

The image features a background photograph of a large, multi-story brick building with several chimneys, likely a university hall or residence. To the right, there are large, leafy green trees. In the foreground, a body of water reflects the scene. The University of York logo is positioned at the top center of the image.

UNIVERSITY *of York*

UK social security and social service reform in time of austerity

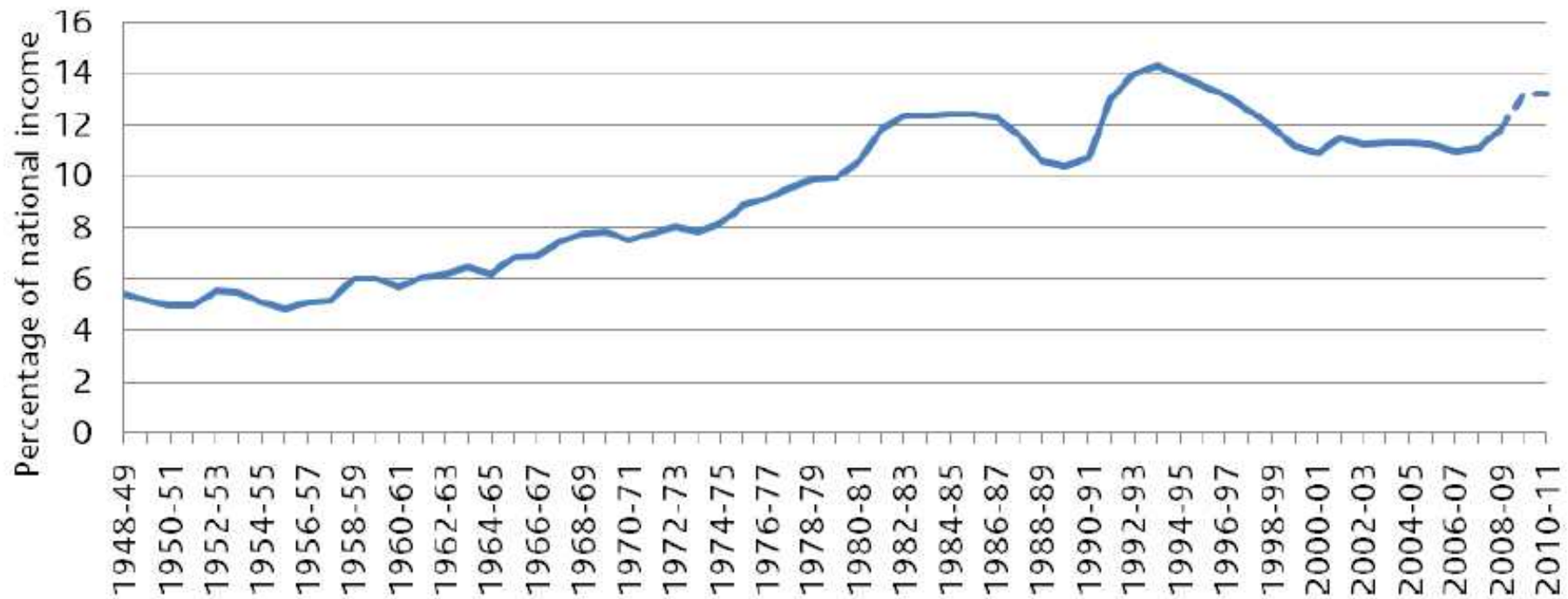
Korea Institute for Health and Social Affairs

30th May 2014

Dr Neil Lunt

Department of Social Policy and Social Work

Figure 4.2(b). Social security spending as a share of national income, 1949–50 to 2010–11



Source: 1949–50 to 2007–08 from ONS series ANLY; 2008–09 to 2010–11 from HM Treasury, *Budget 2009*.

