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POLITICAL SCIENCE ■

Social Policies and Distributional Outcomes

in a Changing Britain

Does COVID-19 represent a 'new Beveridge' moment, a crisis that will wash away, or a call to action?

Report of a roundtable discussion on theories of welfare

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SPDO research note 2

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Social Policies and Distributional Outcomes research programme

The central objective of the SPDO research programme is to provide an authoritative, independent, rigorous and in-depth evidence base on social policies and distributional outcomes in 21st century Britain. The central question to be addressed is: What progress has been made in addressing social inequalities through social policies? The research programme is ambitious and comprehensive in scope, combining in-depth quantitative analysis of trends in social inequalities and social divides with detailed and systematic public expenditure and social policy analysis across ten major social policy areas over the period 2015-2020, together with broader reflection on the changing nature of social policies and distributional outcomes over the 21st century.

The programme of research adds to (and will reflect on) the previous Social Policies in a Cold Climate (SPCC) research programme covering the period 1997-2015. The SPDO programme will update, extend and broaden our analysis of public expenditure, social policies and distributional outcomes using the most recent datasets available, resulting in a unique evidence base on trends in social inequalities and social policies going back to 1997. Innovative extensions included within the SPDO research programme include: coverage of additional areas of social policy (e.g. physical safety/security and complex needs/homelessness); emphasis on the new context for social policy making (e.g. devolution and BREXIT); assessment of a broader range of multidimensional outcomes within our quantitative analysis; and the inclusion of additional breakdowns (e.g. migration status). This programme will also have a forward looking component, identifying the key challenges for social policy in the 2020s.

The current note is part of the knowledge exchange component of the broader programme, which seeks to engage with academic and non-academic audiences throughout.

List of participants

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Associated papers

'The post war welfare state: stages and disputes' by Howard Glennerster, SPDO research note

'Public and private welfare activity in England, 1979-2019: a privatisation of responsibility?' by Mary Reader and Tania Burchardt, SPDO research paper (in draft)

Agenda

To what extent do developments in the UK welfare state over the last 25 years tend to confirm or challenge existing accounts of welfare state evolution? What does this imply for the prospects for welfare state reform coming out of the COVID crisis?

What does the evolution of the (UK) welfare state over the last 25 years, and the influences on it, tell us about its capacity to respond to the current crisis?

What challenges will the welfare state have to address after the worst of the public health crisis has passed, and are these new challenges or more dramatic forms of existing challenges?

What do the history and theories of welfare state change tell us about the likelihood of the welfare state responding effectively to these new challenges?

In the main text that follows, points particularly relevant to each of these questions are colour-coded.

1. Summary

What does the evolution of the (UK) welfare state over the last 25 years, and the influences on it, tell us about its capacity to respond to the current crisis?

➤ *Institutional change and state capacity*

- Strongly increasing demand for welfare of all kinds over this period. State has not updated what it provides in line with demand, hence increasing inequalities in the protection available to people, and a shift in responsibility from the collective to the individual.
- Protective capacity of the welfare state much reduced overall (compared to the 1970s).
- Sustained period of enthusiasm (in England) for market mechanisms in delivering welfare. In continental Europe, private providers of public welfare were already the norm in many areas.
- Social investment has been pursued as a strategy by most European welfare states and may pay off in sustaining higher levels of funding.
- State capacity - its ability not only to raise finance but also to coordinate, implement and enforce policies – is a key variable.
- In Britain, local govt has been disempowered and starved of funding, but given additional duties. Coordinating institutions have been dismantled.

➤ *Changing balance of power resources*

- Long run decline in trade union influence
- Areas of welfare expansion have been largely those that underpin or support the market (although also expansion on spending on older people, possibly for political more than economic reasons)
- Downwards pressure on protection for groups less able to provide for themselves through the market
- Largely workers paying for workers; little contribution from capital.

