

**The changing boundaries of
the welfare state:
From Thatcher to Cameron via
New Labour**

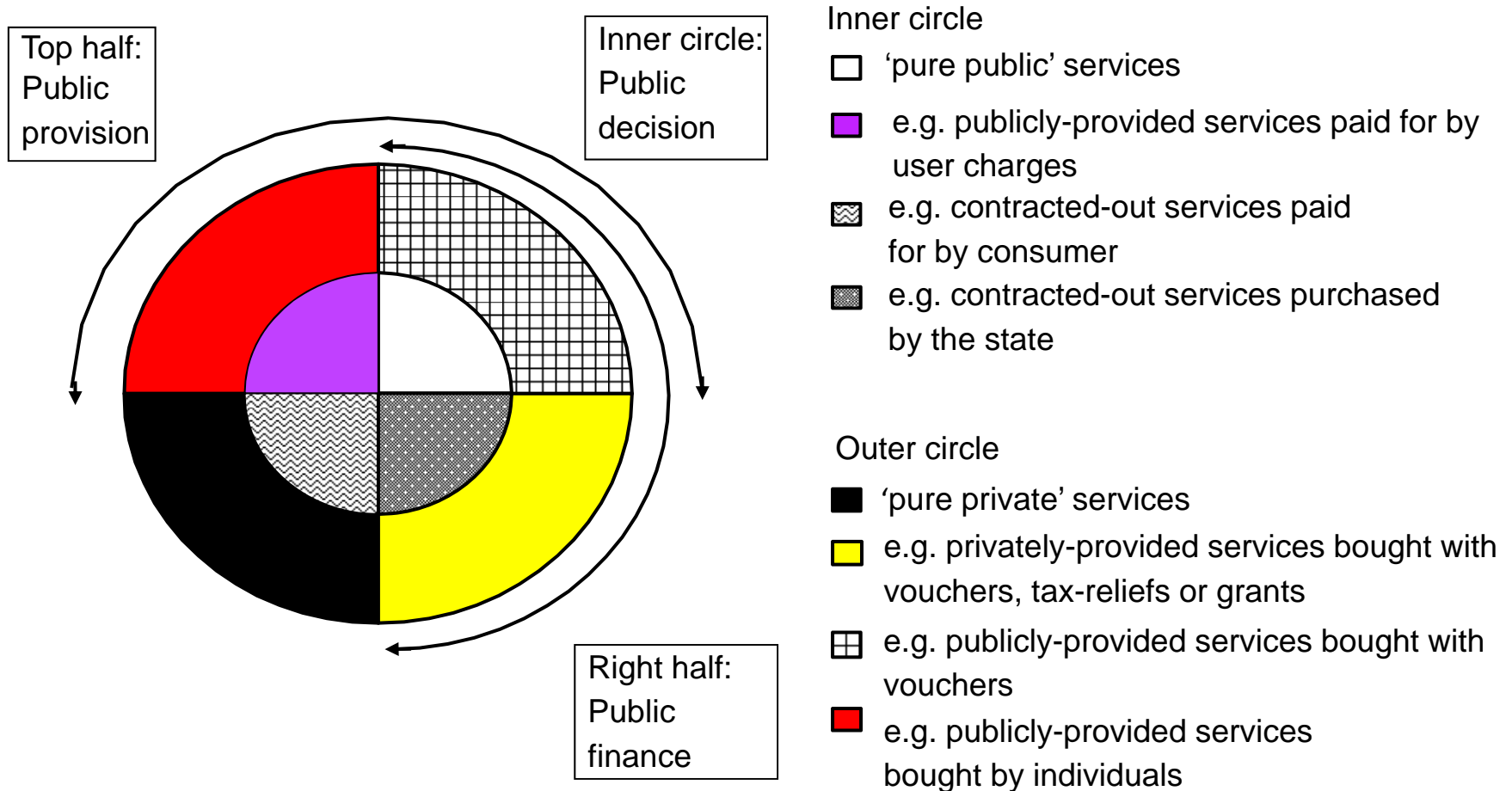
John Hills and Daniel Edmiston
Centre for Analysis of Social Exclusion, LSE
Welfare Policy and Analysis Seminar, 14th
March 2012

How private and public roles can vary in welfare activity

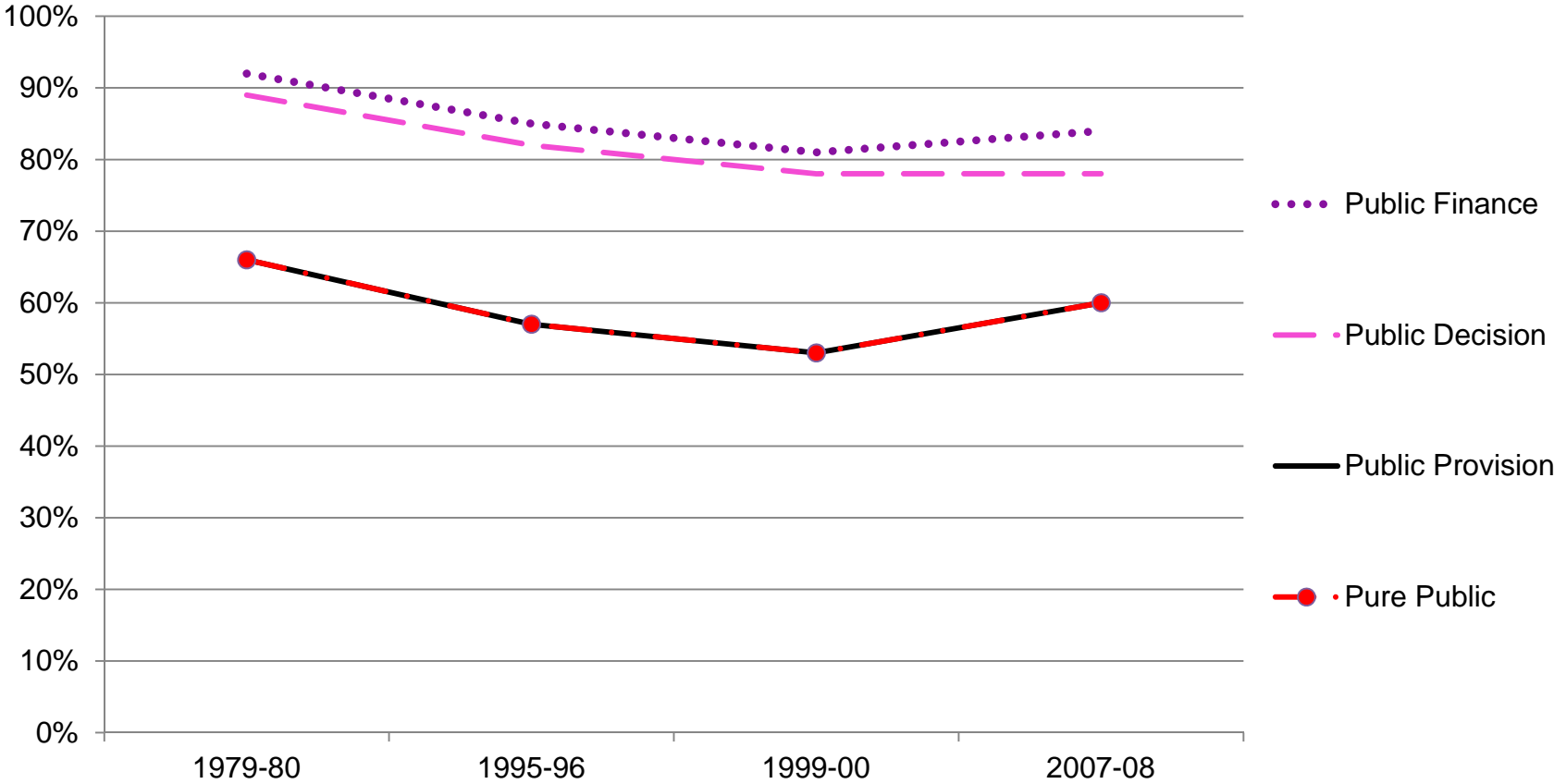
- **Provision:** is the provider of the service a public or private sector body?
- **Finance:** does the public sector pay for the service directly through tax-financed public spending or indirectly through tax reliefs?
- **Decision:** can individuals choose for themselves the amount of service used or whether the provider is public or private (or is this decided by the state?)

Where state has a role to play, it does not necessarily have to do all or any of the three....

