

Cross-national Study of Continuities and Change in the Welfare State: The United Kingdom

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1. TRENDS IN PUBLIC SPENDING ON SOCIAL WELFARE IN THE UK, 1980 – 1997

Public expenditure

Table 1 illustrates the main trends in public spending on social welfare services since 1980 distinguishing between 4 main programme areas: social protection, education, health and housing. In total social welfare spending has risen (60 per cent) at approximately the same rate as the growth of net national disposable income (58 per cent). However, there are marked differences in the experience of different programmes. Social protection expenditures more than doubled in real terms, showing an increase since 1980 of 121 per cent. In contrast, health spending rose by a little under two-thirds (62 per cent) and education expenditure by a little more than one-fifth (22 per cent). However, public spending on housing declined by two-thirds during this period. The main reason for this reduction in investment in public housing is that the number of households renting from a local authority decreased from 5.1 million in 1981 to 3.5 million in 1996/97 as a result of the introduction of the ‘right to buy’ legislation in 1980 and the transfer of local authority housing stock to not-for-profit housing associations in a number of areas.

Total public expenditure rose much less quickly than either social welfare spending or net national disposable income between 1980 and 1997. As a result, social welfare spending as a proportion of total public expenditure increased from 56 per cent in 1980 to 66 per cent in 1997. In contrast, public expenditure as a proportion of total national income declined from 52 per cent to 45 per cent over the same period.

The most important social welfare expenditure policy goals of the Blair government are to reduce spending on social security through a range of active employment policies and to invest more heavily in health and education services.

Tax expenditures

There has been a growing recognition in recent years that public investment in social welfare services not only involves public spending but it also involves the allowing of certain reliefs against taxation. Obtaining clear and consistent data about patterns and

trends in such reliefs over time is not easy. However, Table 2 shows some of the key statistics that can be gleaned from Inland Revenue reports. It distinguishes between three kinds of tax reliefs. Tax expenditures are forms of investment that are most analogous to public expenditures. Structural reliefs are best thought of as integral to the taxation system. Whereas mixed reliefs have both 'tax expenditure' and 'structural' characteristics. Some of the most significant facts and trends are set out below:

- With the exception of personal tax allowances, which are the key structural tax reliefs, the various reliefs associated with occupational and personal pension schemes are easily the most significant of the tax expenditures. These have grown very substantially since the late 1980s when the Thatcher government introduced a range of incentives to try to persuade people to shift from earnings related public pensions to private ones.
- Tax relief for life insurance was abolished for new policies in the early 1980s and the value of this benefit has steadily declined.
- A decade ago mortgage interest tax relief rivalled those for pensions in size and importance but since then a succession of tax changes has reduced its value and the 1999 budget announced the abolition of this benefit.
- There has been a steady emergence over the period of 'middle class' tax expenditures such as inducements to save and invest in the stock market.
- The married man's tax allowance is another substantial tax relief where the value has been progressively eroded during the 1990s and which is now scheduled for abolition.

Table 1 Trends in Public Expenditure, UK, 1980-1997
£ million at 1995 prices

Programme	1980	1997	% increase/ (decrease)
Social Protection	55914	123688	121
Education	28048	34122	22
Health	25567	41424	62
Housing	18569	5965	(68)
Social Welfare	128098	205199	60
Total Public Expenditure	229208	311976	36
Net National Disposable Income	437395	692920	58
% social welfare of public expenditure	56	66	
% public expenditure of national income	52	45	
% social welfare of national income	29	30	

Table 2 Selected Tax Expenditures and Structural Reliefs, 1979/80 to 1997/8
£ million at 1995/6 prices

Expenditure and Reliefs	1979/80	1990/91	1997/98
1. Tax Expenditure			
- pension schemes	1341	9344	10791
- life insurance	945	378	130
- medical insurance	---	56	88
- mortgage interest	3187	8565	2512
- profit-related pay	---	139	1702
- PEPs, share options etc	---	206	1191
- redundancy payments	110	?	1023
- savings schemes	330	417	832
2. Structural Reliefs			
- personal allowances	12110*	26474	27349
3. Mixed Reliefs			
- married couple's allowance	15495*	5339	2605
- age related allowances	637	645	977
- exemption of social security benefits	1319	768	1795

* not comparable with later years

Source: Inland Revenue Statistics

2. EMPLOYMENT AND WELFARE TO WORK

Background

Although Britain experienced several years of sustained economic growth during the mid- to late-1990s it continues to face a number of serious employment problems, some of a deep and long-standing nature. First, the second half of the twentieth century has witnessed a marked gender difference in employment trends. Whereas female participation in the labour market has steadily increased there has been a marked reduction in employment levels among men. A comparison with the employment rate for men in 1951 suggests that there may be as many as 1.5 million men aged between 25 and 49 who are not working as the Millennium approaches and who could be in employment. Secondly, there remains a hard core of long term unemployment especially among young people and members of many ethnic minority groups. Unemployment rates often exceed 20 per cent among these groups and they can easily reach 50 per cent and more in the most disadvantaged parts of the country. Thirdly, there has been a dramatic increase in the numbers of people entirely dependent on state benefits and who have lost all contact with the labour market. For example, one million lone parents, nearly all of whom are women, are not in work. Similarly, approaching 2 million people, mainly men, are dependent on long term sickness or incapacity benefits. The size of both of these groups has doubled since the late 1980s.

Tables 3 & 4 provide some historical background to patterns of economic activity and unemployment in recent years. Table 1 shows trends in economic activity by gender and age group between 1975 and 1995. Some of the key points to note are:

- The rise in unemployment among 16-17 and 18-24 year olds
- The increase in economic activity rates among women (mainly married) aged 25 to 49
- The decline in economic activity among men aged 50+

Table 3 Economic activity by gender and age: 1975-1995, Great Britain

Age and economic activity	1975		1985		1995	
	women	men	women	men	women	Men
16-17						
Working	60	62	53	56	49	54
Unemployed	6	7	12	13	12	11
Inactive	35	31	35	31	39	35
18-24						
Working	67	85	62	73	67	70
Unemployed	4	6	13	18	8	17
Inactive	29	9	25	9	25	13
25-34						
Working	53	95	56	88	66	87
Unemployed	2	3	5	10	7	8
Inactive	45	1	39	3	27	5
35-49						
Working	66	94	68	89	74	87
Unemployed	2	4	4	8	4	7
Inactive	32	2	29	3	22	6
50-59						
Working	59	93	53	77	60	72
Unemployed	1	3	3	9	3	7
Inactive	40	4	44	14	37	21
60-64						
Working	24	81	18	49	25	45
Unemployed	0	3	0	4	1	5
Inactive	71	16	82	47	74	50
65 and over						
Working	6	15	3	8	4	9
Unemployed	0	0	0	0	0	0
Inactive	94	84	97	92	96	91
Total						
Working	47	79	45	68	51	65
Unemployed	2	3	4	8	4	7
Inactive	51	18	51	24	45	28

Table 4 Unemployment claimant count by age and duration, UK
Thousands not seasonally adjusted

Age and Duration	1990	1997	+ % increase
All ages			
All	1651.9	1653.5	100.1
All over 12 months	534.7	570.5	106.7
Aged 18 to 24			
All	484.4	423.9	87.5
All over 12 months	84.6	84.1	99.4
Aged 25 to 49			
All	854.5	947.1	110.8
All over 12 months	282.6	367.1	129.9
Aged 50 and over			
All	311.2	265.3	85.3
All over 12 months	167.5	119.0	71.0

Table 4 shows more recent trends during the 1990s - from the peak of one economic cycle to another – in the numbers of unemployment benefit claimants by age and duration of claim. Within an approximately stable total of unemployment claimants between 1990 and 1997 the following points should be noted:

- A substantial increase (30%) in the numbers of prime age workers who have been unemployed for more than 12 months.
- A significant decrease (29%) in the numbers of workers aged 50+ who are registered as unemployed claimants for more than 12 months as these people have been encouraged to shift to sickness and disability benefits.
- The persistence of substantial levels of unemployment among young people.