➤ *Political leadership and ideology*

- On the one hand, it matters who is in charge when a crisis hits. State capacity is necessary but not sufficient for a good outcome. Ideological commitments inform priorities for action – for example, the choice between giving support direct to families during the crisis or underpinning the market (eg through subsidies to employers).
- On the other hand, taking the long view, one can observe similar changes taking place across welfare states (albeit with different timings) despite differences in political leadership.
- Understanding political economy through an analysis of whose interests are served (linking back to the balance of power resources) is crucial.
- Norms and attitudes: the British public tend to support reliance on the market as the primary source of value and to be more enthusiastic about

distinguishing between deserving and undeserving recipients than their continental counterparts.

➤ *Theorising continuity or change?*

- Remarkable adaptive capabilities of the welfare state: withstood several major policy experiments over this period and still has a recognisable form
- For example, despite long-run ideological commitment to market mechanisms, only Care has really been transformed from mostly public to mostly private provision. (Also within *social* housing, from local government provision to subsidised private renting).

What challenges will the welfare state have to address after the worst of the public health crisis has passed, and are these new challenges or more dramatic forms of existing challenges?

➤ *The crisis of care, the ecological crisis and the crisis of racialized borders*

- The challenges of population ageing (combined with women being required to participate in the labour market), climate change, and racism at all levels from the street to the global, are sharpened not diverted by the pandemic
- They are inter-related - for example, the pandemic highlights our dependence on migrant care workers, who however are dehumanised by racism and immigration controls
- The pandemic may have produced a reversion to more traditional gender roles; and the lack of income support for families and children (especially in Britain) has been marked

➤ *Major pre-existing inequalities*

- ...of health, housing quality and security, earnings security, access to care, and physical security, are being exacerbated by the pandemic
- Increasing dualisation in the labour market: 'insiders' well catered for through occupational and state welfare, 'outsiders' in low-skilled, temporary and gig-economy work, including migrant workers, are much more exposed.
- Inequalities are complex - by class, income and wealth, gender, region, race and ethnicity, age - and interact. Figuring out which interact and in what ways is far from straightforward.

➤ *Weaknesses in welfare institutions*

- Fragmentation, low status and inadequate resourcing of the Care sector in England thrown into stark relief by the pandemic
- Over-reliance on means-testing (in UK)

➤ *Acceleration of technological change*

- ...which in the context of long-running labour market dualisation will leave many workers exposed to structural unemployment

What do the history and theories of welfare state change tell us about the likelihood of the welfare state responding effectively to these new challenges?

➤ 'A new Beveridge moment'?

- There is new recognition of our interdependence - interpersonal, local, national and global – although this could prove to be temporary.
- Non-profit and informal ('mutual aid') provision has expanded yet further
- There is a renewed sense of social solidarity, and there has been a reassessment of the adequacy of market mechanisms for determining social value (for example in relation to key workers)
- Additional impetus has been given to the need for reform:
 - reaction against fragmentation of key services (for example in the Care sector)
 - realisation of the critical coordinating role that local institutions must be able to perform (for example track and trace)
 - to be prepared for the next crisis
- Rapid acceleration of the adoption of robotics and artificial intelligence in response to the changed incentives employers now face for tech vs workers will further reduce labour demand, forcing a new settlement

➤ 'A crisis that will wash away'?

- The experience of the Great Recession and other crises is that their political effects 'wash away' fairly quickly, although their economic effects may remain
- (Perceived) imperative to reduce the deficit and pay down the public debt will reassert itself in austerity mark 2
- Welfare states have proved themselves to be resilient; it is possible to change but path dependencies are strong
- Deep-seated ideologies change only slowly

➤ 'A call to action'?

- There is nothing inevitable about how the welfare state will be reshaped post-crisis.
- There could be big fight coming about the balance of contributions by workers and employers.
- Finance capital will fight to remain lightly- or un-taxed.
- Political control matters: both its ideological orientation and whose interests it represents.
- We have seen significant mass mobilisations, most recently by Black Lives Matter, and previously Extinction Rebellion. Resistance opens up the possibility for new alliances, protesting other forms of de-humanising such as the 'othering' of the poor.
- The question is what we as academics can contribute to bringing about the change we want to see.

2. Public and private welfare in England since 1979

Tania Burchardt and Mary Reader

The presentation described trends in England since 1979 in public and private provision and finance of welfare activities across education, health, housing, income maintenance, and care.¹

2.1 Overview of trends and implications

The **strongly increasing demand for 'welfare' of all kinds** over this period outstrips increases in public spending, with the result that a greater *proportion* of total welfare activity is through private spending. This has dis-equalising effects, with those who are able to afford it getting access to increasingly sophisticated protection, goods and services.