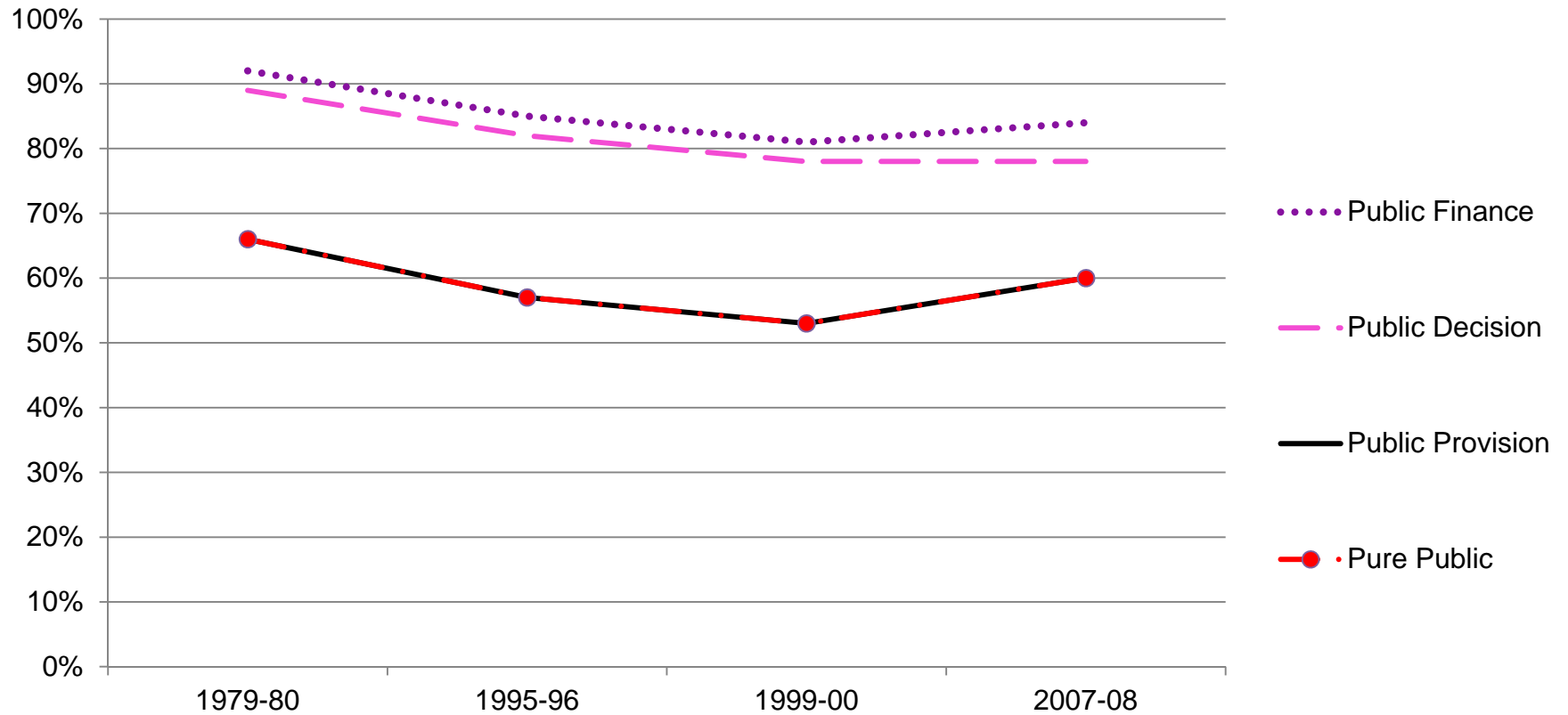
Facets of Welfare Activity (Burchardt, 1997)



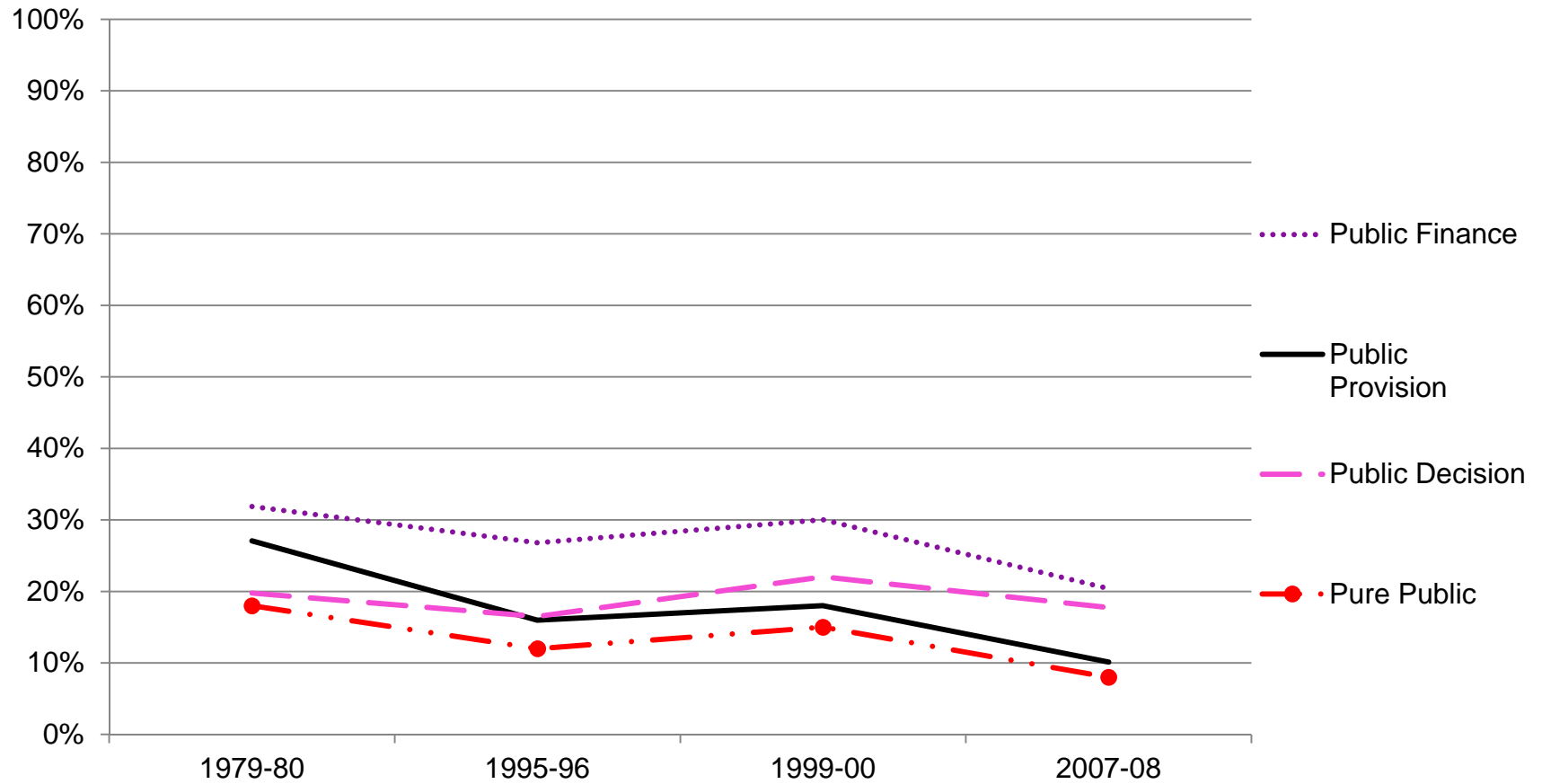
Public Share of Welfare Activity in Education



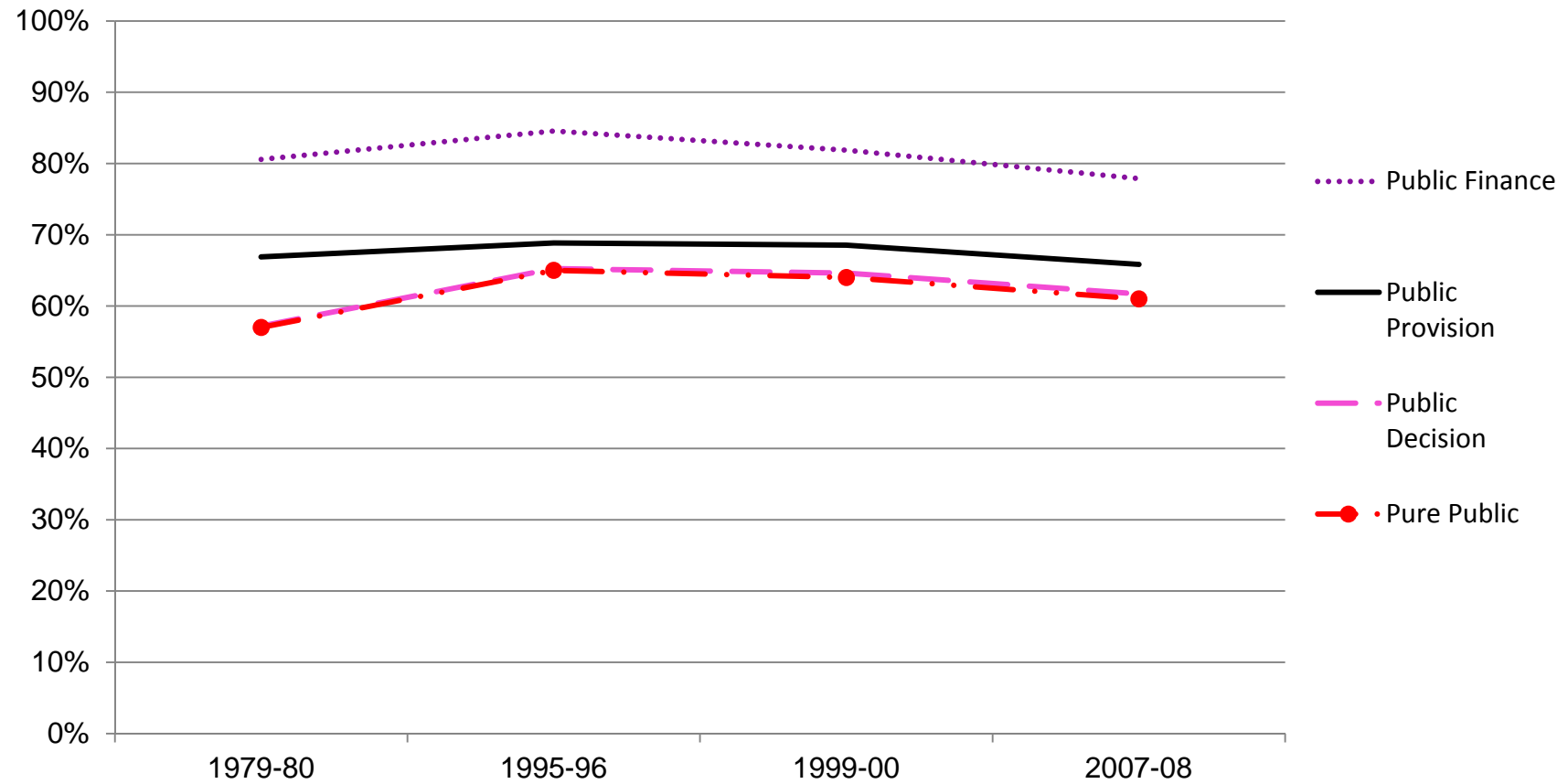
Public Share of Welfare Activity in Health