Welfare to work

In response to these and related problems there has been a growing interest in the UK in what are generally described as welfare to work or active employment policies. There is nothing particularly new about the adoption of such policies to address the economic and social costs of long-term unemployment. Prior to 1997 the Thatcher and Major governments invested considerable amounts of political capital in promoting welfare to work policies. But there has been a dramatic change in the ordering of political priorities since Tony Blair's landslide election victory in 1997. Welfare reform in general and welfare to work in particular are at the very centre of New Labour's domestic policy agenda.

Alan Deacon (1998) suggests that welfare to work strategies have three main goals. First, to increase job opportunities for those reliant on social security benefits by providing employment subsidies, creating new jobs or offering training and work experience schemes. Secondly, to change the characteristics and motivation of long term welfare recipients through the provision of a range of advice and counselling services and training and development opportunities. Finally, to reform the structure of the tax and benefit system so that welfare claimants have clearer incentives to take advantage of work opportunities. To varying extents all three of these distinct aspects of a welfare to work strategy can be found among changes implemented or planned by the Blair government since 1997.

In March 1998 the Blair government published a consultative paper on welfare reform (Cm 3805, 1998) that set out a number of key principles that ought to guide the future development and adaptation of the British welfare state. The first of these principles emphasised the central importance of work. 'The new welfare state should help and encourage people of working age to work where they are capable of doing so' (Cm 3805, 1998, p. 2). Starting from this principle the government set itself the task of rebuilding the welfare state around work. It aims to do this in five main ways (Cm 3805, 1998, p. 23):

- Helping people move from welfare to work through the New Deals and employment Zones;
- Developing flexible personalised services to help people into work;
- Lowering the barriers to work for those who can and want to work;
- Making work pay, by reforming the tax and benefit system, including a Working Families Tax Credit, reforming National Insurance and income tax, and introducing the national minimum wage; and
- Ensuring that responsibilities and rights are fairly matched.

The Blair government has embarked on a very ambitious agenda of social reform and many of its new policy initiatives are expected to have beneficial consequences in terms of increasing employment opportunities. However, two strands of policy development are probably the most significant. The first is a series of 'New Deals' for particular groups where long-term unemployment is regarded as especially serious. The second element reflects a more general commitment to 'making work pay'.

The biggest single investment of public expenditure and political capital made by the Blair government during its first phase in office has been made in a large scale welfare to work programme focused on five main groups;

- Young unemployed people;
- Long-term unemployed people;
- Lone parents;
- People with a disability or long-term illness; and
- Partners of the unemployed.

To date most of the investment and attention has been concentrated on the first two of these so-called New Deals.

The means by which the government intends to 'make work pay' include: the introduction of a national minimum wage, reducing the starting rate of income tax and the threshold for national insurance contributions, and the replacement of Family Credit by Working Families' Tax Credit.

Evaluation

It is very early in the life of the Blair government to offer a comprehensive review of its welfare to work policies. Some new initiatives have not yet been implemented and even those that are in place have only been operational for a few months. Nevertheless, there are three useful pieces of evidence available with which to make a tentative assessment of the direction of travel of New Labour. The first of these is a set of largely descriptive statistics about participation in the New Deals for young people and the long-term unemployed people. The second is an assessment of the ways in which the government appears to be addressing the main barriers to work for disadvantaged groups. The third is a policy simulation exercise that attempts to evaluate a number of aspects of the government's emphasis on making work pay.

Box 1 summarises the findings from the first independent assessment of the initial months of the New Deal for Young Unemployed people, which paints a fairly optimistic picture of progress to date.

Table 5 summarises an attempt by Bennett and Walker (1999) to evaluate the extent to which the Blair government's welfare to work policies have addressed 38 distinctive barriers to work previously identified by Gardiner (1997). They suggest that in one way or another 31 of the 38 barriers are being addressed to some extent.

Table 6 summarises the key findings of a report from the Institute for Fiscal Studies that attempts to simulate the effects of key element of the government's 'making work pay' policies. The results suggest that there will be positive employment effects although the cost-effectiveness of different policy options varies considerably.

Box 1 The New Deal for Young Unemployed People: A Summary of Progress

Delivery through local partnerships is a key feature of New Deal and in a relatively short time, complex arrangements for delivery have been put in place. New and previously untried delivery models have been put in place, strategic and delivery 'partnerships' have been established, and new service providers have been contacted.

When the programme was initiated, there was a stock of about 112,000 young people who had been claiming Jobseeker's Allowance (JSA) for six months or more. The early months of the programme aimed to take them in, as well as 'new' individuals as their spell of unemployment reached the six month mark. By the end of November 1998, some 203,000 individuals had joined the New Deal, and of them, just over 80,000 had already left it. So, at the end of that month, 120,500 people were taking part in it. The initial scale of entry had therefore been sufficient to take in the existing stock, and was settling down to accommodate new entrants, about 20,000 a month.

At this point, over one-third of the entrants (38 per cent) were still in the Gateway, a period of assessment and advice designed to help them find the most beneficial route through the programme. Some required relatively little or fairly straightforward help, and some 19 per cent had found an unsubsidised job. Rather more, 23 per cent, had moved through into one of the four options, and the rest had left the programme.

Of those joining an option:

- 25 per cent had taken a subsidised job with an employer. Generally, taking jobs, whether subsidised or not, tended to be more common among those with the shorter spells of unemployment.
- 50 per cent had taken a course of full-time education or training; the least well qualified leavers from the Gateway were well represented among those joining this option. Further, the overwhelming proportion of them were aiming to secure a qualification at NVQ/SVQ Level 2.
- 13 per cent had taken a job in the voluntary sector, and 12 per cent with an Environment Task Force. Much less was known about how these options were operating.

While early indications are encouraging, it would be wrong to suppose that the client group is universally and uncritically 'pro' the New Deal. Qualitative research suggests, however, that most have a generally hopeful attitude towards it, and what it is trying to do. This is reflected in the low use of benefit sanctions to enforce participation.

At this time, employers too were joining the programme, but tending to reserve judgement about their longer term participation. Those not joining were mainly doing so for lack of information and opportunity, rather than from a positive decision to stay out.

Early indications of the effects of the New Deal on individual and employer participants are generally positive. Broader effects on the labour market as a whole will take longer to come through, but by November 1998 there was already evidence of a positive effect of outflows from unemployment, without corresponding evidence of negative side-effects on other groups of jobseekers.

Source: Atkinson (1999), pp. 1&2.

Table 5 Government action to tackle potential barriers to securing employment

Economically inactive	
<i>Individual characteristics</i>	
✓	(a) Lack of educational qualifications
*	(b) Lack of work experience
✓	(c) Lack of basic skills
✓	(d) Lack of practical skills/access to Facilities
✓	(e) Long-term sickness/disability
*	(f) Caring responsibilities
✓	(g) High living costs (dependents and Housing)
<i>Benefits system and employment services</i>	
✓	(a) Benefit levels are too high
✓	(b) Benefit levels are too low
*	(c) Difficulties and delays in payment of benefits
✓	(d) Disincentives for couples
✓	(e) Disincentives to work whilst on Benefits
x	(f) Treatment of housing costs
x	(g) Loss of passport benefits
✓	(h) Lack of suitable training
✓	(j) Lack of assistance with job search
*	(k) Lack of flexibility and responsiveness of the system to people's needs
Desire for job	
<i>Individual attachment to the labour market</i>	
*	(a) Cultural/social values that restrict job search
*	(b) Lack of flexibility about work one would consider
*	(c) Lack of motivation
*	(d) Unrealistic reservation wages
*	(e) Insufficient job search
<i>Lack of information</i>	
✓	(a) Job opportunities
✓	(b) Benefits
✓	(c) Take-home pay
✓	(d) Training and other employment Services
x	(e) Rules concerning working while on Benefits
Job search	
<i>Job market and employers</i>	
x	(a) Lack of jobs at the national or local Level
x	(b) Lack of suitable kinds of work
✓	(c) Lack of jobs with adequate wages
✓	(d) Prejudice of employers
✓	(e) Employment conditions
<i>Uncertainty</i>	
✓	(a) Net income in work
x	(b) Managing financially during Transition
✓	(c) New job
✓	(d) Need to reclaim benefits
Securing employment	
<i>Work-related arrangements and costs</i>	
	(a) Childcare
	(b) Travel, clothing and tools