Social security always debated

- One-third of public spending

Social security benefit expenditure in the UK increased by 128% from £72 billion 1979/80 to £165 billion in 2009/10 after allowing for inflation

- One-third of population receives a benefit!
- Essentially contested values (need/ justice/ equity/ equality/ desert)

Coverage of discussion

- Fiscal context
- Unemployment
- Benefits for children/ families
- Disabled people
- Old age pensions

UK System

- Contributory-insurance (old age pension)
- Non-contributory (child benefit)
- Means-tested benefits ('income support')

1979-1997

Neo-liberal market solutions:
policy and public administration

Choice

Competition

Consumerism

Civil Service reform

Citizenship



Tony Blair's 3rd Way and New Deals

- New Deals: lone parents, l-t unemployed, disability, young people
- make labour market policy more active – offering innovative services and one-to-one discussions with personal advisors.
- Blair 'Work for those who can; security for those who cannot'
- Conditionality: individual job-seekers expected to recognise they have obligations to undertake active job search
- 'make work pay' via minimum wage and changes to Tax Credits



Tackle dependency, break cycles and achieve social inclusion

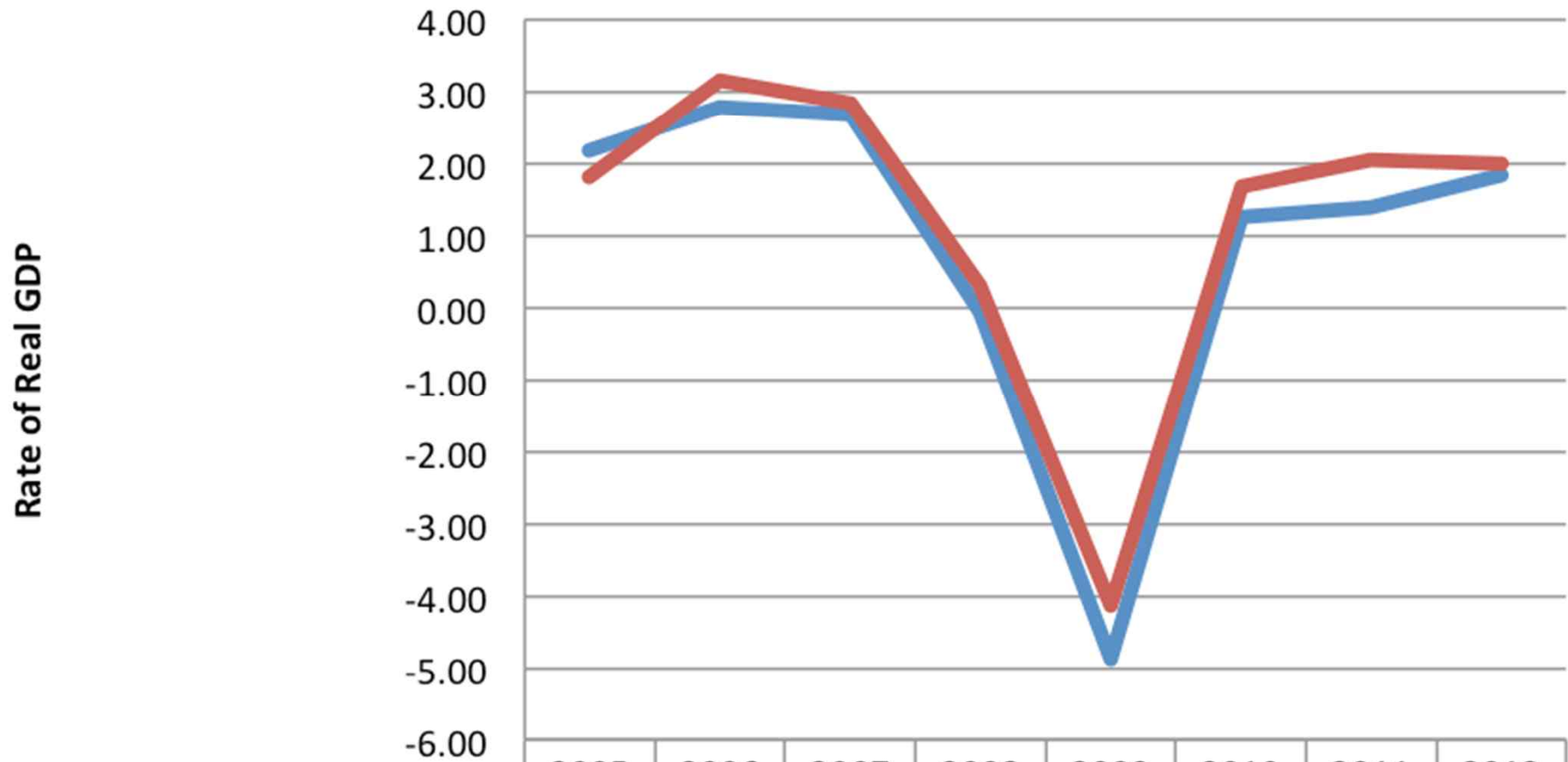
- Emphasis on ‘investment’ in individuals and communities to increase stocks of social capital rather than ‘spending’.
- The notion of investment *in* families, rather than spending *on* them
 - included changes to maternity benefits,
 - thrust of ‘education, education and education’; basic literacy and eliminating innumeracy.
 - *Sure Start Programme* gives children, parents and communities a better start, including offering child-care, support services for families.

