THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

Social Policies and Distributional Outcomes

in a Changing Britain

The post war welfare state: stages and disputes

Howard Glennerster

SPDO research note 3

12th August 2020

Centre for Analysis of Social Exclusion

Research at LSE

Nuffield Foundation

In brief

To help colleagues who are including times series in their accounts I set out what I thought were possible 'periods' which might be distinguished in part because of the economic climate and demography of their times and the dominant political disputes or 'climate of ideas'. This is, of course, open to all kinds of objections. I would welcome criticism – approach wrong in principle, periods wrong, dominant ideas wrong…

Most observers agree that the Second World War was a critical juncture in the evolution of welfare policy even if its precise significance is debated. Both Nic Timmins (1995, 2001, 2017), Rodney Lowe (1993, 1999, 2005) and I took this as the natural starting point for our histories - seeing the Beveridge Report (1942) and the war time attempt to think through 'post war reconstruction' as a political and intellectual turning point.

Periods

1945 to 1976. **'The Post War-Settlement'.** The immediate post war period was of fundamental importance. The great swathe of legislation passed between 1944 and 1948 has shaped all that has gone after. Many services founded on that legislation remain remarkably recognisable to the present day.

1976 to 1997. **Constraint and change.** The economic crisis of 1976 produced a sharp slowdown in the growth of welfare spending and a shift in the balance of dominant ideas. A body of neo-liberal thought began to exert a new and major influence on the way public sector organisations worked. It accepted and indeed encouraged a striking *reversal* in the post war trend to a more equal distribution of incomes and wealth.

1997-2010 An expanded welfare role. The New Labour administration drove forward a programme of social spending in the core universal services, notably health and education. It extended the state's 'welfare' role to more extensive child care and intervened in the labour market to supplement low incomes, put a floor on low hourly wages and encourage moves off welfare. In these last respects it was following in an international trend to reshape welfare state priorities. But it also continued measures associated with the neo-liberal period - greater consumer choice in public service delivery, using outcome measures to try to improve public services' 'efficiency and accountability'.

2010-2019. **Austerity.** The banking crisis had resulted in a sharp rise in government borrowing. The Coalition and later Conservative Governments struggled to reduce that level of borrowing and debt and to do so primarily by reducing spending not raising taxation. It saw the first major and sustained *reduction* in real social welfare spending since the Second World War. The level of the safety net for the *non-retired* population was significantly reduced. This was unprecedented in the post war period. But the labour market interventions from the previous period were extended.

In what follows I explore the forces and factors at work in what might form an historical introduction. Comments welcome.

The periods explored

1945 to 1976: 'The Post War-Settlement'

Background forces at work

The United Kingdom's central state emerged from the Second World War with a remarkably enhanced reputation. This may not have been fully justified but it was tangible. It had overseen victory in war and could do so in peace. Its historic system of powerful unitary government lent itself to perpetuating such central power. No other country, at this time, devised a nationally driven health care system that was nationally tax funded. Or set in place a country wide means tested safety net accessible from nationally staffed local offices. Or a national social security benefit system with every contribution and payment accounted for from one office in Newcastle! Continental systems went their own quite a different multi organisational ways.

Britain was fortunate, or not, depending on your politics, to find a gifted salesman for the idea that government had the essential duty to sustain a basic living standard for its people and one that encompassed the citizen's right not just to a minimum income but access to decent shelter, schooling, health care and employment – 'a social plan' that involved 'slaying the five giants of want, disease, ignorance, squalor, and idleness' as Beveridge put it (Cmd 6404 1942 para 458.) Rarely, if ever, can one paragraph in a government blue book have carried such lasting influence. That is not to say that some ideals and details in the report were not flawed – its assumptions about the subordinate and dependent nature of married women is but one example (Evans and Glennerster 1994)! But the central idea and the timing of its launch were crucial.

If Beveridge was one founding father of the post war settlement Keynes was the other. The new war time role for the state as a guarantor of economic stability and full employment was in striking contrast to the presumptions of the 1930s. 'Keynesianism' was an intellectual revolution on a scale that is difficult to grasp at this distance.

So, too, was the transformation of the power and influence of labour. Not only was unemployment low and demand for labour high but trade union membership was both substantial, and in key industries, like mining, virtually universal. Moreover, it was effectively mobilised on a national scale. Governments upset the Trade Union movement at their peril. They stood behind the great slew of 'welfare' measures that were introduced in 1948. You can keep a *modified* form of capitalism but only one that secures these essential rights, that was the essential bargain.