Key: * focus of reforms ✓ addressed by reforms x not addressed by reforms

Table 6 Summary of IFS Policy Simulations

Consequences	WFTC	New Policies NI Changes	10p Tax Rate
Average £ gain from work			
- men	2.67	2.65	1.65
- women	0.88	1.95	1.20
Reduction in stock of unemployment	91,720	115,280	75,970
Estimated net cost (£) per job	8,300	17,700	39,400

Source: Gregg et al (1999), Table 4

3. TARGETING

The principle of an equitable distribution of resources based on need has been central to the British welfare state since its inception. In order to realise this aim, some redistribution of resources between particular groups is necessary. This implies the targeting of both cash benefits and services on more disadvantaged groups. Public belief in the need to target increasingly limited public resources on those most in need has grown in recent years.

While support for concentrating resources on those most in need has been prevalent, it is now widely accepted that income inequality in Britain has grown significantly throughout the 1980s and 90s, and has reached a higher level than at any period since the war. Indeed, the pace at which income inequality has grown is faster than in any other industrialised country, with the exception of New Zealand. Overall, the distribution of benefits has managed to slow or reduce these growing inequalities, but only to a limited extent. There are many reasons for this, with the most important being the fact that, unlike other European countries, the UK retains a benefit system largely based on flat rate payments rather than those based on a proportion of former earnings, and because benefits since the 1980s no longer rise in line with earnings, but are pegged to retail prices.

Despite the growth in income inequality, it is worth asking to what extent are benefits in cash and kind targeted on the more disadvantaged groups in British society and how does this contribute to greater equality overall?

This question will be addressed by a summary glance at patterns of the overall distribution of benefits, followed by an analysis of the impact of cash benefits, benefits in kind (the social wage) and finally the presentation of one detailed example relating to the targeting of social care resources for the elderly.

Overall patterns

Targeting can be achieved in a variety of ways. These include the direct provision of services, the financing of flat rate benefits from taxes or contributions, means-testing, tax allowances, and the allocation of resources to local governments or agencies based on needs-assessment. Table 7 illustrates the overall distribution of taxes, benefits and incomes in 1995/6 for different households, based on their disposable income.

Table 7. Distribution of taxes, benefits and incomes: 1995/96: decile groups of households ranked by equivalised disposable income

Income, Benefits And Taxes	Percentage of mean value attributed to specified decile groups										Mean	D90/D10
	1	2	3	4	5	6	7	8	9	10	Value	Ratio
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Original income	0.117	0.165	0.257	0.452	0.69	0.914	1.169	1.441	1.847	2.949	17203	15.73
Cash benefits	1.391	1.632	1.548	1.318	1.177	0.89	0.73	0.58	0.40	0.33	3251	0.29
Direct taxes	0.31	0.22	0.28	0.42	0.63	0.83	1.07	1.35	1.86	3.02	4288	6.02
Indirect taxes	0.60	0.55	0.60	0.80	0.93	1.04	1.17	1.27	1.38	1.66	3347	2.29
In-kind benefits	1.37	1.17	1.11	1.02	1.08	1.02	0.89	0.83	0.81	0.68	3100	0.59
Final income	0.47	0.56	0.61	0.67	0.83	0.93	1.05	1.21	1.45	2.22	15919	3.08

Source: Derived from ONS, 1997, Table 2A (Appendix 1)

- The table does illustrate an overall pattern or redistribution towards those with lower incomes. The final column illustrates that the amount of income available to those in the 9th decile compared with the 1st. Benefits and taxes reduced the D90.D10 ratio from 15.73 for original income to 3.08 for final income.
- The table also shows that direct taxes and social security contributions are more progressive than indirect taxes, and that cash benefits are targeted to a greater extent than benefits in kind.
- It is important to note that the overall redistribution towards those with lower incomes is not related entirely to income. The principle reason for this is that the demographic and economic characteristics of households vary between deciles in

the income distribution (thus there are more retired people in the 2nd, 3rd and 4th deciles, while there are more children in the lowest decile than others).

Cash Benefits

Just under 30 per cent of total UK government expenditure is allocated to cash benefits, which include retirement pensions, income support, child benefit and housing benefit. Each of these is targeted in quite different ways.

Evidence suggests that income support and housing benefit in particular are more clearly targeted on those with the lowest incomes, whereas the relative value of benefits from retirement pensions and child benefit reflects the demographic profile of groups.

That said, the targeting of cash benefits has clearly taken place in the UK since 1980 and has contributed to the reduction in inequality between income groups. In relation to income inequality, original incomes between 1987 and 1996 were more unequally distributed than post-tax incomes. The availability of cash benefits made the largest contribution to achieving greater equality and direct taxes were more fairly distributed than indirect ones, with the redistribution benefiting retired households in particular.

Benefits in Kind

The targeting of specific services has also grown since 1980. Welfare services overall constitute one-third of government spending and include the National Health Service, education, the personal social services and subsidised social housing. The combined receipt of these services can be thought of as an income in kind and is often referred to as the 'social wage'.

Analysis of the distribution of the social wage since 1979 (Sefton, 1997) indicates that it has been 'pro-poor', or distributed in favour of those with lower incomes, although the extent to which this is the case varies between services and is affected by demographic change.

Table 8 The Distribution of the Social Wage, 1993

Service	Ratio of spending per person on the bottom quintile group to that of the top quintile group	
	Actual	Demographically adjusted
NHS	1.3	1.1
Schools and further education	2.2	1.1
Higher education	0.5	0.7
Subsidised social housing	9.9	6.2
Personal Social Services	7.9	1.1
Total	1.7	1.2

Source: Derived from Sefton (1997), Table 8.1

Table 8 illustrates the distribution of the social wage in 1993 amongst income groups. The value of benefits in kind received by the poorest fifth of the population was about 70 per cent greater than for the richest fifth. As the table shows, this varies between services however:

- Housing and the personal social services were strongly ‘pro-poor’
- Schools and health care were moderately ‘pro-poor’
- Higher education was strongly ‘pro-rich’.

The distribution of the social wage, like cash benefits, also varies with demographic factors. These factors are however often a good indicator of the need for particular services – such as health care and personal social services amongst older people. If differences in service use related to age and gender are controlled for, the ‘pro-poor’ bias in the overall distribution of benefits in kind is considerably reduced, although there is still an underlying pro-poor bias. Table 8 again illustrates this pattern.

When changes in the social wage between 1979 and 1993 are analysed, it is evident that expenditure on service increased, and thus the overall value of the social wage increased by about 30 per cent in real terms, which benefited all income groups. Table 9 illustrates changes in the distribution of the social wage for this period.

Table 9 Changes in the Distribution of the Social Wage, 1979/93

Year	Percentage Share of the Social Wage received by the poorest 50% of the population	
	Actual	Demographically adjusted
1979	56.0	52.9
1993	60.1	53.7
% Change	7.3	1.5

Source: Derived from Sefton (1997), Table 8.3

As Table 9 shows, the proportion of the social wage received by the poorest half of the population increased by 4 per cent between 1979 and 1993. However, most of this increase was due to demographic factors rather than government policy.

More in-depth analysis does however suggest that changes in the social wage have helped offset the increased inequality in cash incomes over the period. According to the Gini coefficient, the increase in inequality since 1979 is smaller by around one-fifth, after the effect of the social wage is taken into account.