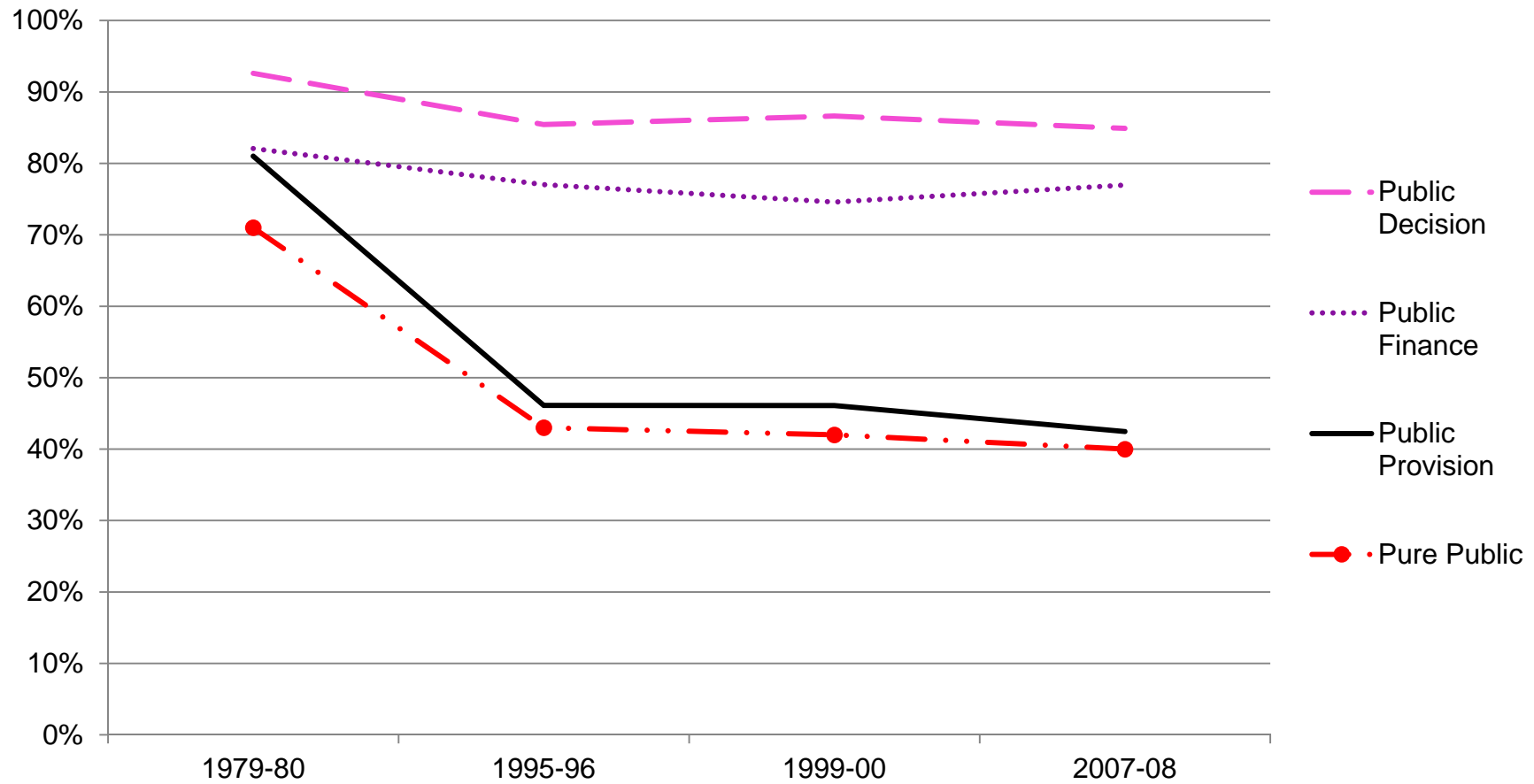
Public Share of Welfare Activity in Housing



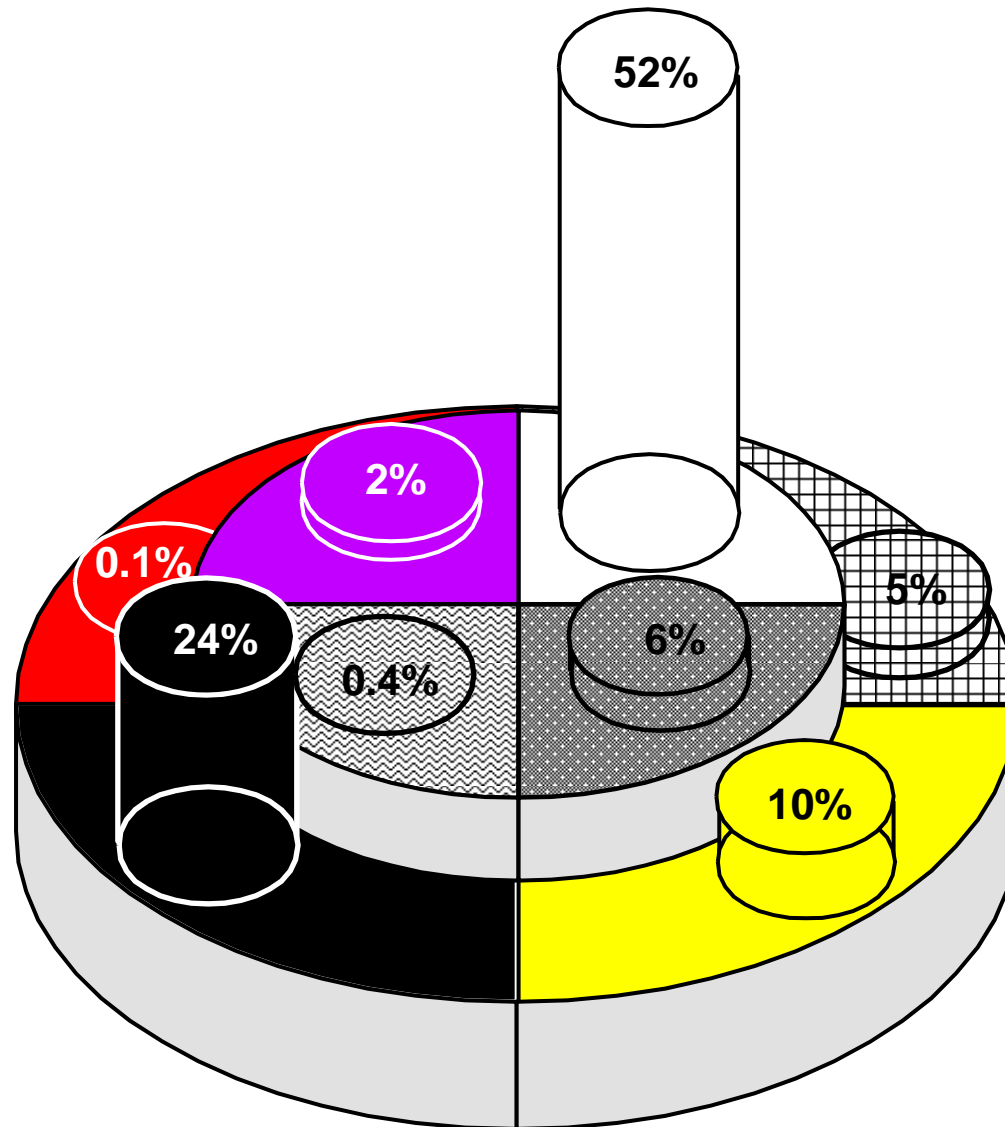
Public Share of Welfare Activity in Income Maintenance and Social Security



