the welfare state, but this point might come if trust in future provision ebbs further.

D13 Geographical redistribution

Redistribution may have a geographical component. Just as resources flow from higher-income to lower-income people, so they may flow from wealthier to more disadvantaged areas¹⁸.

¹⁷ The government has made a slight increase in the real value of the BSP, and more substantially increased the relative value of the means-tested minimum and the second pension for low earners. However these more positive signs are not prominent in public awareness, and do not offset the general image of decline.

¹⁸ This would in any case presumably tend to happen co-incidentally to some extent. There will be more low-income individuals in low-income areas, so even if redistribution happens on an interpersonal basis resources will tend to flow towards poorer areas. But

The geographical aspect of redistribution is complex. There was certainly less comment about geographical than about interpersonal redistribution. Participants didn't usually seem particularly aware of it. There are some reasonably strong images of resource transfer across income groups, but people don't typically have such clear pictures of resources moving between areas.

The evidence on this is very limited, however. There was no time to give proper consideration to geographical redistribution, and I had no stimulus material to help unpack this topic more thoroughly.

Geographical redistribution only arose spontaneously as an issue in one of the three study locations, Barnet. The research took place soon after a substantial hike in council tax¹⁹ (CT) had hit the doormats. This was mentioned in all the study areas because charges had risen generally, but there was a particularly strong sense of shock and indignation in Barnet, where the first two groups took place.

F: "Well I just got my bill for the poll tax, or whatever they call it now, and I was absolutely appalled, I really was" (Bar high left)

There seem to be two reasons for this:

- The rise was particularly steep there – people were reporting an increase of over 20% in CT against a background of apparently rising discontent with public services in the area, and since there are a lot of high-band properties the impact would be strongly felt. This had a considerable impact on the opening conversation, and some participants were clearly a bit stunned by the rise
- But what gave particular bite to their sense of grievance was the story circulating that the rise was due to money being transferred from richer southern authorities to poorer northern councils. It was almost as if they visualised lorry loads of money being lifted from Barnet and trucked up the M1 to (as it might be) Barnsley.

This implication of direct transfer payments clearly made people feel uncomfortable. There were clues that some would have been happier with the image that they were all paying into a central pot from which more needy LAs are able to make larger withdrawals. This is in effect

this is not the same as having a deliberate policy of supporting disadvantaged areas in their own right. It's the latter I'm considering here.

¹⁹ Still generally referred to as "poll tax" – people often have to search their minds for the proper current title.

presumably what actually happened, but it may not have been the stereotype projected by local media or campaigns.

I: "Would you object in principle to some areas being in a sense taxed more heavily to support others?"

F: "Yes, I would"

M: "Yes"

F: "On local taxation, yes"

M: "I think they should come from national taxes rather than local taxes"

F: "Grants from national rather than taken from one to the other" (Bar high left)

In practice (and insofar as the rise is due to the government making a geographical resource shift) it would presumably happen indirectly through changes in the formula which determines grants for local authorities, and is therefore actually an example of the central pot model – but it tended to be spoken of as if the burghers of Barnet were having to bail out their northern counterparts directly.

The impression is that people tend to feel less comfortable with the notion of redistribution between areas, and less intuitively clear about the basis for it. It would be interesting to know how they would respond to stimulus material which clarified the case for geographical redistribution, but this was not offered here. As matters stand it doesn't seem immediately obvious to most people why it should take place.

A few people argued against geographical redistribution for local taxes on the grounds that the actual services are the same (bin collection, policing etc) and therefore everyone ought to pay the same for them. This was sometimes also used as an argument against banded council tax payments. And indeed it is in general an anti-redistributive perspective – you should pay for what you get, not according to your means. It was not very widely heard, but it did come up. It also perhaps illustrates that for some people thinking about redistribution varies according to the type of service under discussion.