Social Care for Older People

One area of welfare provision in which clear targeting effects can be seen is social care for older people. The budgets of local authorities, who are responsible for financing home care services for older people and younger disabled people, have been increasingly restricted since the late 1980s and particularly since the passage of the 1990 *NHS and Community Care Act*. The 1990 transferred to local authorities lead responsibility for co-ordinating all community care services, including institutional care. Some transfer of resources from the NHS to local authorities following the closure of long stay hospital beds did take place, but authorities have consistently found it difficult to finance both institutional and domiciliary provision in the 1990s, both of which are provided free of charge to users who satisfy a means-test. The result has been a reduction in the amount of funding available to pay for home care, both through the local authority's own service and that provided by private care agencies but paid for by public funds. Budgetary restrictions have been exacerbated by

demographic factors and the implementation of social policy designed to maintain people in their own homes which have increased the demand for domiciliary services.

Local authorities have responded to these pressures in two main ways. Firstly, they have placed budget caps on social care packages which have limited the amount and frequency of service available to maintain people in their own homes. Secondly, they have introduced eligibility criteria designed to limit the number of people who receive domiciliary care. These criteria effectively screen out potential users who may only require a limited service in favour of those in ‘genuine need’, in other words, those who may be at risk of admission to institutional care or whose care needs may be placing their informal caregivers under significant strain. The result of these policies has been a pattern of increased targeting of home care services on fewer users since the early 1990s, while offering a more intensive level of provision to those who qualify for service receipt.

Table 10 Contact Hours of Home Help and Home Care per 10,000 Households by sector, England

Year	Local Authority	Independent	All Sectors
1992	878	21	899
1993	903	47	949
1994	952	228	1180
1995	900	377	1277
1996	924	527	1451
1997	803	603	1405

Source: Department of Health Community Care Statistics, England, 1994 and 1997.

Table 10 illustrates this targeting of services on those with more complex needs. Among households receiving home care, the number of contact hours has increased since 1992. When both local authority and independent sector services are considered, it is evident that there has been a significant increase in the number of home care hours received per 10,000 households, from 899 hours in 1992 to 1405 hours in 1997. Much of this increase in service intensity has been borne by private and voluntary sector providers, as the Table illustrates. This is consistent with government policy designed to encourage a mixed economy of care, which we shall discuss in the next section of this report.

Table 11 Households receiving Home Help and Home Care per 10,000 Households, by sector, England

Year	Local Authority	Independent	All Sectors
1992	276	6	282
1993	264	10	274
1994	255	32	287
1995	224	50	274
1996	216	70	287
1997	179	77	255

Source: Department of Health Community Care Statistics, England, 1994 and 1997.

Table 11 illustrates the number of households receiving home care between 1992 and 1997. In contrast to the evidence relating to service intensity, Table 11 shows that the number of households receiving services per 10,000 has dropped, from 282 to 255 for all sectors. This reduction is due to a significant drop in the number of households receiving local authority home care, whereas there has been a slight increase in the number of people receiving services from private and independent sector providers. Thus in relation to publicly provided services, Table 10 and 11 illustrate clearly a pattern of targeting higher levels of home care on a limited number of households – those containing users with more complex needs – in order to avoid the higher costs associated with admission to residential or nursing home care which could result if adequate domiciliary provision is not available.

4. TRENDS IN THE MIXED ECONOMY

The British welfare state has always included some forms of private sector involvement, both in the finance and provision of services. In 1980, just under half (48 per cent) of all welfare spending was on services with some private sector involvement.

The election of a Conservative administration in 1979 was to mark the beginning of a period in British social policy in which the growth of private welfare was actively encouraged in a variety of ways. The recently elected Labour government is continuing to support this involvement, although the mechanisms to maintain or control it are currently the focus of reform.

It is worth examining the balance between public and private finance and delivery of services in three ways. Firstly, overall changes in the boundaries between public and private between 1980 and 1996 will be summarised, based on work conducted by Burchardt and colleagues at the LSE. Secondly, the mechanisms used by previous administrations to encourage the growth of private welfare will be examined, particularly focussing on the concepts of quasi-markets in health. Finally, the example of independent sector provision in long term care is presented as one area in which there has been significant change since 1980 in the public/private mix of services.

Overall shifts in public and private welfare

The relationship between the public and private sector in welfare has several dimensions. In order to capture this, Burchardt and colleagues devised a typology which distinguishes between the type of provider of the service, the finance used to purchase the service, and the type of 'decision' governing purchase of the service. Decision concerns who chooses the service – for example, a service is privately decided if it is chosen directly by the consumer from a range of similar alternatives. When this breakdown by provision, finance and decision is applied to the range of welfare services, eight possible combinations of relationships arise. Table 12 illustrates these by welfare sector.

Table 12 Changes in the boundaries between public and private welfare, 1979/80-1995/96, by sector

	Education		Health		Housing		Soc. Security		PSS		All Sectors	
	1979/80	1995/96	1979/80	1995/96	1979/80	1995/96	1979/80	1995/96	1979/80	1995/96	1979/80	1995/96
Public provision, finance & decision	65.5	52.4	70.5	62.9	18	10.4	57.2	66.1	70.2	41.1	53.6	48.7
Public provision & finance, private decision	0	0	0	0	0	0	9.7	3.5	0	0	4.7	1.4
Public provision, private finance, public decision	0	0	0.8	0.5	9.1	3.7	0	0	9.9	3.9	2.4	1.2
Public provision, private finance, private decision	0	0	0.4	0.5	0	0	0	0	0	0	0.1	0.1
Private provision. Public finance & decision	23.4	25.1	18.3	18.9	0.9	2.3	0	0	11	34.2	4	8.7
Private provision. Public finance, private decision	2.9	4.9	0	0.5	13	13.4	13.7	15.3	0	0	9.9	9.8
Private provision and finance, public decision	0	0	1.3	1.7	0.9	1.5	0	0	0.5	5.1	0.4	0.9
Private provision, finance & decision	8.2	17.7	8.8	15	58.1	68.6	19.4	16	8.3	15.6	24.9	29.2

Source: Burchart, T., Hills, J. and Propper, C. (1997)

Table 12 illustrates that, despite significant policy developments, the overall shift in the welfare mix has been relatively minor. If the final column in the table is considered the overall change has been away from 'pure public' (publicly provided, financed and decided) towards 'pure private' welfare. Whereas in 1980 the pure public sector (publicly provided and financed) accounted for 54 per cent of total welfare spending, this proportion had fallen to 49 per cent by 1996. In contrast, the privately financed and provided sector rose from 25 per cent in 1980 to 30 per cent 1996.

This relatively minor overall shift does however disguise important changes within sectors, as Table 12 also shows. This is particularly the case for the housing and personal social services sectors. In housing, the overall shift has been from pure public to pure private welfare, with privately provided, financed and decided services accounting for 9 per cent of the total in 1980, but rising to 15 per cent by 1996. This reflects the sale of council houses and growth in the private rented sector under Conservative governments in the 1980s and early 1990s. As a consequence of these policies, rents to local authorities declined significantly, which accounts for the drop in the public provision, private finance and public decision category from 9.1 to 3.7 per cent. In the Personal Social Services, the overall shift away from pure public provision has been significant, a reduction of almost 30 per cent between 1980 and 1996. While pure private services grew, a significant change is also evident in the private provision, public finance and decision category, which rose from 11 per cent to 34 per cent over the period. This category captures the huge rise in private residential and nursing home provision for older people whose care was financed by the state following means testing.

In education, health and social security the broad shifts all involve pure public and pure private welfare. Changes in social security have been characterised, as we have already discussed, by a significant growth in public benefits, particularly in relation to income support. This is evident in the growth from 57 per cent to 66 per cent in the pure public sector. Conversely, the shifts in education and health have been in the other direction, towards privately provided, financed and decided services. This change arose as a result of Conservative social policy from the mid 1980s to early

1990s, when the concept of quasi-markets was introduced in order to stimulate a mixed economy of care, through contracting out, the separation of purchasing and providing functions within public services and the replacement of some previously public forms of provision with private services.