UK: The Brown Years (2007-2010)

- A continuation of Blair's approach:
 - Investment in health and human capital
 - Active labour market policies ('making work pay')
 - Robust management of finances
- ...then: Financial Crisis
 - Northern Rock, September 2007
 - £500bn committed to bail out British banks
 - Property slump
- Fiscal stimulus package (£24bn)
- Additional public spending (£8bn)



UK and Eurozone Growth



— United Kingdom

— Euro area (15 countries)

2005

2006

2007

2008

2009

2010

2011

2012

2.17

2.79

2.68

-0.07

-4.87

1.25

1.38

1.83

1.80

3.17

2.84

0.31

-4.13

1.69

2.05

2.01

*The Spending Review sets out how the Coalition Government will carry out Britain's unavoidable deficit reduction plan. This is an urgent priority to secure economic stability at a time of continuing uncertainty in the global economy and put Britain's public services and welfare system on a sustainable long term footing. **The Coalition Government inherited one of the most challenging fiscal positions in the world.***

2010 Spending Review



*Last year, Britain's deficit was the largest in its peacetime history – the state borrowed one pound for every four it spent. The UK currently spends £43 billion on debt interest, which is more than it spends on schools in England. As international bodies such as the IMF and OECD have noted, reducing the deficit is a necessary precondition for sustained economic growth. **Failure to take action now would put the recovery at risk and place an unfair burden on future generations.***