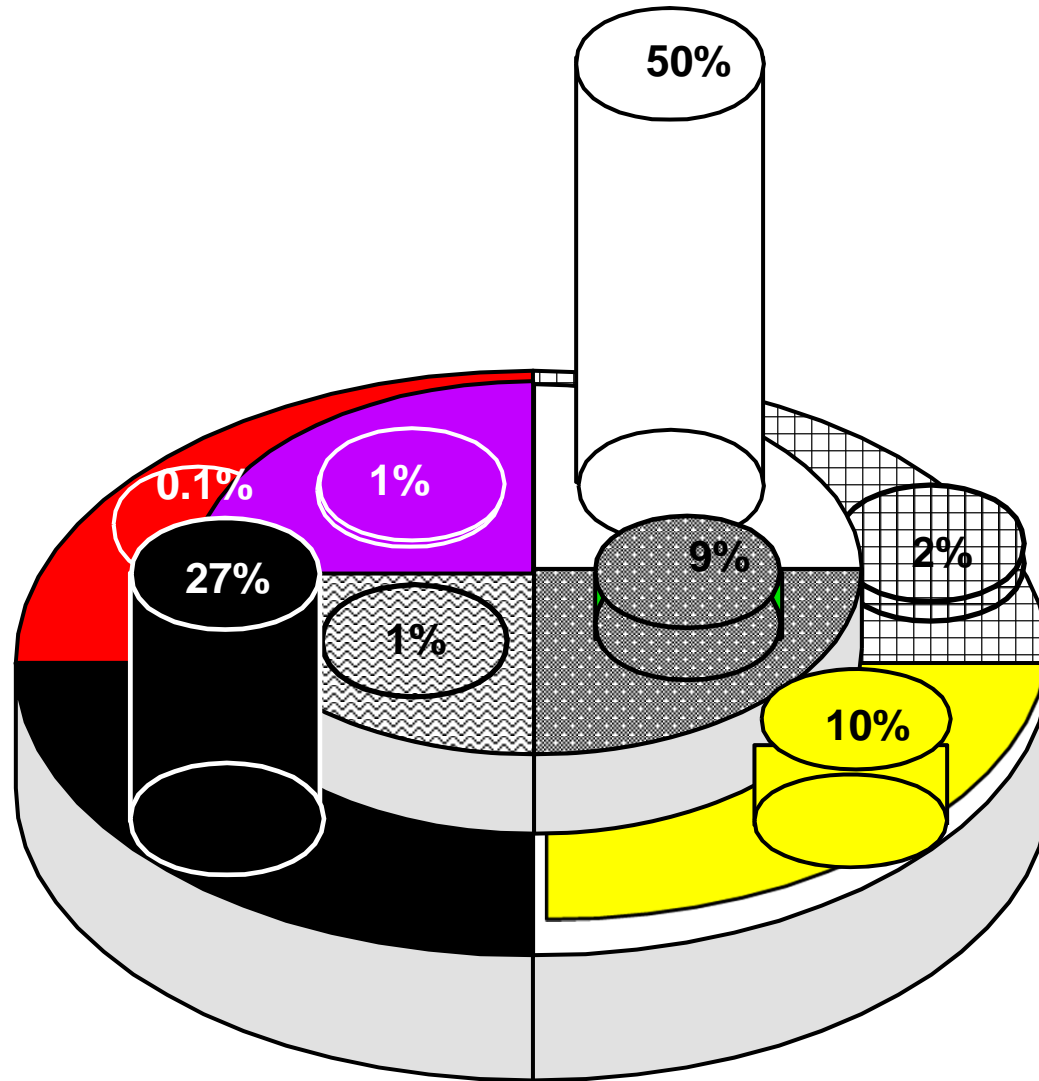
Public Share of Welfare Activity in Personal Social Services