Quasi-markets in Health

The introduction of quasi-markets represented a major offensive by the Thatcher government against what was perceived as the bureaucratic structures of state welfare provision. Quasi-markets were so called because the policy changes involved the replacement of monopolistic state providers with competitive independent ones. They were 'quasi' however because they differed from conventional markets in one or more of the following ways:

- Non-profit organisation competed for public contracts, sometimes in competition with for-profit organisations
- Consumer purchasing power was either centralised in a single purchasing agency or allocated to users in the form of vouchers rather than cash
- In some cases, consumers were represented in the market by agents (such as care managers), instead of operating for themselves.

Quasi-markets operated by retaining the state finance of the service concerned but changed priorities by decentralising decision-making and introducing competition by the state becoming primarily a purchaser of services with state provision replaced by a system of independent providers. The idea was that providers would compete with each other in internal markets.

The introduction of quasi-markets began with a set of reforms to primary and secondary school education introduced as part of the *Education Reform Act* in 1988. In health, quasi-market mechanisms were proposed in the 1989 White Paper *Working for Patients* and later implemented following the 1990 *NHS and Community Care Act*. Three main structural changes were involved. The first gave GPs the option of becoming 'fund-holders', responsible for their own practice budget which could be used to purchase services from a variety of providers, including private hospitals. The second structural change involved the creation of self-governing Trusts, hospitals

whose management arrangements were separate from the Health Authority and who acted as ‘providers’ of services to both GPs and health authorities. Finally, the creation of Trusts involved the separation of the purchasing and providing functions of Health Authorities. This split was implemented in most parts of the UK by 1992, by which point 160 NHS Trusts had also been established and 600 GP Fundholding practices had been formed. Figure 1 illustrates the relationship between the different components of the NHS internal market.

Figure 1.



The opportunities and problems associated with the introduction of quasi-markets are too numerous to examine here, but it is evident from the overall welfare expenditure figures presented above that their introduction, along with other policy changes in the health service was instrumental in shifting provision away from the public sector towards a greater range of providers. Another policy area affected by the 1990 NHS and Community Care Act was the provision of social care services. We turn to this next as an example of one area in which there was widespread replacement of public by private sector forms of care.

Residential and Nursing Home Care

Responsibility for long-term care for older people in the UK has traditionally been divided between local authorities, who provided residential care, and the NHS, who provided long stay hospital beds. Capital restrictions and demographic pressures from the mid 1990s forced local authorities to limit the development of residential care, while policy shifts towards deinstitutionalisation and community care caused the closure of long stay beds in the NHS. The result was a gap in the supply of institutional care for older people which was filled by the private sector. The number of voluntary and private sector nursing and residential care home beds rose rapidly from 1980 until 1993. This growth was however fuelled by the availability of public finance. A loophole in social security funding from central government (through Supplementary Benefit and later Income Support) permitted anyone with less than £3,000 capital and who qualified on income grounds to apply for benefit to pay for their care in a residential or nursing home of their choice. No assessment of need was required. In effect, the central government had set up a voucher system for the public funding of private and voluntary care homes.

Table 13 Income Support recipients in private and voluntary residential and nursing homes (all client types), Great Britain

Year	Numbers	Average payment, £ per week ^a	Annualised expenditure £ million
December 1980	13000	27	18
December 1981	13000	34	23
December 1982	16000	47	39
December 1983	26000	77	104
December 1984	42000	92	200
December 1985	70000	96	348
February 1986	90000	98	459
May 1987	117000	110	671
November 1987	130100	114	772
May 1988	147000	115	878
November 1988	155000	119	958
May 1990	189000	129	1270
May 1991	231000	156	1870
November 1991	253200	-	2400
1992 estimate	-	-	2530

Notes: Income Support payments (a) are net of other social security benefits and do not therefore give an accurate picture of total charges met from all social security sources.

Source: Department of Social Security, cited in Laing (1993)

Table 13 illustrates the rise in the number of older people in private and voluntary sector homes between 1980 and 1992, and the growth in social security spending on this form of private welfare. The number of people in independent sector homes rose from 13,000 in 1980 to over 253,000 in 1992, while public expenditure through income support payments rose from £18 million to more than 2 billion in 1992. The growth in private sector homes and public financing of this growth was restricted from 1993 onwards, when the full implementation of the NHS and Community Care Act had taken place and entry to institutional care became more limited on the basis of both needs assessment and more stringent means-testing. However, private nursing homes remain the dominant form of institutional care for older people in the UK in 1999, representing one policy area in which there has been a significant shift from public to private welfare.

Direction of Future Policy

It is evident from the evidence presented above that, with the exception of several policy areas in which the growth of private welfare has been substantial, overall shifts in the welfare mix have been slow to take place. Despite over two decades of government policy aimed at ‘rolling back the frontiers’ of the welfare state, the bulk of welfare services in the UK are either financed or provided by the public sector. It is still unclear how policies introduced by the new Labour government will affect the balance of provision. The statements made in the April 1998 green paper on welfare reform - which as yet has not translated into new legislation – did make it clear that further outright privatisation of services is unlikely in most areas. However, a return to more state provision also seems unlikely. The government’s ‘third way’ includes a commitment to a strong welfare state, but where exactly the boundary between public and private provision will lie is yet to be determined.

5. TRENDS IN IMMIGRATION

Overall patterns

UK immigration policy, is, on the surface, comparatively straightforward. For at least a quarter of a century, it has been to reduce and keep new immigration to a small and inescapable minimum, subject to the rights of dependants and the needs of the economy. A statement by Douglas Hurd, the then Home Secretary in 1987 captures the essence of the policy, and reflects a view still relevant today:

“The 1971 Immigration Act sought to bring primary immigration by heads of households down to a level which our crowded island could accommodate. The Act was introduced in the belief that there is a limit to which a society can accept large numbers of people from different cultures without unacceptable social tensions. That remains our view”

Coleman, 1996, page 197.

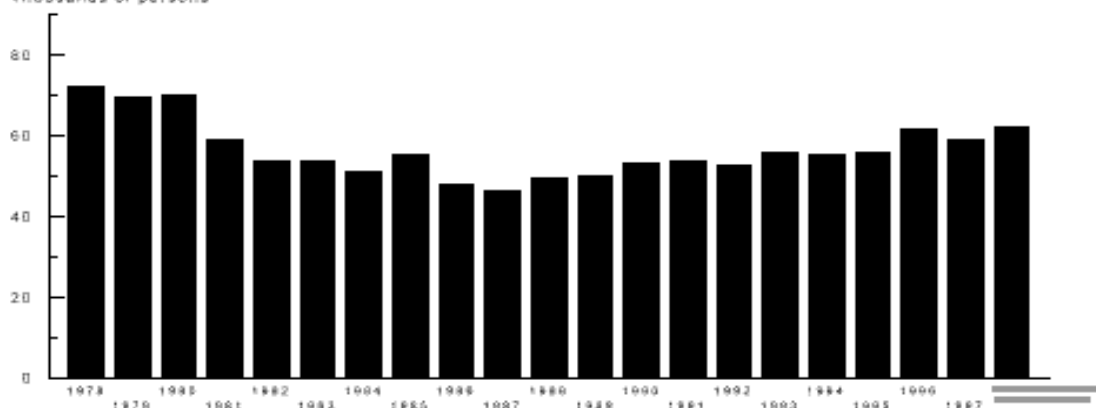
The focus on containment is evident from immigration statistics.

UK immigration has gone through several cycles in the post war period. Trends show a gradual decline in immigration from 1967-1985 and then, as Figure 1 illustrates, a slight increase from 1987 onwards. In 1980, the number of people accepted for settlement in the UK was 69,000. Numbers dropped significantly during the 1980s, but began to rise again at the end of the decade and through the 1990s. The number of immigrants accepted for settlement in the twelve months preceding June 1998 was 61,900.