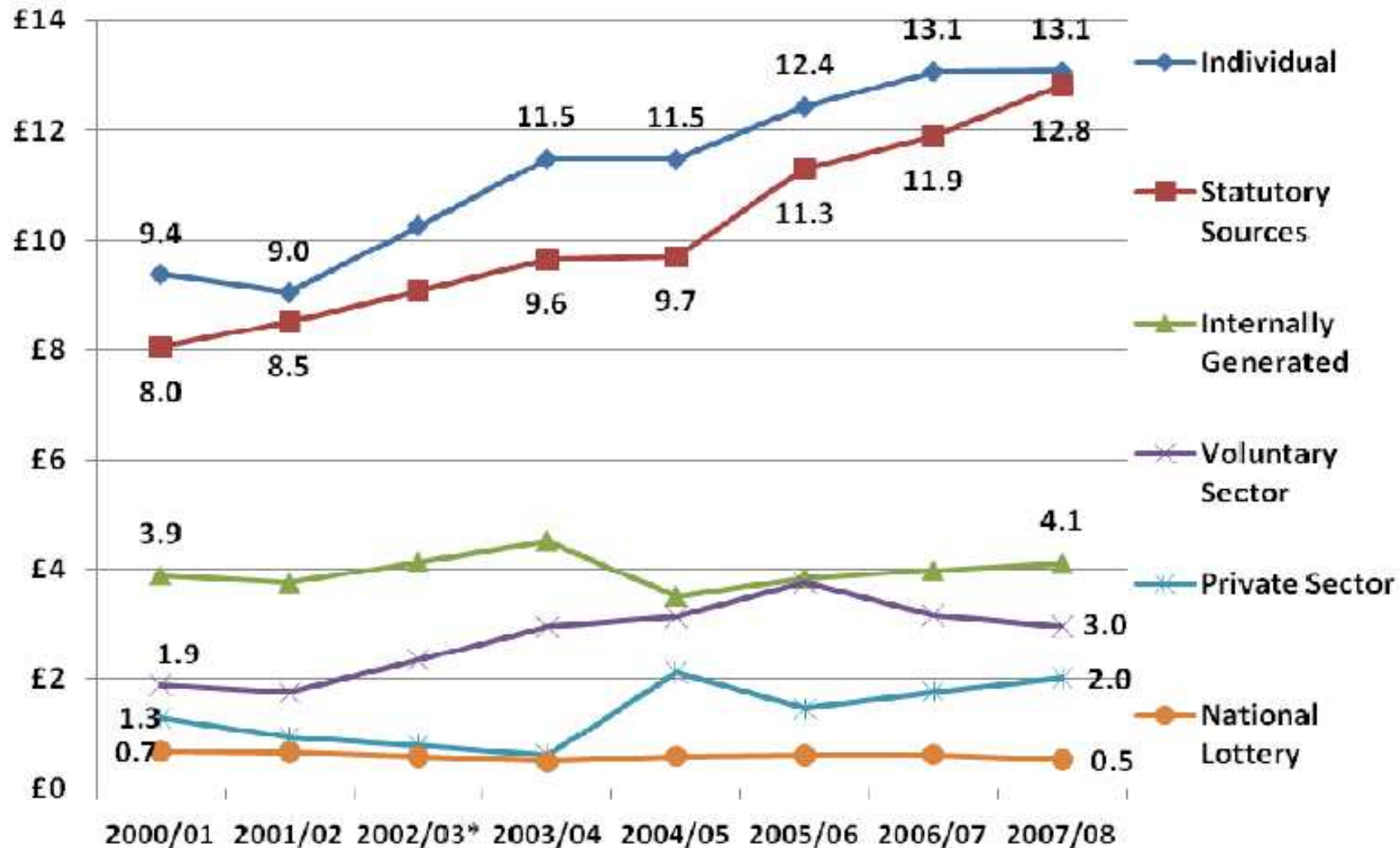
Photo (cc) Francisco Diez

*The Spending Review makes choices. **Particular focus has been given to reducing welfare costs and wasteful spending.** This has enabled the Coalition Government to prioritise the NHS, schools, early years provision and the capital investments that support long term economic growth, setting the country on a new path towards long term prosperity and fairness.*



Voluntary sector income

Figure 1 - Voluntary sector income sources, 2000/01-2007/08



Central and local spending, Fiscal Year 2014

	Central	Local	Total
[+] Pensions	144.1	0.0	144.1
[+] Health Care	129.5	0.2	129.7
[+] Education	39.1	49.5	88.6
[+] Defence	46.5	0.1	46.6
[+] Welfare	57.2	55.4	112.5
[+] Protection	15.1	16.6	31.7
[+] Transport	11.0	8.1	19.1
[+] General Government	9.3	5.0	14.3
[+] Other Spending	46.9	36.0	82.9
[+] Interest	49.5	0.3	49.8
[+] Balance	1.6	-2.2	-0.5
[+] Total Spending:	549.9	168.9	718.8