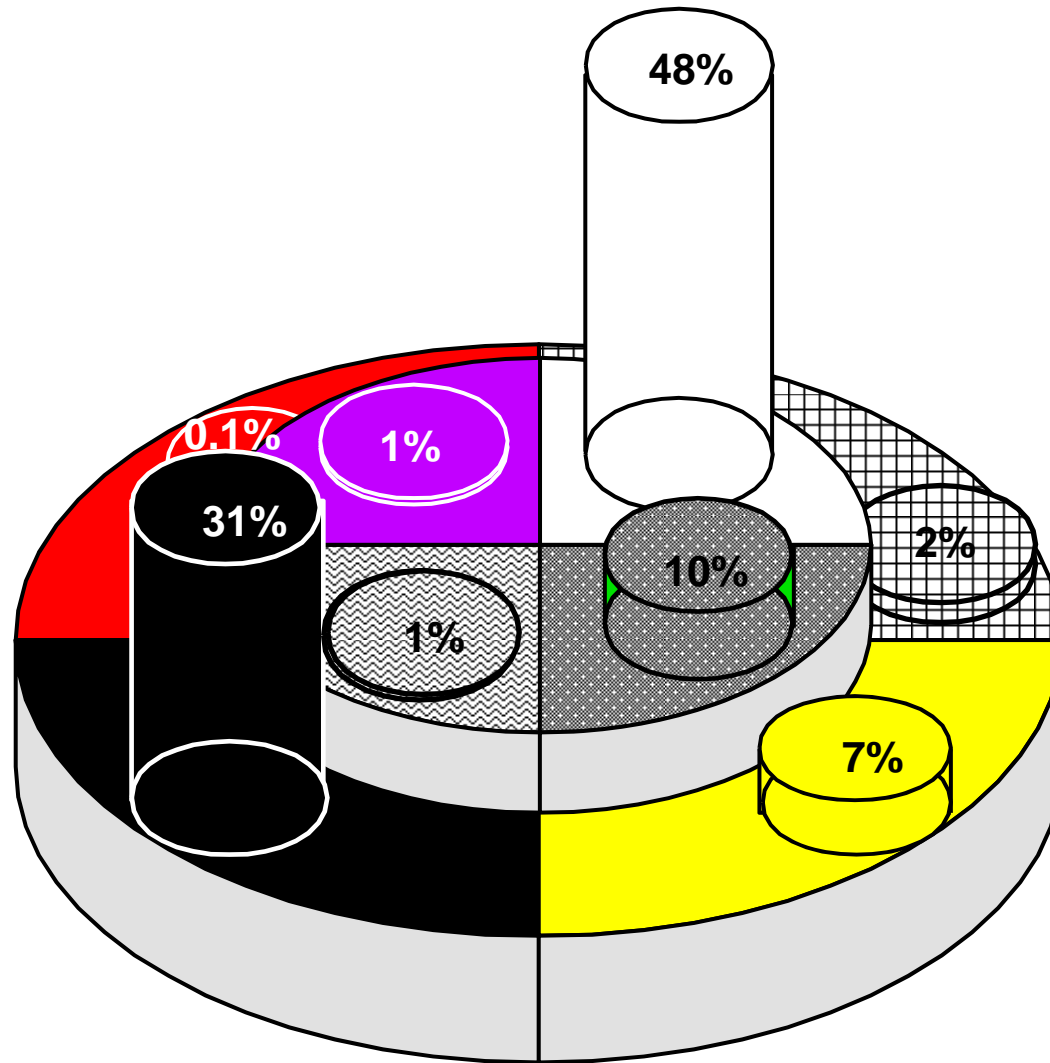
The overall picture: 1979-80



The overall picture 1995-96



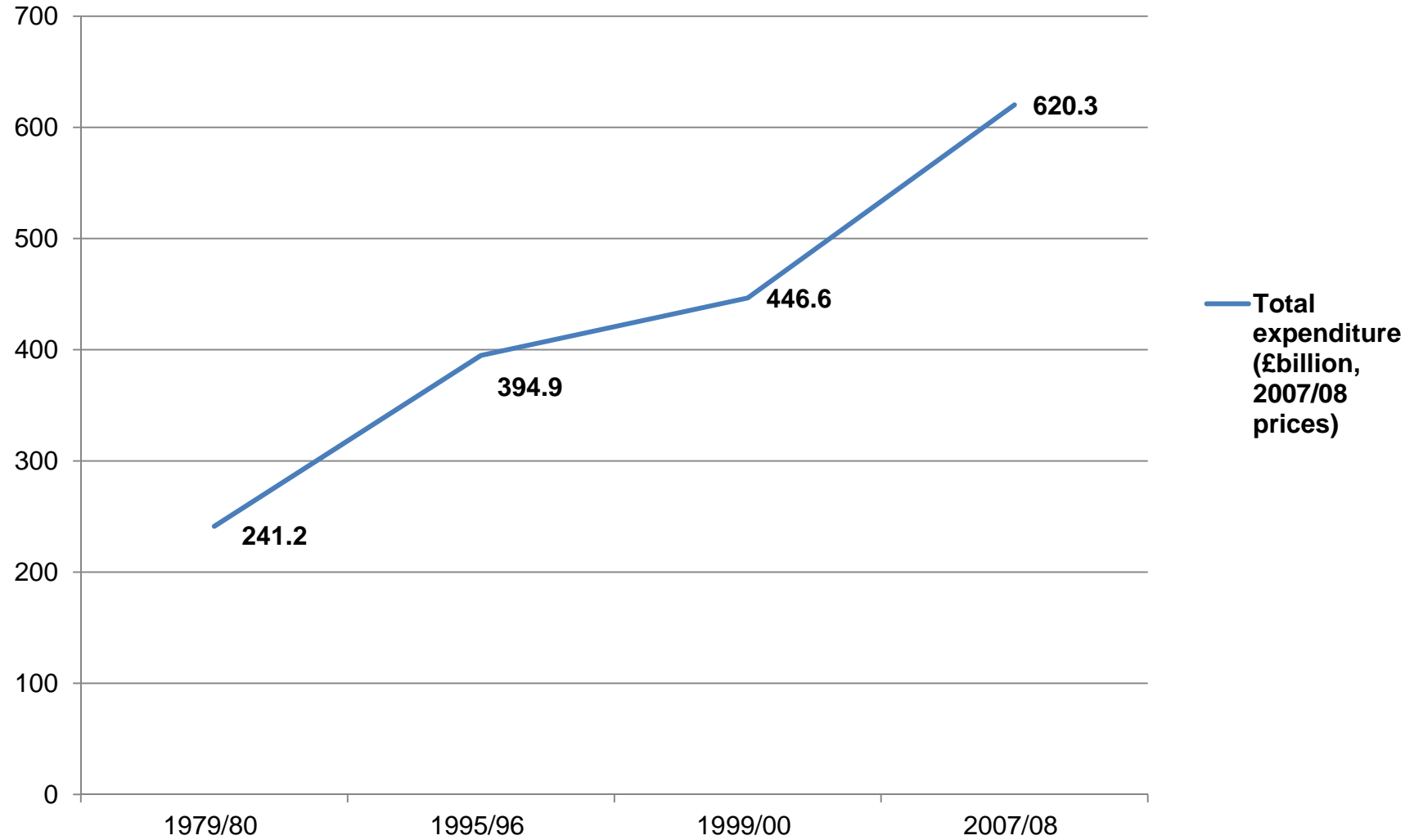
The overall picture: 2007-08



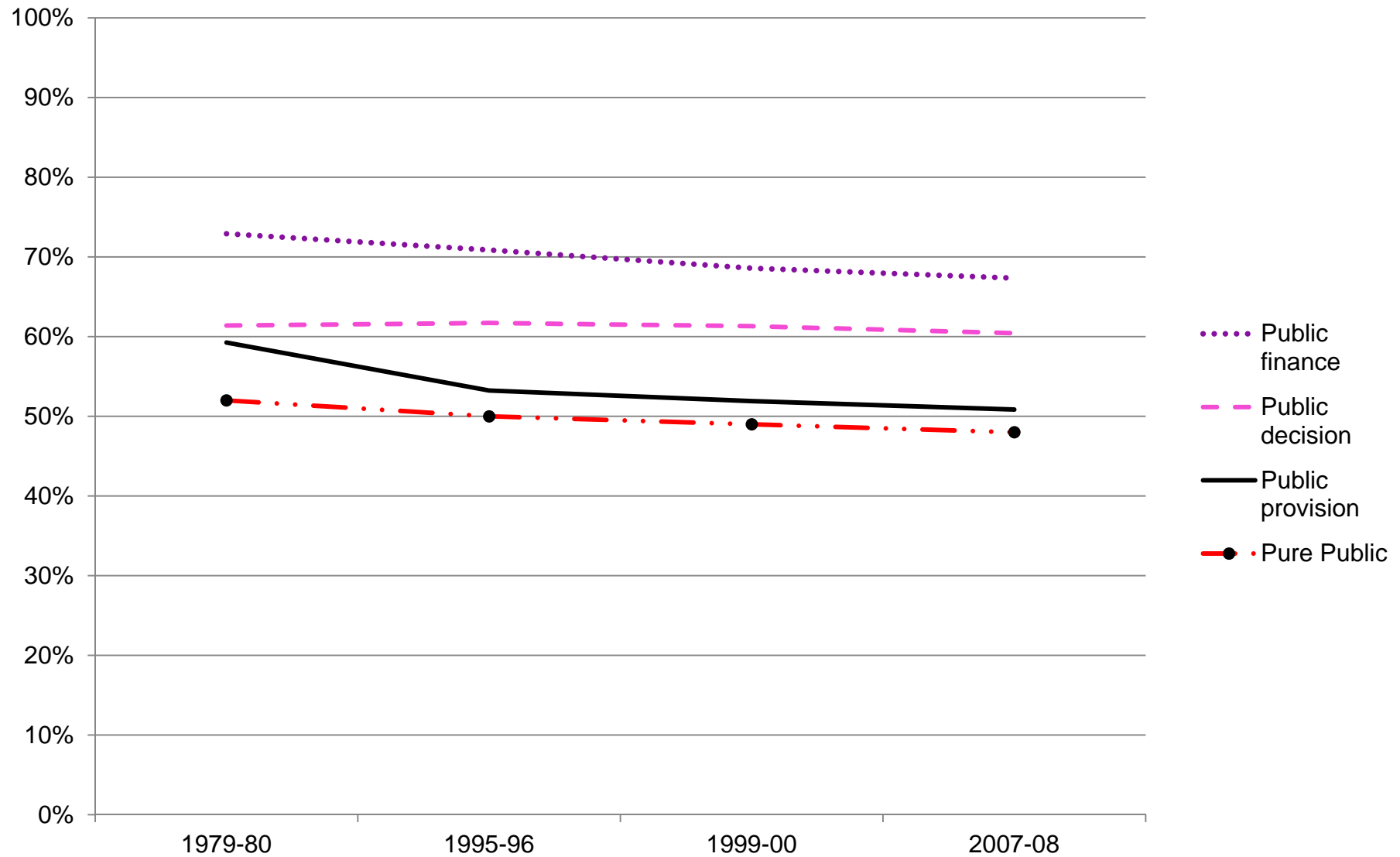
Overall welfare activity by type, %

<i>Provision</i>	Public				Private				<i>Total</i>	<i>% of GDP</i>
<i>Finance</i>	Public		Private		Public		Private		<i>(£ billion 2008-09 prices)</i>	
<i>Decision</i>	Public	Private	Public	Private	Public	Private	Public	Private		
1979/80	52.3	4.6	2.3	0.1	6.4	9.7	0.4	24.3	241.2	33.6
1995/96	50.3	1.5	1.3	0.1	9.1	10.0	1.0	26.7	394.9	39.5
1999/00	49.0	1.6	1.2	0.1	10.0	7.9	1.1	29	446.6	38.8
2007/08	48.2	1.9	0.8	0.1	10.1	7.1	1.4	30.6	620.3	42.2

Real Term increases in Welfare Activity



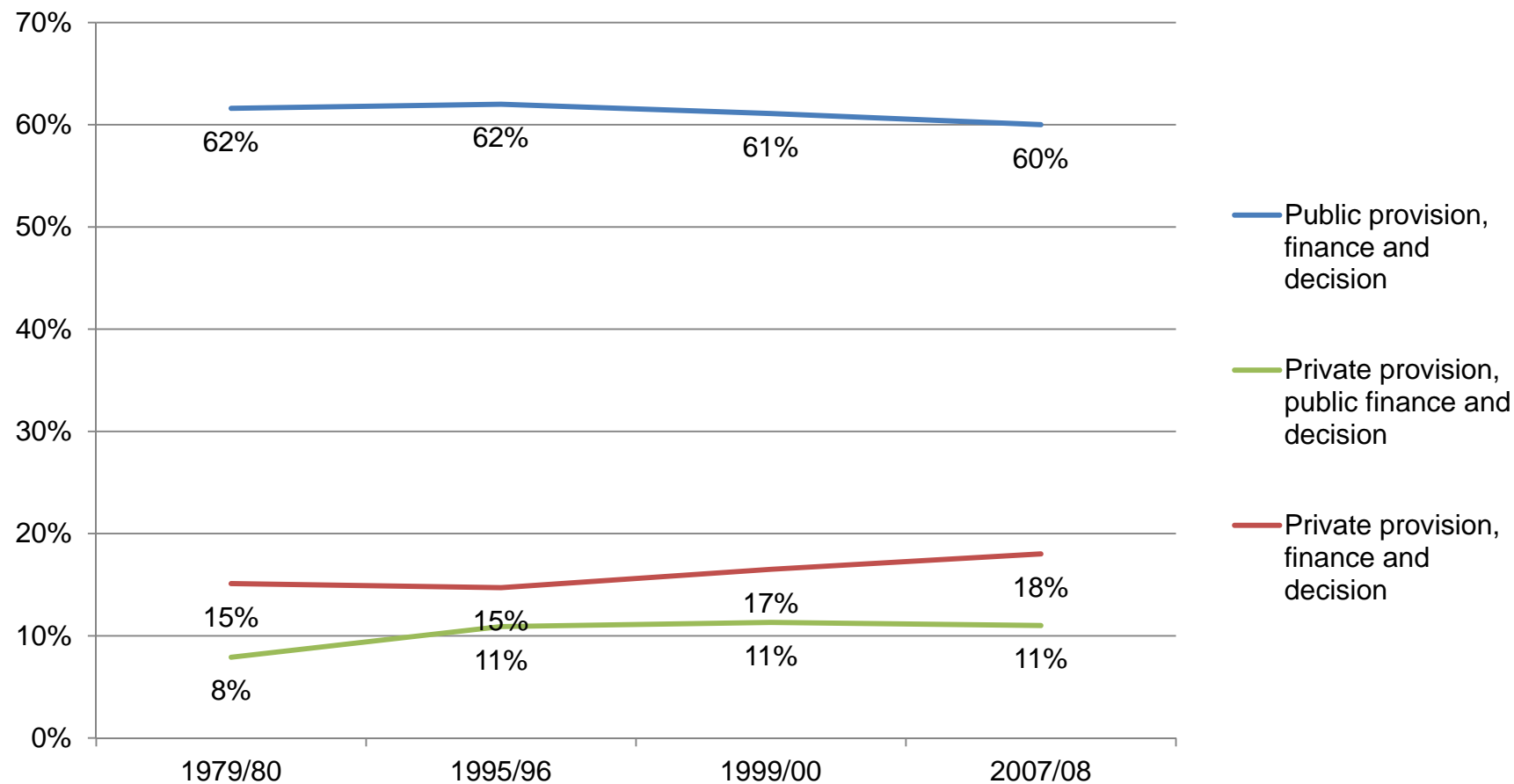
Overall Public Share of Welfare Activity