M: "It sounds like the council tax has been evened out so that people in higher income boroughs like Harrow and Barnet are paying slightly more than lower incomes in the north"

F: "That doesn't feel fair though, does it, because they're getting the same services as us" (Bar high left)

F: "Council tax is supposed to be for all these sorts of things, police, fire and all that, yet depending on the area you live in depends on how much council tax you've got to pay. And yet whether you're a poor person or a wealthy person you all still need the same things. Still need dustmen,

hospitals, police, no matter what, so why do some people have to pay a lot more than others?"

F: "You only have one bin regardless of the size of your house" (Rug low mixed)

Some participants took a more supportive view of geographical redistribution however, recognising the problems of areas with poor economies.

M: "Certain taxes you can't have the same across the board 'cos geographically, when you talk about up north, they have not got the same potential to generate the same income, so they're being compromised anyway. So when it comes to areas like council tax I fully understand why someone living on the northern tip of Scotland can't possibly be expected to pay the same local taxes as me"

F: "It's not even so much that, but a lot of the jobs were taken away from Wales and Scotland and places like that, so people say, 'Oh well, then move to get a job'. Well excuse me, the whole of Scotland's got to move south, the whole of Wales has gotta move east – it's not possible. So how do these people generate an income when the actual industry has been taken away – it's gone"

I: "So would you be prepared to consider money being charged?"

F: "I think I would have to because I've seen my own city, all the industry's been taken away" (Bar high left)

The cost of living (and particularly housing) is seen to vary a lot between areas. The amount you need to live on is therefore also seen to vary.

However, at present geographical issues within Britain don't tend to present themselves in the context of tax, spending and redistribution, unless they are pushed into prominence by events (as in Barnet). Many people seem uncertain or even wary about redistribution based on geography.

Geographical issues sometimes arise in relation to the concept of mutuality. The welfare state generally seems to be thought of as a national affair. Everyone in the country pays in and takes according to the principles of mutuality set out in D5.

D14 Responses to redistributive effects

After the topic of redistribution had been explored in general terms, participants were given two sets of numerical evidence about the extent of redistribution if the value of health, education and social security services received is set beside the tax paid for each of the income quintile groups introduced in C3.

Chart N below shows the redistributive situation at a single point in time, and chart P shows the same information calculated on a lifetime basis. Both charts

were based on calculations made by CASE²⁰. This was generally completely new information to participants, who did not seem to have seen figures like these before, and did not generally even have estimates of their own in their heads. The charts needed careful explanation – their meaning is not intuitively obvious.

Some people thought the pattern shown in Chart N is broadly what they would have expected, but many found it hard to understand *why* the lower income groups consume more of the state’s resources. The fact that the upper income groups pay more tax is expected (see Chart I, C3), but people had not generally expected to find that they also get less back, as these figures show. In a few cases people found it not only difficult to understand, but also hard to believe.

M: “You know this top group? Why are they only getting 3,400 and the lower group is getting 9,800 – because the kiddies go to the same school, if they go to see the doctor they get the plaster same as we get a plaster, or whatever it is” (Shef lower pen)

N Who gains, taking spending and tax together?

Income band	Health, education and social security	Tax paid for these	So net result:
Lowest income	£9800	- £2400	Gain £7400 a year
2 nd lowest	£9400	- £3700	Gain £5700 a year
Middle band	£6600	- £5900	Gain £700 a year
2 nd highest	£5100	- £8600	Lose £3500 a year
Highest income	£3400	- £14200	Lose £10800 a year

Note: Tax allocated is amount needed for these parts of spending

2000-2001

²⁰ The figures for cross-sectional redistribution in 2000-01 are based on C. Lakin (2002), ‘The effects of taxes and benefits on household income, 2000-01’, *Economic Trends* (see ONS website). The figures for lifetime redistribution in Exhibit P were based on J.Falkingham and J. Hills (eds) (1995), *The Dynamic of Welfare: The welfare state and the life cycle* (Prentice Hall), Tables 6.9 and 7.6, adjusted for earnings growth between 1991 and 2000-01.