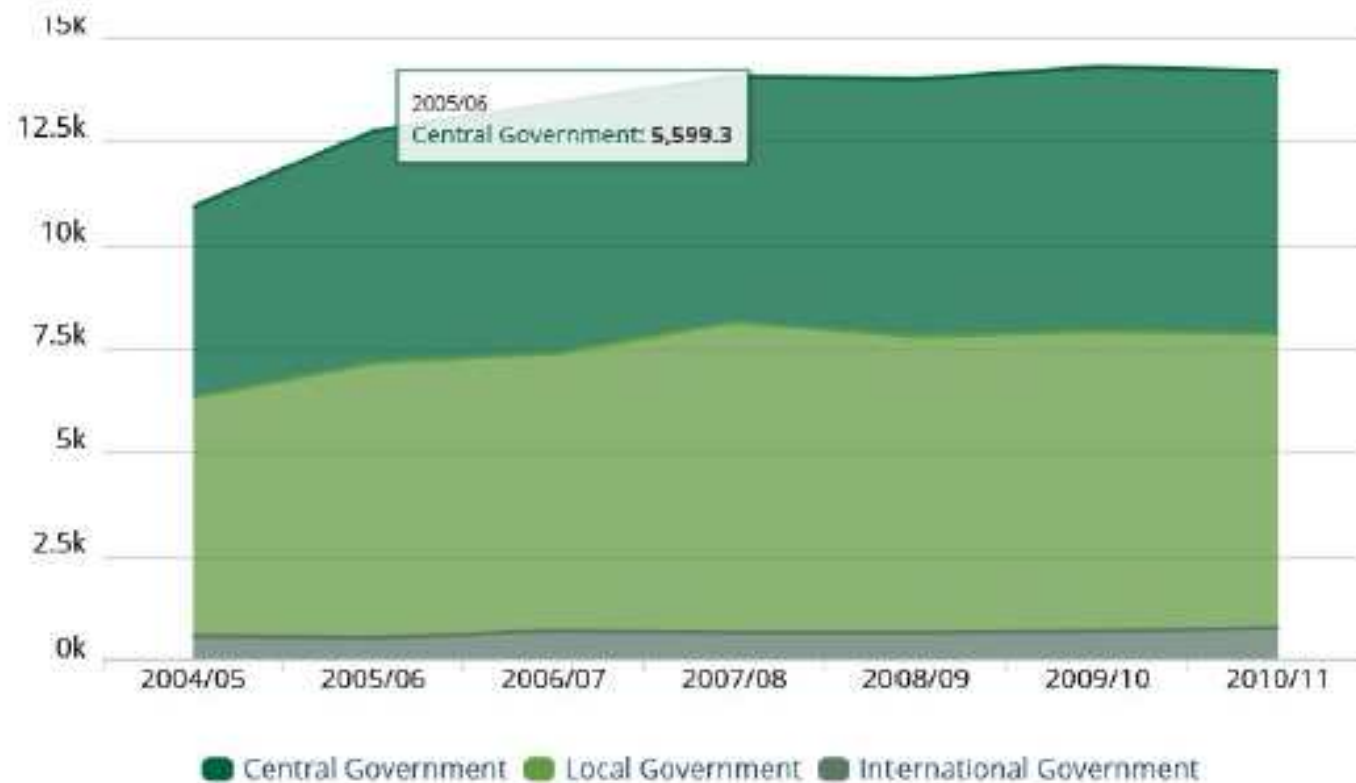
GDP:
£1,641.3
billion

Pop: 63.9
million

£718.8
billion is
Govt
spending

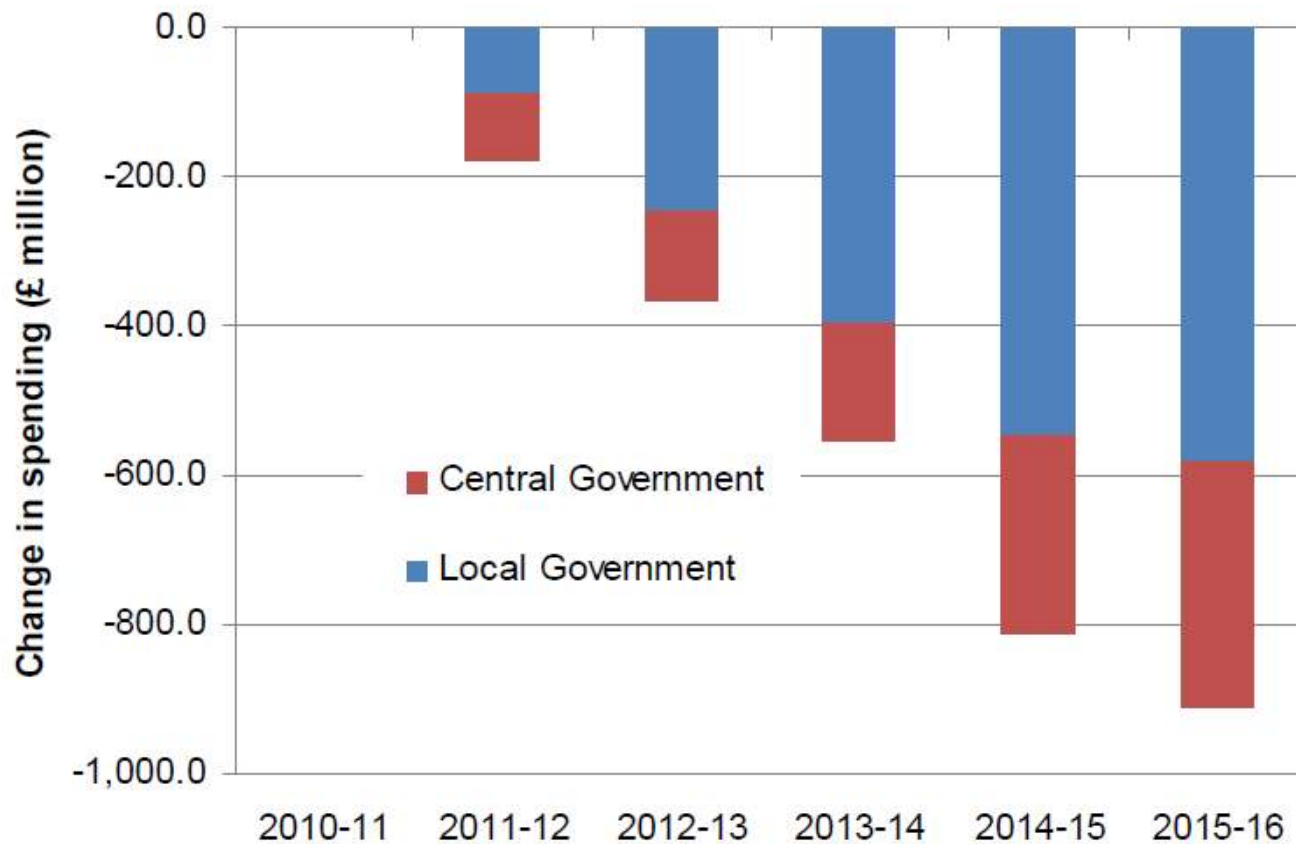
Voluntary support by tier of Government

Voluntary sector income from government by tier of government, 2004/05 to 2010/11 (£ millions, 2010/11 prices)



But Government cuts will impact on the voluntary sector

Figure 6 - Estimated change in government spending on the voluntary and community sector, 2010-11 to 2015-16 (£ millions, 2010-11 prices)



Election of Conservative-led Coalition 2010

“we need to have a welfare system that the country can properly afford. The system we inherited was not only unaffordable. It also trapped people in poverty and encouraged irresponsibility”

David Cameron, 25th June 2012



UK: The Cameron Years (2010-)

- Remove elements of fiscal stimulus
- Reduce deficit very quickly
- Radical cuts in public spending advocated
- Health, schools, International Development protected

For example:

- Scaling back tax credits & freezing child benefit
- Reductions in housing related support
- Abolition of Child Trust Funds
- Abolition of Education Maintenance Allowance
- 26% cut in local government funding
- Tripling of university fees for UK students