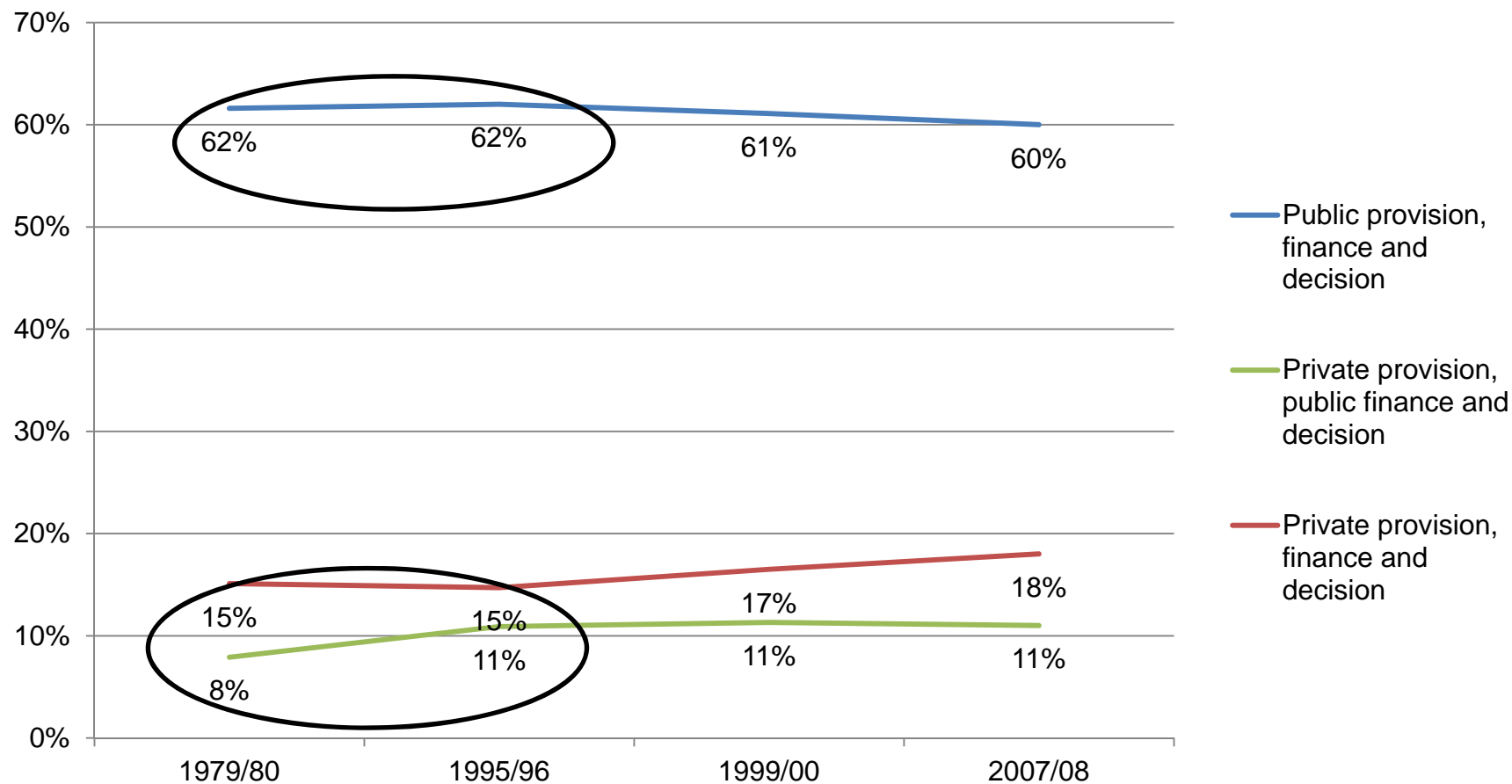
Public Share of Welfare Activity - with and without housing (%)

	Public finance	Public provision	Public decision	Pure public sector
(a) With housing				
1979-80	73.0	59.3	61.4	52.3
1995-96	70.9	53.2	61.7	50.3
2007-08	67.3	51.0	60.5	48.2
(b) Without housing				
1979-80	84.2	68.1	70.3	61.6
1995-96	84.2	64.4	73.9	62.0
2007-08	80.7	62.8	72.3	60.0