There has been a **sustained period of enthusiasm for market mechanisms** in public provision (including private or non-profit provision of publicly funded services, and increasing 'user choice'). But with the exception of Care, and to a lesser extent Health and social housing, this has not shifted the overall balance as much as might have been expected given the policy 'heat' associated with this agenda.

Both these trends **shift responsibility and accountability from the collective to the individual**. So despite the increasing magnitude of public spending on welfare, there has, arguably, been an individualisation of responsibility for meeting needs.

2.2 What has the COVID shock revealed about the resilience of the public-private mix in meeting need?

The assessment of the welfare state's resilience depends on the counterfactual. Compared to the US or to India, for example, or to the UK in the 1918 flu pandemic, the responsiveness of the contemporary UK welfare state doesn't look too bad. Public finance and provision *was* able to expand rapidly, especially in healthcare and income protection, ensuring universal access to treatment and high levels of compliance with lockdown.

But the **major pre-existing inequalities** of health, housing quality and security, earnings security, access to care, and physical security, and the greater reliance on individuals and families meeting their own needs brought about by a decade of retreat in entitlements and relative public finance, meant that a shock of this kind produced a sharper exacerbation of inequality across multiple dimensions than it would have done otherwise.

Some of this was recognised in the emergency policy response: the overnight invention of government-backed, time-limited, unemployment insurance for employers through furlough and self-employment income support, the temporary increase in the Universal Credit rate, the temporary elimination of street homelessness and temporary ban on evictions, and windfall public finance

¹ Burchardt and Reader (in draft) 'Public and private welfare activity in England, 1979-2019: a privatisation of responsibility?', SPDO research paper

for domestic violence charities. In addition, the already large **non-profit and informal sector provision expanded further** (foodbanks, community solidarity, NHS volunteers, and unpaid family care) to fill some of the gaps in formal services and to address increased need.

The crisis also shone a light on the status of public and private providers. The **public nature of quasi-independent providers** in healthcare was re-enforced for example as demonstrated by the sudden decision to cancel NHS Trusts' debt, the rapid adoption of common policies across the NHS, and high levels of cooperation between hospitals that are nominally in competition with one another as part of the quasi-market in health.

However this was less apparent in education, where the **dismantling and disempowerment of local education authorities** means that unlike hospitals, schools lack a coordinating delivery organisation. As a result there have been huge differences in schools' responses (and in early years), with consequences for educational inequality that may be felt for a generation.

Finally, as noted in the presentation, Care is the area of the welfare state where the shift within publicly-financed services from public to private provision has been taken furthest. The deeply problematic reliance on truly independent providers in this case was revealed during the COVID crisis: **care homes and agencies competed against one another** in a scramble for equipment and staff, there was no common approach to infection control, and care homes faced perverse incentives to maintain occupancy despite the high levels of risk.

2.3 Drivers of the public-private mix post-COVID

One can identify at least four drivers of the public-private mix post-COVID. The first is public attitudes: will the **renewed sense of social solidarity**, and the **reassessment of the adequacy of market mechanisms for determining social value**, endure? Or will the **deeply ingrained 'reluctant individualism'** that Peter Taylor-Gooby characterises as the dominant attitude amongst the British public reassert itself?

The second is the reaction to the weaknesses that have been revealed in public provision. The crisis will give **additional impetus to the reaction against decentralisation and fragmentation** that was already underway pre-crisis, especially in care and in education. The idea of a National Care Service was proposed by the Barker Commission as far back as 2014; even small steps such as the creation of the CARE badge to give common identity to care workers during the crisis seems to point in this direction. Similarly, calls for greater coordination and standardisation of approach across schools have been reinforced.

The third driver is the public finances. On the one hand, some **'temporary' schemes may prove difficult to unwind**. It is hard to believe (though unfortunately not impossible) that street homeless people temporarily accommodated in hotels will simply be discharged back to 'no fixed abode'. Reversing the increase in the rate of Universal Credit, especially given that the

claimant mix now includes people who would never have imagined themselves as claimants, would seem a risky move politically – although it could be done for new claimants. But weighing against these forces to sustain higher levels of public finance will be the (perceived) imperative to reduce the **deficit and pay down the public debt**: austerity mark 2.