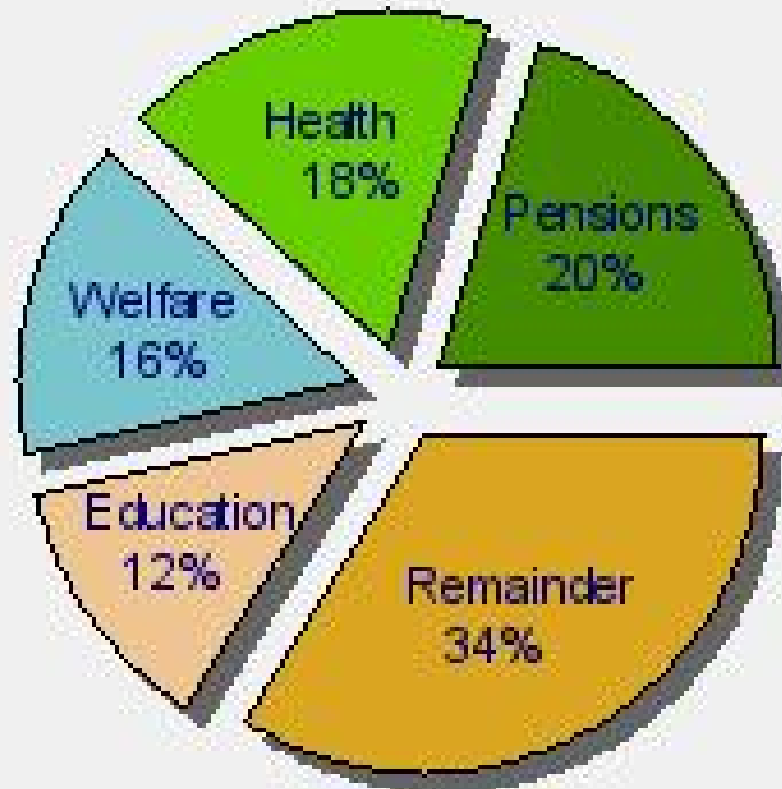
Problems identified by 2010 Coalition Government

- Costs
- Dependency and poverty
- Structures and rules promoting negative behaviour
- Poor work incentives
- Complex system

Policy solutions....

Total Government Spending

Total Spending: 719 (£ billion)
United Kingdom - 2014



jpggraph

ukpublicspending.co.uk

...Universal Credit

- Single benefit payment to replace multiple working-age benefits
- More incentives
- Single system of disregards and one taper
- Paid monthly
- Administered online

“There are more than 150,000 people who have been claiming Income Support for over a year who have 3 or more children and 57,000 who have 4 or more children. The bigger picture is that today, one in six children in Britain is living in a workless household – one of the highest rates in Europe...So it’s time we asked some serious questions about the signals we send out through the benefits system....”

...Benefits cap...Bedroom tax

Benefits cap on the total amount of benefit that working age people can receive. This will mean that workless households should no longer receive more in benefits than the average earnings of working households.

- £500 week (£26,000 annual) families
- £350 single people

Spare rooms will no longer be supported by Housing Benefit

...Conditionality

- *“Before this Government came to office, single parents weren’t required to look for work until their youngest child was seven years old – we’re bringing it down to five years-old, about the age they start school”.*
- *Claimant commitment and possibility of sanctions for work-related activity*
- The British Social Attitudes survey show that the proportion of people who feel that benefits for the unemployed as “too high and discourage them from finding work” rose from 44% in 1999 to 69% in 2011

...“Work Programme”

- Using private and not-for-profit-sector to provide services for job-seekers who are long-term unemployed
- Let these companies decide approaches (‘black box’)
 - Interviews
 - Job applications etc.
- Payment for permanent results – “sustainable work” (13 or 26 weeks)

Provider freedom/customisation

Previous UK welfare-to-work programmes specified in varying levels of detail what interventions providers had to deliver.

The Work Programme gives providers far greater flexibility to design programmes

- government is providing freedom for providers to personalise support for the individual in a way that fits the local labour market.