Figure 1

TOTAL ACCEPTANCES FOR SETTLEMENT, 1978 TO 12 MONTHS ENDING 30 JUNE 1998

Thousands of persons



The rise evident from 1992 to 1996 has several explanations. Firstly, there was a rise in applicants from the European Union, and from countries in Europe outside the European Economic Area, particularly Yugoslavia. The biggest single increase from 1990 onwards however has been in the proportion of immigrants who are asylum seekers. Asylum seekers now constitute an important segment of applicants for immigration to the UK. In fact, the total number of asylum claimants and their dependants in 1991 exceeded the total number of people accepted for settlement in the UK in every year since 1976. In 1996 there were nearly 30, 000 applications for asylum, and in 1997 there were 32,500.

The number of asylum seekers in 1996 and 1997 does however represent a reduction since 1995. The number seeking asylum in 1997 was 11,500 fewer than in 1995. An important factor in the fall in applications was the introduction, in February 1996, of social security benefit restrictions for asylum seekers, which were implemented through the 1996 Asylum and Immigration Act.

Despite the fall in the number of asylum seekers since 1996, the issue of restricting their entry to UK still remains in the forefront of immigration policy. Over 80 per cent of asylum seekers are currently refused settlement rights. However, it is widely accepted that the majority of rejected applicants still remain in the UK through other means. While the UK receives fewer applications for asylum than other countries in the European Union (for example, UK figures represent one-third to one-quarter of applications received by Belgium, the Netherlands and Sweden), the issue of tightening procedures to limit unlawful entry and tackle illegal immigration remains very much on the agenda.

New Legislation

In July 1998, the new Labour government published a white paper designed to improve current immigration procedures. The Immigration and Asylum Bill followed the white paper, and was introduced into the House of Commons in February 1999. It awaits consideration by a Special Standing Committee following its second reading in the House. The Bill contains provisions which are intended to speed up the system of immigration as well as strengthen powers to deal with people who are not entitled to

enter or remain in the country, including penalties for those carrying clandestine entrants into the UK and the provision of new powers to immigration officers to arrest and search entrants. Other provisions involve the management of detention centres for asylum seekers. Overall, the bill appears to be designed to make the process of immigration easier for those deemed by the government to be eligible to enter and remain in the country, while making it much more difficult for asylum seekers and others to gain entry. Thus new legislation will represent a renewed commitment to containment which has characterised British immigration policy since the 1970s.

6. THEORETICAL AND PHILOSOPHICAL ISSUES : CHANGING BOUNDARIES IN THE BRITISH WELFARE STATE

The electoral success of the Labour party in May 1997 following eighteen years of Conservative government may mark the beginning of a significant shift in the direction of British social policy. While it is too early to begin to assess the implications of reforms currently being introduced by the new administration, it is possible to reflect on early evidence regarding the changing balance of priorities which new Labour represents, and how this contrasts with the approach to social welfare adopted by previous governments since 1980. Current changes appear to be shifting the boundaries of relationships between a series of key actors within the welfare state. Boundaries are changing between:

- National and sub-national levels of government, through devolution and constitutional reform
- Individuals and the state
- The 'haves' and the 'have-nots' in British society
- Organisations and agencies within the welfare state

DEVOLUTION

Since the economic crisis experienced by many western economies in the 1970s, there has been a growth in both regionalism and nationalism throughout Europe. These movements have put pressure on central governments to devolve power to sub-national levels, and in some cases have led to considerable fragmentation of existing national institutions and boundaries. Within western Europe, examples of this drive for regional autonomy can be found within most member states, particularly in Spain with the Catalan and Basque movements, in Italy with the electoral success of the Lega Nord and in France with the independence movement in Corsica.

The United Kingdom has not escaped this shift towards greater regional autonomy. Reforms are currently being implemented which will create separate assemblies in Northern Ireland and in Wales, and a separate parliament for Scotland. While political

parties advocating outright independence from the UK exist in each of these regions, the push for devolution has been spearheaded by the Labour party now in central government. Labour's commitment to devolution has complex origins. There is a historical link with home rule movements and trade unionism, which traditionally supported regional autonomy in Scotland and Wales. The last Labour government from 1974-1979 held referendums in both regions on the issue of devolution, although neither vote resulted in an endorsement of reform. The Labour party also has a record of electoral success in Scotland and Wales, and thus has prioritised issues relevant to both areas in order to retain this support. One outcome of Labour's strength in the regions has been the influence of both Scottish and Welsh MPs who were extremely effective in sustaining the party's basic commitment to some form of constitutional change through the years of Conservative government. These years were characterised by a centralising rather than decentralising approach to local government which was particularly unpopular in Scotland and Wales and thus contributed to current support for Labour's devolution agenda.

Subsidiarity

The transfer of authority and finance to the regions which devolution will involve is entirely consistent with the political philosophy espoused by new Labour, a philosophy which also characterises their approach to welfare reform. One important component of this philosophy is the principle of subsidiarity. In order to build cohesive communities, messages emerging from the new government argue that power needs to be decentralised in key areas from central government to local organisations and structures. Community-level bodies are regarded as the new means for achieving desired goals. Subsidiarity is embraced in the belief that communities are better able to identify their own needs and implement appropriate strategies to address them, rather than relying on policy imposed from national government.

Implementing this principle of subsidiarity by the process of devolution is also intended by new Labour to offer communities more accountable and responsive government which is more open and inclusive. Thus the new parliament in Scotland and the assemblies in Wales and Northern Ireland have been promoted in policy documents as institutions which will adopt 'modern ways of working'. They are to use

new technology and new forms of communication in order to improve public access to information (one of the first responsibilities of the Scottish parliament will be to formulate a new Freedom of Information Act) and encourage greater participation in decision-making by organisations and individuals. This emphasis on accessibility and accountability also reflects the link Labour makes between subsidiarity and democracy, with the assumption that the parliament and assemblies will provide the people of Scotland, Wales and Northern Ireland with more opportunities to affect and influence policy decisions relevant to them. Devolved government as more democratic government is also reflected in the new voting systems with which the parliament and assemblies will elect their representatives - the UK's first experiment with a form of proportional representation - the additional member system.

Devolution and its implications for social policy

How will the new assemblies and parliament affect social welfare? There is little doubt that these new bodies will have significant influence in relation to *implementing* policy in the areas of education, health, housing and the personal social services, as these are areas in which significant control was already devolved to existing structures of local government and administration (including the Scottish, Welsh and Northern Ireland Offices). Powers to formulate and finance policy will however differ significantly between the three new bodies. The main source of this difference lies in the fact that the Scottish parliament will have the power to make primary legislation, whereas the power of the assemblies will be limited to the passage of secondary legislation in areas where executive functions have been transferred to them. The Scottish parliament will also have tax-varying powers, which have the potential to provide an additional source of revenue which could be directed towards the expansion or reform of services, or indeed towards targeting or supplementing existing benefits for particular groups, although overall responsibility for social security and the administration of benefits will rest with central government. Examples of reforms already under discussion in Scotland relate to the reinstatement of free dental services, the abolition of university fees and the reinstatement of a system of student grants, and the introduction of a series of reforms to primary education, include the provision and finance of classroom assistants and after-school clubs.

Elections to the Scottish parliament and the Welsh assembly will take place in May 1999. The weeks and months following the establishment of these new bodies will give some indication of their potential future role in shaping social policy. We will thus be able to more fully report on early messages from these new institutions in a few months time.