Finally, the over-riding driver of how the public-private mix evolves post-COVID will surely be the flavour of **political control: both its ideological orientation and whose interests it represents**. The crucial question of who will bear the burden in the long-run – not to put too fine a point on it, the balance between capital and labour – is yet to be determined.

3. Contributions from the roundtable

3.1 Martin Seeleib-Kaiser

In addition to the fiscal capacity of the state, we need to consider its **organisational capacity**: is it able to coordinate, implement and enforce policy, including minimum standards? The German authorities have been able to clear hospital beds despite most providers being private simply by offering large financial incentives, and providers have responded.²

Expressions of public solidarity for 'key workers' should not lead us to ignore the continuing manifestations of **labour market dualisation**: insiders are well protected, even during the crisis, for example workers in the auto industry in Germany, but outsiders are not, for example seasonal workers unable to travel and hence losing the earnings they depend on; and migrant workers without social assistance entitlements stranded in EU member states.

The crisis has shown that welfare states **can be resilient but there are huge differences between them**.

3.2 Peter Taylor-Gooby

Existing inequalities are complex – by class and income, gender, region, race and ethnicity, age – and the interaction between them. The distributional consequences of the crisis are far from straightforward to predict.

Current expressions of enthusiasm for public services – especially the NHS – should not lead us too quickly to conclude that there will be an enduring attitudinal shift in favour of public welfare. The public in the UK tend to think in terms of equality of *opportunity* rather than equality of *outcomes*, and they regard that as consistent with maintaining a distinction between the 'deserving'

² See M. Kuisma and M. Seeleib-Kaiser (2020) "Public vs private: deconstructing public services across Europe", in A. Harrop, K. Murray and J. Nogarede (eds) *Public Service Futures: welfare states for the digital age*, Foundation for European Progressive Studies and Fabian Society, for a further discussion of the role played by independent providers in healthcare systems across Europe.

and 'undeserving', as well as the sorts of difference in status that Martin has highlighted. These are **deep-seated ideologies**.

There has been a long (25-year), medium (post-2008) and short-term (COVID crisis) **diminution of local state capacity** in the UK: as evidenced by the lack of ability to provide track and trace, the inability to source PPE, and the failure to support care homes. The local state is no longer able to act effectively.

Howard observes increasing state intervention in the labour market (minimum wage, in-work benefits, labour market activation policies – and now major programmes of temporary support for employers and the self-employed) but this has been accompanied by a **long-run decline in trade union influence** in the shaping of labour relations. Will the COVID crisis herald (or accelerate) a **new industrial revolution**, with employers realising that the same output can be achieved with fewer workers, and with stronger incentives to invest in IT and robotics? The immediate recession be followed by long-run structural unemployment. This of course interacts with existing inequalities, including the dualisation remarked on by Martin.

3.3 Mary Daly

COVID has highlighted interesting divergences between the four nations of the UK, but here will concentrate on England.

The British welfare state has shown **remarkable adaptive capabilities**. It has been through several large experiments – for example New Labour's expansion of the scope of the welfare state to include early childhood, in-work support, and 'choice' in public services, followed by austerity and the Universal Credit regime – and survived, in some sense. On the other hand, we can also see that who is in charge matters to how things turn out: **political leadership and ideology**. Martin is right that state capacity is necessary, but it is not sufficient for a good outcome.

Decentralisation has been used as a mechanism to change welfare. New Labour gave local authorities new powers and resources. The Conservatives gave them duties but took away resources. This is being played out now in terms of public health and in care.

What is the welfare settlement in the UK? Support for the NHS is well-established and now strongly re-enforced. The idea of a welfare mix is also embedded. There is an acceptance that there should be a minimum income guarantee, but this guarantee is at a low level; the default is that people should get their income through the market.