The main explanation is that client groups who are intensive consumers of public resources (like pensioners and non-working single parents) would tend to be located in the lower income groups, but this is quite a complex concept which only a few people were able to work out for themselves.

Some people (notably pensioners) were also surprised (and often incredulous) to see what their own income group was deemed to be taking out of the system. They had been complaining about how small their pensions are, and suddenly they were confronted with figures suggesting they are getting a lot more than they actually receive in cash. This is very important, because it underlines how unconscious many people are of the value of what they get back from the state in return for the taxes they pay.

M: "I'm amazed at how much in reality – I don't know for everybody, but I certainly would say I'd taken out of the system in dental treatment, optical treatment, hospital care, education"

F: "If you're unfortunate enough to be ill"

M: "I've accepted that – three daughters that have all gone through education, personally"

I: "Do you think you don't ever work out in your mind what you're getting?"

M: "No, I don't think I do"

M: "No, I don't think about it"

F: "It's almost as if we think it's our right, isn't it?"

M: "Yeah, yeah, you accept it as a right" (Shef higher pen)

Reactions to the chart demonstrate two main things:

- That the public get back more than they think in return for their tax money, and that the lower income groups actually draw more in services than they contribute.
- That the scale of redistribution between income groups looks larger on this basis than when considering the tax data in isolation.

The general response was to accept the validity of a redistributive effect of this kind of magnitude. Some still felt that high earners should be contributing more, but if anything this feeling seemed a bit less common than when just looking at the tax figures.

F: "It's got to be like that, because we, on our income, can't afford to lose £10,800, can we? So it's got to be right – I mean they can't be taking that off us" (Shef lower pen)

F: "The people on a lower income can't afford to pay more taxes, and you can't suddenly say to them, 'We can't put into your health'"

I: "I don't get the impression you're saying the system ought to be changed dramatically in terms of some groups paying more or getting more"

F: "No, I don't think it should"

- M: "Oh, I think they should pay more, the highest band"
- F: "It depends what you do, I don't think you should be penalised for earning well"
- M: "Maybe a couple of percent more than what the lowest one pays... They could pay a bit more tax couldn't they? The highest ones could, I'd say"
- F: "No, I think good luck to them, they're working hard to earn that sort of money" (Rug low left)
- F: "Looking at that, if I still had the chance to go into the higher grade earnings I'd go for it even knowing that I'd be paying that like that, because I'm going to lead a much better life aren't I?"
- F: "I don't think it's unreasonable to expect (high incomes to pay) 10 grand or 11 grand – they will probably think so but – "
- I: "You think that for them to be subsidising the system as it were, if that's a fair way of putting it, to the tune of £10,000 a year is not unreasonable for the incomes they're on?"
- F: "No"
- F: "Well it's only a few grand more than the poorer ones – and for someone that's quite wealthy they wouldn't notice it anyway, over a whole year"
- I: "The idea is they're putting £10,800 more in the pot than they're taking out"
- F: "It's like a swing type of thing, isn't it – some can't afford it and there's the other end that can"
- M: "That's right, because they can afford it they have to pay ... Well they've chosen their profession – it's like we didn't ask to be in the lower band but they wanted to be in the highest band, they got there"
- F: "When you look at their income it's worth the first two lots put together"
(Rug low mixed)

P Who gains on lifetime basis? (at 2000-2001 prices)

Lifetime Incomes	Total gain from health, education, benefits	Total tax	Net result	Lifetime income	Net as % of income
Lowest income	£247,000	£129,000	Gain £118,000	£556,000	21%
2nd lowest	£230,000	£176,000	Gain £54,000	£762,000	7%
Middle	£226,000	£213,000	Gain £13,000	£918,000	1%
2 nd highest	£229,000	£257,000	Lose £28,000	£1114,000	-3%
Highest income	£215,000	£369,000	Lose £154,000	£1583,000	-10%

Note: This time figures are per individual (not per household)

2000-2001

Chart P projects the kind of information shown in Chart N across a whole lifetime. This lifetime perspective is quite a difficult concept, and needed some explaining. Participants were told that the figures are in today's prices, and assume that the current rules would have applied throughout the lifetime – a necessary simplifying assumption, but clearly not true in real life.