Overall welfare spending (excluding Housing): annual proportions (%) by type

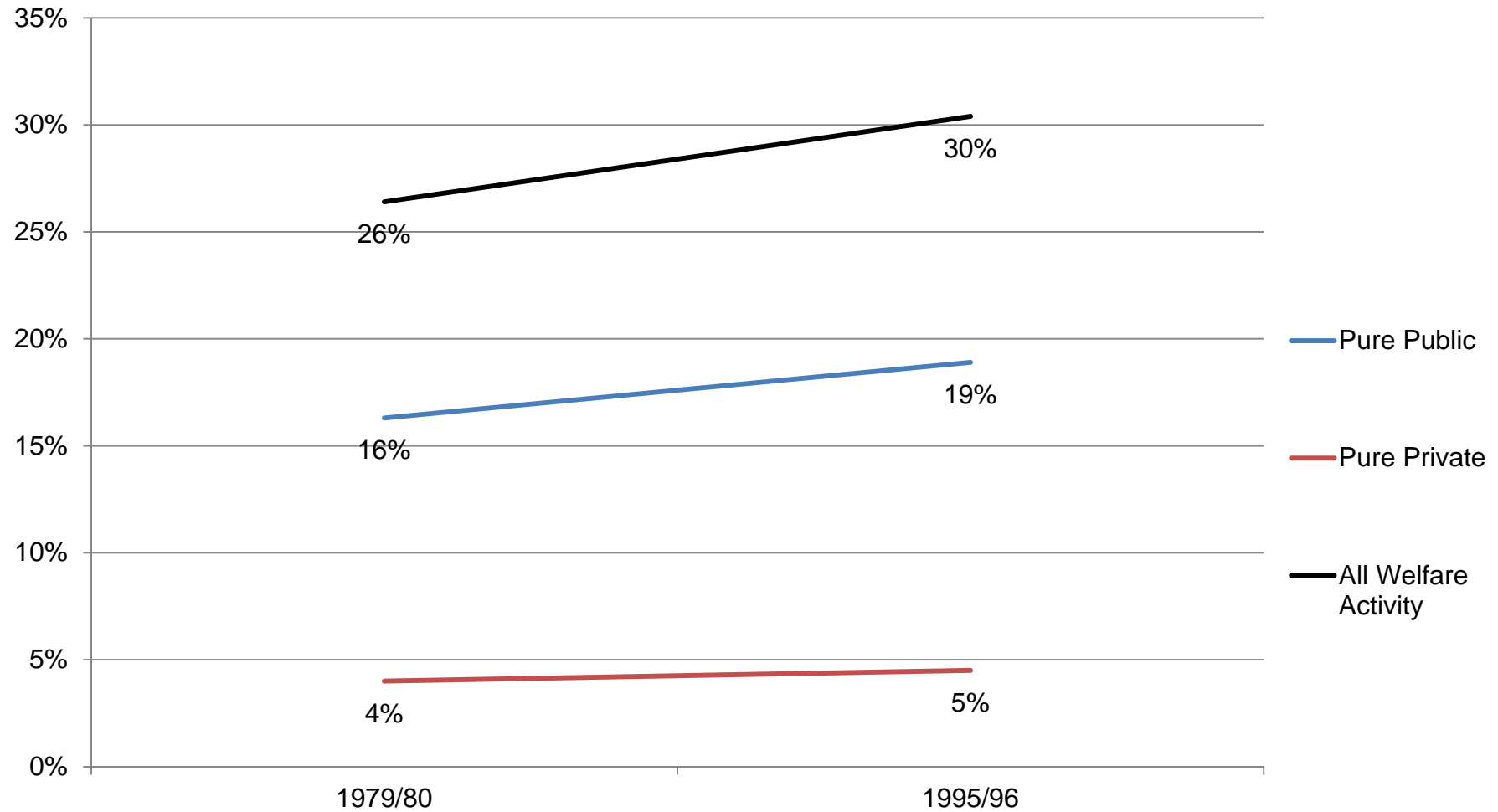


Overall welfare spending (excluding Housing): annual proportions (%) by type



1979 – 1996

Welfare Activity as a % of GDP



Questions arising

1. Measurement of welfare activity in a purely fiscal sense
2. Social Divisions of Welfare (Titmuss, 1958, Mann, 2008)
3. The progressive or regressive nature of private and public welfare activity
4. Broader ideological imperatives underpinning shifting boundaries of welfare activities
5. Implications for the status of social and economic rights
6. Expenditure not legislation
7. Questioning the responsibilities of private actors in the provision of welfare

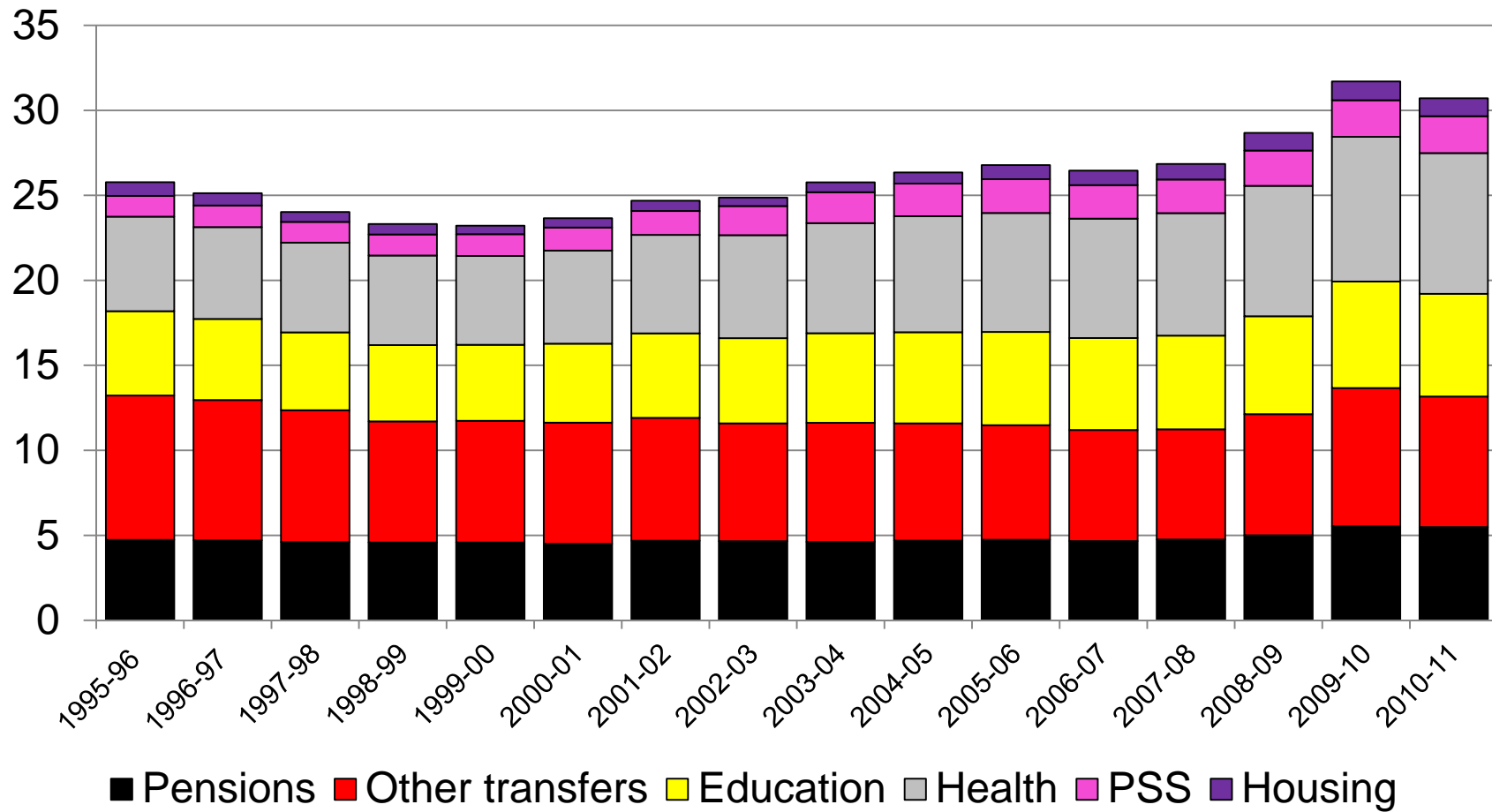
The future that was: Plans in the 2007 Spending Review and outcomes, change 2007-08 to 2010-11

	Spending Review plans		Outcomes	
	Nominal	Real	Nominal	Real
GDP	+16	+7	+4	-3
Total managed expenditure	+15	+6	+20	+11
<i>within which:</i>				
<i>Health</i>	+21	+11	+19	+11
<i>Education</i>	+18	+9	+14	+6
Social security and tax credits	+8	0	+22	+13

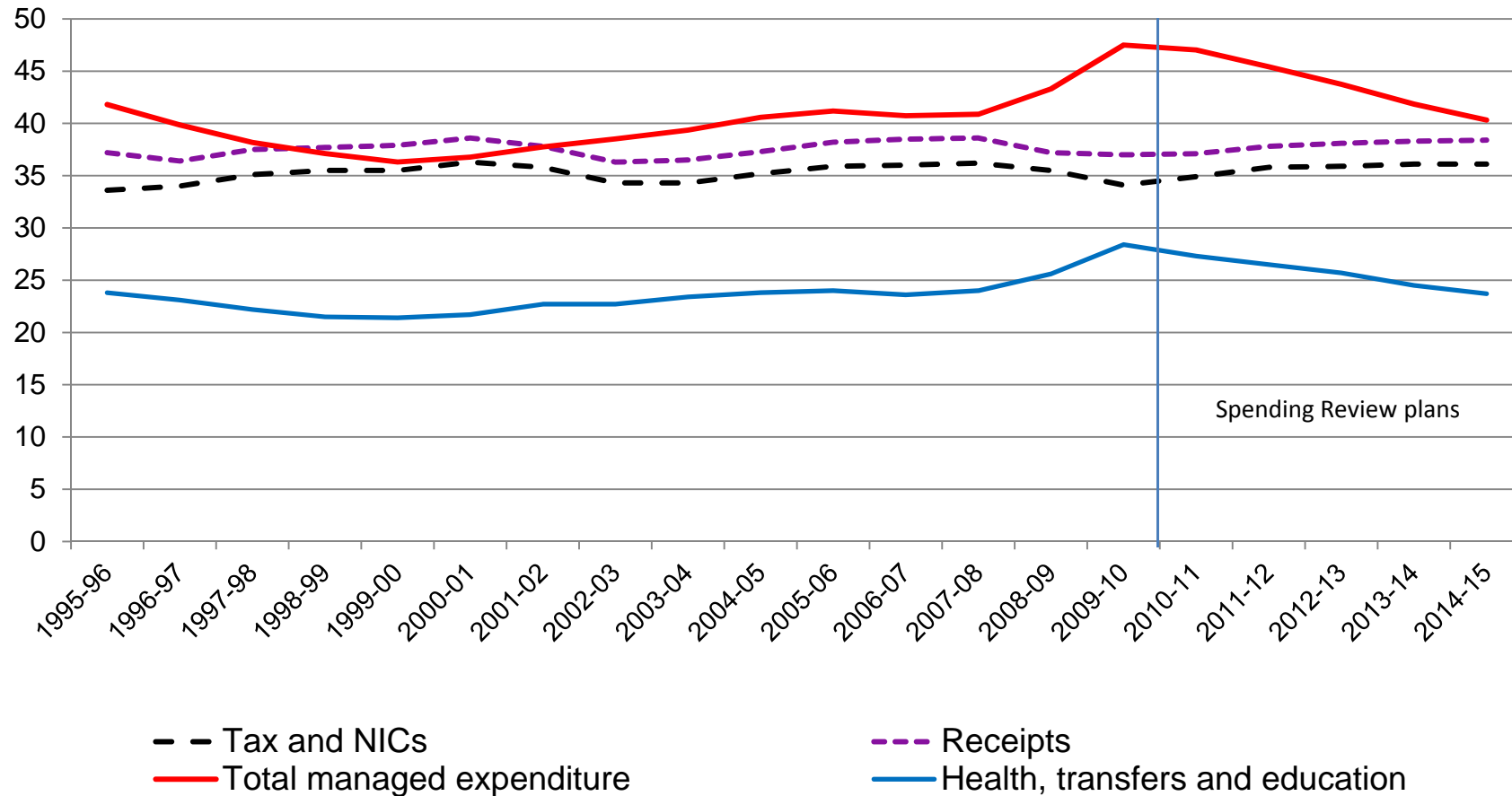
The future that was: Plans in the 2007 Spending Review (% of GDP)