UK government policy responses to COVID, continuing the trend of the last 10 years, have strongly **relied on underpinning the market** rather than on expanding social protection: furlough is not the re-invention of social insurance so much as subsidy to employers' wage bill. This is in contrast to Ireland, for example, where 350 Euro/week is being paid to anyone made unemployed during the pandemic, through the benefit system. So in the UK, if the market does not provide in the

longer term – as Peter thinks it may not - how are people going to get their income.

Howard's paper concentrates on the settlement between capital and labour. There is also a question of the settlement between men and women, the public and family spheres, and between the generations. If the early indications are confirmed that the crisis has produced a **reversion to traditional gender roles**, with women providing home education for children and even more unpaid care for relatives and neighbours, a key challenge ahead will be whether welfare policies can address this.

This challenge has been re-enforced by the **lack of income support for families and children** during the crisis and the non-reversal of previous cuts in, and caps on, benefits. In the UK, families get no money for a third or any subsequent children. In contrast Poland has introduced an *additional* payment for third and subsequent.

Thinking about how the welfare state will respond, we need to be clear whether we are **theorising change or theorising continuity**. Several existing theories could be helpful: social investment; the role of political change; and the role of changing ideas. We could also revisit the concept of new social risks – how are the risks that the welfare state needs to respond to changed by COVID?

3.4 Fiona Williams

We are facing not one but three inter-related crises: **the crisis of care, the ecological crisis, and the crisis of racialized borders**. All have profound implications for the welfare state. We cannot understand them at the nation state level, we need to understand their global inter-connectedness.

They all risk our common security, our human solidarity and future sustainability. They affect the global north and the global south. And they have generated **significant mobilisations**: Extinction Rebellion, Black Lives Matter (BLM), and so on. Perhaps these contestations show us a different way to proceed.

The crisis of care is produced by the devaluation of care and its status as 'women's work' combined with the increasing pressure for women to be earners – meaning that they are less available to provide unpaid care.

The pandemic is part and parcel of the ecological crisis – floods, fires, storms and 'plagues'. Welfare states have been built around predictable risks but these are unpredictable. They generate both new demands for care and new pressures to migrate.

The crisis of racialized borders is not only a crisis of migration. It is a conjuncture of the dehumanisation of processes involving migrants and refugees at borders and within countries, with street-level racism, and ethno-nationalist populist politics.

The pandemic sits at the intersection. We have a new realisation of our need for health and care – care provided in large part by minority ethnic and migrant

workers – who are themselves subject to oppressive immigration controls and racism, and who are at greater risk from COVID itself. This has coincided with an upsurge in public awareness of, and resistance to, racism and state violence.

Recognition of our interdependence - interpersonal, local (for example through mutual aid), national and global - must be at the heart of the future of the welfare state. This is both a challenge and a potential source of support. Could an ethic of care be central to our future thinking?

The slogan of BLM, 'The right to breathe and the right to live', has struck a chord more widely, signalling the power of the state to determine who thrives and who dies. Could this resistance open up the possibility of alliances going forward, unlocking forms of dehumanisation experienced by people in poverty, disabled people and others?

3.5 Joakim Palme

To understand the evolution of the welfare state we need to think about whose interests the institutions serve. The analysis of expenditures, etc., can only go so far. It has to be anchored in interest-based understanding of political economy, and the norms and attitudes that underpin it.

The lesson so far is that the political effects of crises tend to wash away fairly quickly. If we want to garner support for welfare policy we need to anchor it in the self-interest of the population. The analysis of the problem of British social security is that it is under-funded and based on too much on means-testing – hence it does not address the self-interests of a sufficiently large proportion of the population. This stands in contrast to the NHS.

David Hackett has written on public/private welfare in the US: changes in some areas happen simply because the state does not update what it provides in line with demand, for example in pensions. This is a similar account to Tania and Mary's on public/private evolution in the British welfare state.

It is possible to change – as the analysis of 25 years shows – for example New Labour did manage to mobilise more resources. Different from trends in other European countries at the time. But path dependency is strong. We are still dealing with the Beveridge settlement of flat rate benefits.

The imperative of sustainability brings another dimension to social policy, especially in relation to the labour market: a production crisis relating to the adoption of technological change, but also challenges of population ageing, and climate change, and the potential for future pandemics.