This lifetime data inevitably has to be on an individual basis, whereas previous charts have shown household-based incomes. Some people struggled a little with that transition.

F: "It's all a bit confusing really, to be honest" (Bar high right)

However, in spite of all these complexities the broad thrust of the message usually seemed to come across fairly clearly. Some understanding had built up through previously considering Charts I and N – it was mainly the lifetime element that is new. I am doubtful whether people would have been able to cope with this chart if they had come across it cold, however, without preparation or explanation.

Taken by themselves these lifetime figures can seem frighteningly large, particularly to the lower-income groups. Suddenly we are talking about gains and losses of well over a hundred thousand at the extremes. Some people started to feel sorry for the highest income group simply because of the large amount they were losing (£154,000). In view of the sheer size of the lifetime figures I added the last two columns about lifetime income after the first two sessions had been completed. I felt that incomes would help give people a sense of scale, and provide a yardstick for interpreting the gains and losses. Experience in the later groups suggests this was a useful addition.

F: "Looking at £136,000 seems an awful lot of money – but to them it's not a lot of money. That's frightening, looking at that, but it's not in relative terms" (Bar high right)

On the whole participants still endorsed the feeling that the system as reflected here is fair. Some would still like to see the upper groups pay more, others feel the balance is about right as it is.

F: "When you look at this higher income in the lifetime, they've had nearly a million pound, whereas the lower one had only had half a million"

F: "They've had a better life than we've had"

F: "So, I can't see any fault in that, I really can't. And the standard of living, it would've been a lot better than what them poorer people – they probably can sit with the central heating on all day, whereas them people – . So I can't see anything wrong in that at all – not when you look at the full total of a life income, at what they've got aside of what the others have got"

M: *"They've paid all that, but they haven't missed it – whereas the pensioner's struggled"* (Shef lower pen)

I: *"Do you think they should be paying more than 10% of their income?"*

M: *"Yeah, I think they should"*

F: *"They've got half the better lifestyle than what we have up at that end"*

F: *"I don't think they'd miss it"*

M: *"Another 2% wouldn't hurt them, would it?"* (Shef lower pen)

F: *"The highest income lose an awful lot don't they?"*

M: *"Yeah, I'm starting to feel sorry for them!"*

F: *"I now know why they go to live abroad!"*

F: *"There's a big difference between the two – the second highest and the highest, isn't there? I suppose really, it just comes down to is it fair? Should the highest people always lose out, because they're earning more money and maybe in better circumstances?"*

M: *"But for a high income person it's not that much. Over a lifetime £136,000 is . . . I think it's quite impressive that it about levels out"*

M: *"It feels about right, I guess"* (Bar high right)

M: *"I would think them on the highest income wouldn't notice it anyway"*

F: *"No, they wouldn't"* (Shef higher pen)

F: *"When you look at it, it looks really unfair on the people on the highest income. They're not getting as much out, and putting a lot more in"*

I: *"Do you think that's wrong? Do you think they shouldn't have to pay? Do you think everybody should get the same? Pay the same?"*

F: *"No, because people on lower incomes just couldn't afford it, and then it wouldn't be fair to say, 'Oh you can't have this, you can't have that'"*

I: *"But 10% of a lifetime's income sounds a bit steep to you?"*

F: *"It is, it is a lot, yeah"*

F: *"Well, I would say it sounded OK"*

M: *"If you look at the lifetime income, they've lost 10%, the highest ones, but if you look at the lowest to the highest incomes, they're still three times more than what they're getting – so they can lose 10%, they're not going to bother about that"* (Rug low left)