	Plans		Outcomes	
	2007-08	2010-11	2007-08	2010-11
Total managed expenditure	42.0	41.6	41.1	47.3
Health, education and social security	24.6	24.3	23.9	27.5

Social spending as % of GDP, 1995-96 to 2010-11

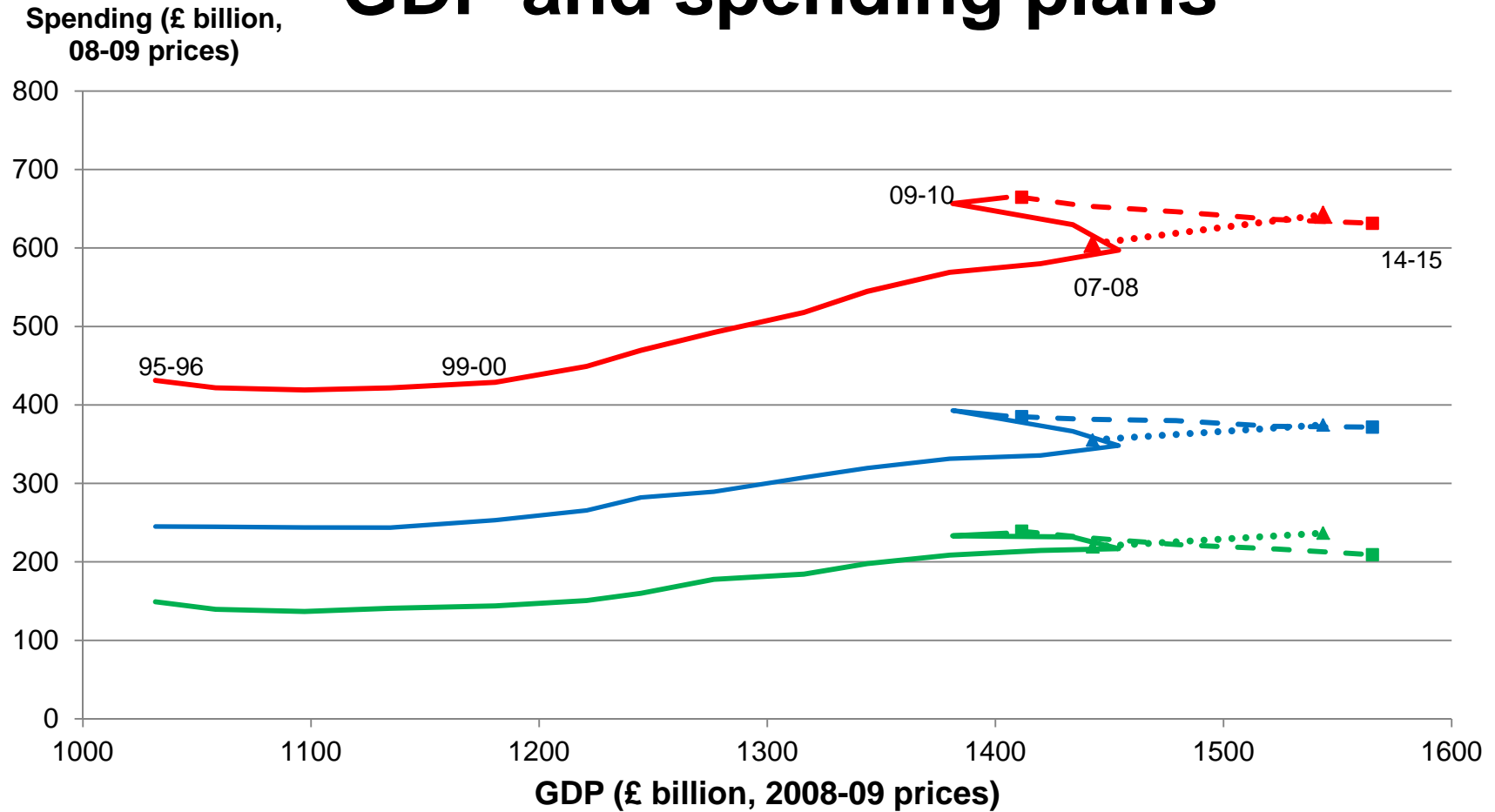


Past and Future: Spending and revenue, 1995-96 to 2014-15 (% of GDP)



Past and Future: 2010 Spending Review

GDP and spending plans



— TME — HSE -■- TME (2010 plans) -■- HSE (2010 plans) ...▲... TME (2007 plans)
...▲... HSE (2007 plans) — Other services -■- OS (2010 plans) ...▲... OS (2007 plans)

Three ways of looking at the 2010 Spending Review

	Spending in £ billion (2008-09 prices)			Change by 2014-15 (%)		
	2010-11	2014-15	Change	Relative to 2010-11 real spending	Relative to 2010-11 GDP share	Relative to 2007-08 GDP share
Health	116.1	118.5	+2.4	+2	-8	+5
State pensions	77.1	83.5	+6.4	+8	-2	+11
Other transfers	107.0	95.3	-11.7	-11	-20	-6
Education	84.7	74.3	-10.4	-12	-21	-14
Health, social security and education	384.9	371.7	-13.2	-3	-13	-1
Other public services	239.0	209.0	-30.0	-13	-21	-10
Debt interest	40.6	50.7	+10.1	+25	+13	+47
Total spending	664.6	631.5	-33.1	-5	-14	-2

The restructuring of social spending (% of total public spending on services)

	1995-96	2007-08	2010-11	2014-15 (planned)
Health	14.6	18.5	18.7	20.4
State pensions	12.4	12.2	12.4	14.4
Other transfers	22.2	16.7	17.3	16.4
Education	13.0	14.2	13.6	12.8
Health, social security and education	62.2	61.6	62.0	64.0
Other	37.8	38.4	38.0	36.0
<i>of which:</i>				
<i>PSS</i>	3.2	5.1	4.9	<i>n/a</i>
<i>Housing</i>	2.1	2.3	2.4	<i>n/a</i>
Social spending	67.5	69.1	69.3	<i>n/a</i>
Total	100	100	100	100

Coalition ambitions for provision and finance

- Free Schools
- University fees
- NHS reform: how big will private providers role be?
- Automatic enrolment into pensions/NEST
- Citizens groups and 'mutuals' running public services?

David Cameron and the ‘Big Society’

“We are in the process of opening up billions of pounds’ worth of government contracts so charities and social enterprises can compete for the first time. The scale of this opportunity dwarfs anything they’ve had before.”

“ending the old big government, top-down way of running public services ... it shouldn’t matter if providers are from the state, private or voluntary sector”.

Lessons from the past

- There has always been a “mixed economy of welfare”
- The roles of public and private sectors vary between welfare services in different ways across the dimensions of finance, provision and control
- In the last 30 years overall change in the balance of public and private roles has been glacially slow, despite sometimes radical intentions
- This has not been accidental: the relative advantages of public and private sectors vary between areas and the role of the state hard to reduce in pensions and health care, in particular.
- While the “pure public” sector has only reduced from 52% to 48% of the total, the “pure private” sector has grown from 24% to 31%.
- This allowed total welfare activity to grow in real terms by 150%, and from 34% to 42% of GDP between 1979-80 and 2007-08, despite the “lid being on” public social spending for most of the period: these are things we want more of as we grow more affluent.

Lessons from the past

- The glacial change in balance of provision suggests that changing it may be harder than the Coalition has hoped
- Within public social spending a restructuring is underway, though. To understand it, one has to look at the end result of both New Labour's last years and the planned cuts.
- Overall health, education, and social security spending planned in the 2010 Spending Review for 2014-15 is actually very close to what New Labour planned in 2007, for when it thought GDP would reach the same level (by 2010).
- State pensions and health care spending emerge as gainers as a share of GDP since 2007-08, protecting services for older age groups (with reduced means-testing).
- Social security for the working age population becomes more residualised and mean-tested.
- A move of structure in a US direction?

‘The changing architecture of the welfare state’,
John Hills, *Oxford Review of Economic Policy*,
Vol 27, No. 4, Winter 2011

The shifting balance of private and public welfare
activity in the United Kingdom, 1979 to 2007,
Daniel Edmiston, CASE paper 155, December
2011

<http://sticerd.lse.ac.uk/case/new/publications/series.asp?prog=CASE>