BOUNDARIES BETWEEN THE INDIVIDUAL AND THE STATE

Britain's new Labour government is particularly eager to distinguish and distance itself from what it describes as the weaknesses of traditional political values and approaches from both the left and the right. Statements coming from the new government argues that the series of reforms to social policy currently being introduced represent a new approach, one which has learned from past failures on both sides of the political spectrum and thus represents a 'third way' in welfare. This 'third way' involves re-examining and re-structuring a series of relationships within the welfare state, including between levels of government as witnessed by the process of devolution described above. At its heart however, the third way is about developing a new relationship between the individual and the state, and thus the balance between individual rights and collective responsibilities. This new relationship, which has also been referred to as 'popular welfare' is best described by:

- Identifying how the third way differs from traditional concepts of social justice
- Describing the components of new Labour's definition of social justice and its implications for individual rights and responsibilities
- Outlining how the third way shapes specific welfare policies and the relationship between organisations and agencies responsible for implementing these policies

Traditional concepts of social justice

Prime Minister Blair recently summarised what he described as the failure of traditional definitions of what constitutes social justice. He stated:

"Whereas the old left regarded the application of social justice as unchanged; the right regarded it as irrelevant. The believed it didn't matter;

and that it had no connection with economic efficiency. Indeed, it is that curious alliance of the Right and old left that I have witnessed and struggled against all my political life, both far left and right divorced economic efficiency from social justice."

As Blair and his party describe it, the 'old' left, epitomised in traditional Labour values with its roots in socialism and collectivist ideals, began to divorce welfare policy and economic policy from the early 1970s onwards. The economic down turn of this period ended the post-war boom of full employment and mass production. The left espoused the expansion of state provided and financed welfare in order to tackle the social problems which emerged during this period as a result of rising unemployment. The importance of redistribution of increasingly scarce resources and the maintenance and expansion of social security was emphasised by the Labour party and others on the left at the time. Economic expansion, or wealth creation, was not seen as consistent with redistribution and thus was (as new Labour now argues) "seen as almost antithetical" to sound welfare policy.

Conversely, the new Labour agenda also rejects the policies of the right which promoted a free market agenda at the expense of welfare. Blair describes conservative ideals of the late 70s and 80s as being committed to cutting welfare costs in order to expand wealth creation. However, the well-documented income inequalities which resulted had the opposite effect of causing a huge growth in social security spending throughout the 1980s and early 1990s, as we described in the first section of this report. This expansion in turn created huge public resentment, linking welfare with a growing dependency culture which arose as a result of inequality. Thus new Labour points to right wing ideology as ineffectually divorcing economic and social policies in a similar way to the 'old' left, with different but equally ineffectual consequences.

What the 'third way' thus represents is new Labour's vision of a middle ground between the poles of traditional ideology. It is described as an approach which aims to 'modernise' welfare, not by dismantling it or protecting it without changing it, but through reforming it in a variety of ways. This modernisation involves a new definition of social justice, one that has potentially important implications for the balance between the rights and responsibilities of the individual and the state.

Individual rights and responsibilities

Messages emerging from the new government attempt to address what are described as the weaknesses of traditional approaches by re-defining the concept of social justice. This new definition, as described by Blair in a recent lecture on welfare reform, is summarised in Box 2 below.

Box 2

Social justice is about decency. It requires that any citizen of our society should be able to meet their needs for income, housing, health and education

Social justice is about merit. It demands that life chances should depend on talent and effort, not the chance of birth, and that talent and effort should be handsomely rewarded.

Social justice is about mutual responsibility. It insists that we all accept duties as well as rights - to each other and to society.

Social justice is about fairness. In a community founded on social justice, power wealth and opportunity will be in the hands of the many not of the few

Social justice is about values; the values are timeless, but their application must change with changing times.

Source: Prime Minister's Beveridge Lecture at Toynbee Hall, London, 18th of March, 1999

Social justice as described by Blair can be summarised as reflecting the basic belief that "the rights we enjoy reflect the duties we owe " (Blair, 1995). This balance between rights and responsibilities thus recognises that the state should provide its citizens with a structure of services and mechanisms to support and maintain income and well-being and provide security. These services should be provided in an equitable manner, in order to avoid significant inequality or exclusion. However, the balance is also dependent upon individuals taking responsibility for themselves and their families and - if they are able - making a contribution to society, through various forms of work and activity. Social justice as the foundation of the third way is therefore about providing a supportive communal framework which is *conditional* on the individual's ability to help themselves, rather than relying on others.

Welfare reform and 'Joined-up government'

The balance between rights and responsibilities within the third way can be traced consistently across new Labour's welfare reform agenda. Some of the specific policies currently being implemented, such as the New Deal, have been discussed in preceding sections of this report. Box 3 outlines the key principles of welfare reform which guide these specific policies.

Box 3.

Welfare Reform Green Paper: Key Principles

- The new welfare state should help and encourage people of working age to work where they are capable of doing so.
- The public and private sectors should work in partnership to ensure that, wherever possible, people are insured against foreseeable risks and make provision for their retirement
- The new welfare state should provide public services of high quality to the whole community, as well as cash benefits
- Those who are disabled should get the support they need to lead a fulfilling life with dignity
- The system should support families and children, as well as tackling the scourge of child poverty
- There should be specific action to attack social exclusion and help those in poverty
- The system should encourage openness and honesty and the gateways to benefit should be clear and enforceable
- The system of delivering modern welfare should be flexible, efficient and easy for people to use

Source: Department of Social Security (1998) *New ambitions for our country: A New Contract for Welfare*, Cm 3805. The Stationary Office, London.

It remains to be seen to what extent the principles of welfare reform described in Box 3 will be realised in long term outcomes from specific policy initiatives. Welfare to work policies, which we outlined in Section 2, are absolutely critical to the government's overall strategy. What is also evident at this early stage in the reform process however is that two further components of these key principles - reducing

inequalities through tackling social exclusion, and improving the organisation and delivery of services - are also currently at the centre of the new government's modernisation agenda. This is not surprising as tackling social exclusion and a more coherent approach to the organisation and delivery of services are in many ways important preconditions for the implementation of other, related reforms. We address these two issues in turn by firstly examining strategies to tackle social exclusion, and secondly summarising current approaches to improving services through partnership working.

SOCIAL EXCLUSION

A key issue for the Blair government is to tackle social exclusion and to promote social justice. Many of the government's social policy initiatives introduced in the past two years have addressed these issues. Key policy developments have included welfare to work schemes, broadly-based regeneration investments in blighted urban areas, a drive to improve educational standards in disadvantaged areas and a renewed emphasis on tackling health inequalities.

Two examples of the approach being adopted by the Blair government are set out below. The first describes the rationale for and the remit of a Social Exclusion Unit that has been established at the centre of government. The second describes some aspects of the government's response to the growing problem of child poverty.

The Social Exclusion Unit

The creation of a Social Exclusion Unit in the Cabinet Office was one of the first acts of the Blair government after its election in May 1997. It defines social exclusion as:

... a shorthand label for what can happen when individuals or areas suffer from a combination of linked problems such as unemployment, poor skills, low incomes, poor housing, high crime environments, bad health and family breakdown. The Government has policies that are targeted at reducing all of these individually, but Government programmes have been less good at tackling the interaction between these problems or preventing them arising in the first place.

The purpose of the Social Exclusion Unit is to help break this vicious circle and co-ordinate and improve Government action by:

- improving understanding of the key characteristics of social exclusion, and the impact on it of Government policies; and
- promoting solutions by encouraging co-operation, disseminating best practice, and where necessary, making recommendations for changes in policies, machinery or delivery mechanisms.

The Prime Minister has asked the unit to focus on the following priorities in its first phase.

- *Truancy and school exclusions*: to make a step change in the scale of truancy and exclusions from school, and to find better solutions for those who have to be excluded.
- *Street living*: reducing to as near zero as possible the numbers sleeping rough in towns and cities.
- *Worst estates*: developing integrated and sustainable approaches to the problems of the worst housing estates, including crime, drugs, unemployment, community breakdown, bad schools etc.

Child Poverty and Educational Opportunity

The Government believes that the rapid rise in the numbers of children growing up in poverty and a lack of educational opportunity are inextricably linked. Both need to be tackled in unison. Some of the key facts that underpin public policy development are set out below.

- The number of children growing up in relative poverty has increased over that last twenty years. Four million children, a third, were living in households with less than half average in incomes by 1995-96. This is more than three times the rate twenty years ago. Most of these families are without full employment.