Work Programme providers to form partnerships with other organisations such as local authorities, health service providers and colleges

Figure 9:
Long term claimants

City	Long term claimant rate Nov 2011 (%)	City	Long term claimant rate Nov 2011 (%)
Southern	0.3	Leeds	0.7
Cambridge	0.3	Mansfield	0.7
Aldershot	0.3	Huddersfield	0.7
Aberdeen	0.3	London	0.8
Reading	0.3	Peterborough	0.8
Southampton	0.4	Manchester	0.8
Swansea	0.4	Bolton	0.8
Crawley	0.4	Newcastle	0.8
Preston	0.4	Chatham	0.8
Oxford	0.4	Wigan	0.9
Portsmouth	0.4	Derby	0.9
Swindon	0.4	Cardiff	0.9
York	0.4	Sheffield	0.9
Brighton	0.5	Leicester	0.9
Worthing	0.5	Bradford	0.9
Warrington	0.5	Luton	0.9
Bristol	0.5	Coventry	0.9
Gloucester	0.5	Barnsley	1.0
Burnley	0.5	Doncaster	1.0
Plymouth	0.5	Nottingham	1.0
Telford	0.6	Ipswich	1.0
Edinburgh	0.6	Grimsey	1.1
Northampton	0.6	Dundee	1.1
Blackburn	0.6	Rochdale	1.2
Birkenhead	0.6	Glasgow	1.2
Blackpool	0.6	Belfast	1.2
Southend	0.6	Newport	1.3
Sunderland	0.7	Middlesbrough	1.3
Milton Keynes	0.7	Hastings	1.3
Nottingham	0.7	Liverpool	1.3
Wakefield	0.7	Birmingham	1.6
Stoke	0.7	Hull	2.0



...Family Allowance (Child Tax Credit)

- Established by Beveridge as universal benefit
- Available for all children and paid, typically, to the mother as main caregiver
- From 2013 removed from higher income earners
- From 2014 universal free school meals introduced for under 7 year olds!

- Pre-school education: rolling out entitlement to free 15 hours a week of pre-school education to all “disadvantaged” two year olds (15 hours free already available for children of 3 and 4 years)
- Emphasis on developing high **quality** early-years education

...Disability benefits

- New assessment systems
- Re-assessment
- Provision of one-to-one services and supports
- Labour market participation
- Conditionality

Cash and Care

- Private pension
- Savings/income
- Disability benefits
- Housing benefit
- State pension



- National Health Services
- Home care (support and services)
- Residential care/ Nursing care
- Informal care (family/friends)

Old age pensions

- **Pensioner poverty**
 - 20% of pensioners in poverty
- **Ageing and rising costs**
 - 50 million more pensioners by 2050
 - 7 million under-save

Private pensions not fill gap left by low state pension
in 2010/11 a total of

55% of pensioner income came from the state;

46% came from private pensions

THE TARGETS ARE 40% and 60%

...Pensions developments

- State Pensions
 - Uprating
 - Increase of retirement age
- 2012 work-based pension auto enrolment
 - Target low/medium income workers, 3% employer contribution, plus employee

Universal elements!

- Winter Fuel Payments
- Over 75 TV licence
- Xmas Bonus

On the horizon

- **Social protection services**

Will private contractors be allowed to take over some child protection services in England?

- **Childcare**

2013 the Government announced that it will seek to phase in a new scheme for tax-free childcare from autumn 2015

- **Ongoing implementation**

The Work Capability Assessment/ Work Programme

- **Election 2015**

“Tax avoiders” versus “welfare scroungers”

The image features the University of York logo at the top center, which reads "UNIVERSITY of York" in a serif font with "of" in a smaller, italicized font. The background is a photograph of a large, multi-story brick building with several chimneys, likely a university hall or residence. To the right of the building is a large, leafy tree. In the foreground, there is a body of water reflecting the scene. A black text box is overlaid on the bottom left of the image.

UNIVERSITY of York

Dr Neil Lunt
Reader in Social Policy and Public Management
University of York

neil.lunt@york.ac.uk
www.york.ac.uk/spsw/staff/neil-lunt/