The response to COVID may create additional momentum for reform: to address existing identified weaknesses as well as prepare for the future crises that we know will come.

3.6 Anton Hemerijck

Each welfare state has its own logic, embedded in a history of its own, but although the **timing may be different we do see similar phases of development** across countries. Howard's analysis of the UK welfare state is readily recognisable in other contexts as well.

The welfare state is the unsung hero of the Great Recession: it did what it had to do. Automatic stabilisation worked. Austerity was a political choice in the UK, unlike in other countries which were bound by the Euro criteria. **Social investment pays off as a strategy**: by maintaining higher levels of employment, you sustain levels of funding for the welfare state. This is based on long-term development of human capital, the easing of transitions in a gender-balanced way (for example, leave and childcare), and buffers that are less status-oriented (as in the German case) and more inclusive.

Jean-Claude Juncker: 'We know exactly what to do we just don't know how to get re-elected'. But now policymakers don't know what to do. Democracy in hard times is **not about re-election** – no administration is likely to get re-elected in the midst of a crisis - it should really be about **civilising these hard times**.

The welfare state thus far has been akin to 'socialism within one class' – **workers paying for workers**. But with the Great Recession and now COVID that is no longer enough. Other resources need to be brought in to sustain the welfare state, such as corporate taxation, and this will be a **big political fight**. Pre-COVID there were already signs that we were turning the page on neo-liberalism. But Gramsci observed, 'the old is dying but the new cannot be born'. It needs political support. What is the **balance of power resources**? Objectively (in the sense of what is required economically and socially), we need a resilient welfare state, but it is an open question whether the necessary political clout can be mobilised. We need the right **political leadership** to deliver it.

3.7 Bea Cantillon

The SPDO analysis looks at change through the lens of which political party was in control in different periods. From a continental perspective, there is a **less clear cut impact of ideologies** because coalition government is the norm. And the *provision* of welfare has always been predominantly based on private providers (social insurance, care, education). Nevertheless we see similar patterns of evolution in welfare policies in Britain and elsewhere in Europe, and outcomes, over time. For example, there has been a steady increase in social spending, and a shift from social protection for unemployment to spending on workers (in-work benefits, activation) And as a consequence, everywhere, to a greater or less extent, we have seen increasing poverty among people of working age and children.

So is the evolution of the welfare state driven mainly by changing ideas, or mainly by underlying social and economic change? The **functions that have expanded are those that are essential for the operation of the market**: the need for more workers, more childcare, and more wage subsidies (in response to increasing competition from low-wage economies in the global south). And there

has been **downwards pressure on protection for vulnerable groups** who are not 'needed' for the functioning of the market – this might include long-term care for the elderly for example.

The **protective capacity of the welfare state is much reduced** now compared to the 1970s. Hence we see the (re-)emergence of food banks and so on even in the most developed welfare states in Europe. Will this trend change in the aftermath of the pandemic? It could, but there is **nothing inevitable** about it. The big question is not so much whether change will happen but **what we as researchers can do to bring it about**. What is our contribution, as academics?

3.8 Open discussion – additional points

Does the UK have the institutional or ideational basis for re-imagining social solidarity? Probably not!

We entered the crisis with a social protection system that was weak on preventing poverty and weak on protecting accustomed living standards. The decision to use furlough (i.e. subsidies to employers) rather than social assistance to support people's incomes during the crisis – with nothing for children – was ideological: pro-market, and pro-middle class. Using existing infrastructure (such as universal child benefit) the government could have delivered more money to families with children with a couple of keystrokes but it was not on their radar. Child benefit is a powerful child-centred way of directing support, and more effective in reaching children than means-tested benefits.

In contrast in Germany, 300 E has been paid for every child. This benefits the middle class most. Nothing has been done on social assistance.

Major problems of housing unaffordability, repossessions, lack of access to social housing and homelessness are to be expected when the eviction moratorium comes to an end and unemployment builds up.

Alongside the reassertion of public provision, the importance of the private sector – and the welfare state's dependence on it – is also coming to the fore – for example in manufacturing supply chains for PPE, the production of vaccines, and getting food to vulnerable people. We will need to expand how we think about public-private partnerships and evaluate their resilience.