- Children's life chances are linked to those of their parents. A child's chance of ending up in the top quarter of the earnings distribution as an adult are four times higher if their father was also in the top quarter of the distribution rather than the bottom.
- Education drives life chances and the link between education and wages is getting stronger. In the late 1970s people who stayed on at school beyond sixteen had earnings which were, on average, 40 per cent higher than those who had left school by this age. In 1990 this has increased to 60 per cent.
- Children from disadvantaged backgrounds are much less likely to succeed in education. They are less likely to stay on at school and more likely to have poor literacy and numeracy skills.
- The differences between advantaged and disadvantaged children are apparent from a very early age. At 22 months children whose parents are in social classes one or two are already fourteen percentage points higher up the educational-development distribution than children whose parents are in social classes four or five.

In response to these problems the government has implemented substantial increases in child benefit, committed itself to subsidising child care costs for the poorest families and introduced a number of educational initiatives targeted in various ways at the poorest children living in the most disadvantaged areas. These projects include: Sure Start for families with children under the age of four; educational maintenance allowances for 16-19 year olds; and the establishment of educational action zones.

1. Sure Start

Sure Start aims to 'join-up' provision for families with children under four. Working with parents, Sure Start aims to promote the physical, intellectual, social and emotional development of children to make sure that they are ready to thrive when they go to school. In Sure Start areas, which are located in some of the most disadvantaged parts of the country, all local providers of services - voluntary,

statutory and private - will combine with the local community to improve opportunities for families in ways that cut across old professional and agency boundaries and focus more on community needs. Sure Start local programmes will form a universal and open access "gateway" to core services for all young children and their families in the area, covering childcare, early education and play, health services and family support.

2. Educational Maintenance Allowances

Partly to help teenagers for whom early prevention measures are already too late, the Government is piloting Educational Maintenance Allowances (EMAs) for sixteen - nineteen year olds. The highest rates of EMA will be concentrated on the poorest families, where the scope for increasing participation, retention and achievement in post-compulsory education is greatest. If successful, EMAs will replace Child Benefit for this age group.

3. Education Action Zones (EAZs)

EAZs will use innovation and radical solutions to raise pupil attainments and tackle disadvantage, beginning with the basics of literacy and numeracy. Each Zone covers the three-four secondary and special schools together with their feeder primaries. Partners include businesses, parents, voluntary and community groups as well as schools and local education authorities. Twenty-five EAZs are already operational. And a second-round of bidding for further zones started in January 1999. EAZs will provide tailored support for families and pupils. For example, by changing the school day or school year to establish before and after school clubs, weekend and holiday classes, reading clubs and nursery facilities. They will work better with other local services to tackle social exclusion. For example, by linking with health or employment zones, and by providing access to health or social services for children within a school. Business and other organisations will offer new management and leadership expertise as well as opportunities for work related learning. New incentives for teachers and additional non-teaching staff will also play a part in transforming the skills and lifetime employment opportunities of pupils in our most disadvantaged areas.

NEW FORMS OF PARTNERSHIP

In his first public speech after becoming Prime Minister, Tony Blair emphasised that a key element of the assumptive world of his government would be the recognition 'that government has to learn to work more coherently'.

In every poor housing estate you can encounter literally dozens of public agencies - schools, police, probation, youth service, social services, the courts, the Employment Service and Benefits Agency, TECs, health authorities and GPs, local authorities, City Challenge initiatives, English partnerships, careers services - all often doing good work, but all often working at cross-purposes or without adequate communication. This matters because it leads to poor policy and wasted resources - like schools excluding pupils who then become a huge burden for the police. Our challenge must be to overcome these barriers, liberating funds from their departmental silos so that they can be used to deliver the best results.

In its later analysis of " a national strategy for neighbourhood renewal" the Social Exclusion Unit explicitly acknowledged that poorly designed public policies have failed to meet the challenges of poverty and inequality.

There have been many initiatives aimed at tackling the broader problems of poor neighbourhoods from the 1960s onwards - the Urban Programme, then the Urban Development Corporations and Task Forces in the 1980's, and the Single Regeneration Budget in the 1990s. All tried new approaches and all had some successes. But none really succeeded in setting in motion a virtuous circle of regeneration with improvements in jobs, crime, education, health and housing all reinforcing each other.

There are many reasons for this failure. They include: the absence of effective national policies to deal with the structural causes of decline; a tendency to parachute solutions in from outside, rather than engaging local communities; and too much emphasis on physical renewal instead of better opportunities for local people. Above all, a joined up problem has never been addressed in a joined up way. Problems have fallen through the cracks between central government departments in Whitehall, or

between central and local government. And at the neighbourhood level, there has been no one in charge of pulling together all the things that need to go right at the same time.

Given this analysis the Blair government is now committed to *making Whitehall work better* and to *joining it up locally*.

Many of the problems that have bedevilled policy on poor neighbourhoods in the past are deeply ingrained in the way Whitehall works. A number of steps are being taken to improve the quality of decision making and the coherence of policy delivery. The Cabinet Office Performance and Innovation Unit is undertaking a major review of the links between central Government and the regions, cities and towns, with a view to improving coherence and effectiveness of Government policy. In parallel an external study is being conducted on streamlining the many different funding streams for areas, and on options for encouraging flexibility where this can deliver better results. Underpinning all this work is the principle that where Whitehall's rules and traditions obstruct solutions, these need to be looked at critically not regarded as set in stone.

But more needs to be done to develop better awareness within Whitehall of how policy impacts at ground level and affects those in poverty. Furthermore, the general problem of lack of co-ordination is endemic. For example, many thousands of people up and down the country are engaged in regeneration activity in poor neighbourhoods. But there is no central source of training or advice on good practice, except in relation to specific regeneration programmes. This means the wheel is being reinvented all the time, known mistakes are being repeated, and promising approaches are slow to be replicated. There is an urgent need for better ways of spreading knowledge and understanding.

Problems of co-ordination are just as serious at local level as in Whitehall. The recent White Paper *Modern Local Government* made clear the Government's commitment to build a more mature and co-operative relationship with local government. Councils have a vital role to play and should be at the centre of local public service and local action to tackle social exclusion.

Some local authorities have already developed promising strategies to combat social exclusion at local level. The Local Government Association's New Commitment To Regeneration offers the prospect of developing systematic cross-agency strategies and encouraging better co-operation between national and local agencies. Local government reforms, including Best Value and the duty on local authorities to promote social and economic well being, will also foster this. Work currently underway on linking the various 'Zones' should help, as should the priority given to local partnership working as a means of combating ill health. But all these different initiatives should be dovetailed so as to make local planning to tackle social exclusion the norm.

Health and Social Services

One particular area of social policy that has been bedevilled by the failure to develop effective partnerships has been the boundary between the National Health Service and local authority personal social services. The principles are clear but the practice has often fallen far short of what is needed.

All services, especially health and social services, should be built around the needs of those who use them. But all too often the traditional boundaries that exist between these services can be a major obstacle.

There is no single, simple solution. It is essential that health and social services authorities, and Primary Care Groups/Trusts (which are being developed to enable GPs, community nurses and other health and social care professionals to improve the delivery of care) regard it as part of their core business to work together towards shared objectives. For the right services to be delivered to local people at the time they need them, health and social services and other parts of local government must work together in partnership.

The Government is determined to cut across organisational boundaries to provide better integrated services for local people. Some measures are already underway to

do just that. For example, Health Action Zones are leading the way in building new local partnerships.

Health Action Zones (HAZs)

HAZs are partnerships between the NHS, local authorities, community groups, and the voluntary and business sectors to develop and implement a health strategy to deliver within their area measurable improvements in public health and in the outcomes and quality of treatment and care.

The HAZ initiative is an integral part of the Government's drive to remove the internal market in health care and replace it with a system based on partnership. HAZs will be trailblazers, working with Government to develop the new approaches needed for the new millennium. HAZs face the twin challenge of deprived populations with poor health status and significant service pressure and reconfiguration agendas. The Government wants to provide extra help and support to those areas with the greatest health and service challenges.