While it is perfectly true that many Conservative politicians were deeply suspicious of this newly powerful central state (Macleod and Powell 1952) they largely came to terms with it – at least for the time being. A major review of the finance of the NHS was instituted when they returned to power in 1951. The Chairman of this review, Professor Guillebaud, invited the newly appointed Professor of Social Administration at the LSE to examine the changing scale and pattern of health care funding and its economic efficiency and adequacy. The subsequent report (Cmd 9663,1956) that incorporated Titmuss' and Abel-Smith's work came out strongly in favour of the principles on which the NHS was then financed but also made it clear that health care spending had been allowed to fall well below the share of the nation's income it had enjoyed in the 1930s. Whatever critics then and now may make of this report it did mark a turning point in the intellectual climate of the time.

There followed a series of defeats which the Treasury sustained in the 1950s described by Rodney Lowe (1989). These new institutions had acquired too much public support to be reversed.

The new services of the time

It is certainly true that parts of this post 1945 edifice were eroded in the decades that followed. Prescription and other health charges were introduced. But they were a tiny fraction of the total cost of the service and more than 80 per cent of users were exempt. There were cuts in capital programmes in periods when the economy ran into trouble. But they were reversed in the good times.

Rent controls on private property were relaxed. Pensions, and indeed all benefits, were kept low in relation to earnings. They were less generous than many continental schemes. Attempts by Labour Governments to move to a more continental pattern of wage related state pensions failed. The private sector took a growing role in pension provision – often negotiated, by trade unions who saw this as part of their offering to their members.

But this was, despite periodic pauses and 'crises', a period of steady, if modest, economic growth. Politicians continually worried about Britain's slow growth compared to Europe in the 1950s and 1960s (Hennessy, 2019). These countries had grown faster than the UK after the war but from a much lower level. The equivalent point in GDP per capita came in about 1980. But year on year over the economic cycle National Income grew by well over 2 per cent a year. Women began to move into the labour force and provide more revenue. Later the baby boomers began to move out into the labour market too providing yet more revenue. The 'cold war', the Atlantic Alliance and significant defence spending remained a given in this period. 'Communism' remained a background threat not just militarily but intellectually.

In this relatively stable environment the new sate run social service organisations grew in scale and remained remarkably recognisable in their administrative shape for the next thirty years. Shortly after the welfare state in its modern form had been legislated in 1950 it absorbed about 10 per cent of the National Income. By the mid-1970s it was absorbing over 20 per cent of a larger cake. But this phase was to pass. Several factors were at work.

The transition to a new phase

1. The 'benign' shadow of the war gradually receded. Equalising, or risk sharing institutions, that arise in times of crisis tend to gradually lose their appeal. They are costly for the rich and powerful whose power reasserts itself. You do not have to buy into the full logic of Walter Scheidel's (2017) account of inequality 'inevitably' reasserting itself after war and major disruption to accept that the spirit of the 1940s did gradually fade.

2. Peacock and Wiseman's (1961) parallel insight was that wars get people used to paying high taxes and that enables governments to use that higher 'taxable capacity' to sustain taxes and use the revenue for non-war purposes. But that effect too begins to fade. As the scale of the costs implicit in the post war settlement grew that 'bonus' too faded.

3. However, what brought such trends to a head was an *economic* shock - the oil price crisis of the mid-1970s came after a period of accelerating inflation. For the first time since the Second World War average take home pay fell in the UK. Public opinion polls suggested that public opinion turned. It had had enough of rising taxation. The IMF insisted on 'fiscal discipline' as the price for its support.

The new Conservative Government's Public Spending White Paper (Cmnd 7746 1979) claimed that the UK's economic plight was essentially caused by its high level of public spending. Governments should be prepared to purge the economy of inflation even at the cost of high unemployment.

All of this is well known territory. Its importance today is to realise how a combination of economic change can facilitate a major shift in what become the dominant ideas of the time.

4. A body of ideas that came to be labelled 'neo-liberalism' gained growing acceptance on the right of politics and, indeed, in a modified way on the centre left too (Plant 2012; Steadman-Jones 2012 for an account of the gradual process.)

Inequality of income was not something to ashamed of but was necessary to a thriving economy. Merit and success needed to be rewarded. The state might have *a* role to play in some fields such as education and health care but that role should be confined to financially supporting individuals and families not providing services. Fund parents with vouchers, do not provide state schools. These ideas had been around for two decades or more but began to make headway within the Conservative Party.

Mrs Thatcher's first targets were not the traditional social services but the nationalised industries and the trade unions. She left the heartland of the welfare state – the NHS- to tackle late in her term. But key ideas from this neo liberal agenda do find their way into social policy from 1979 to 1997 and some continued into the Labour period that followed it.

1976 -1997: Welfare with the lid on – or 'changed welfare'?

Background forces at work

Despite this evident conversion of key politicians in this period to such ideas there is a dispute among historians or commentators on how far they actually affected policy. Many have followed Paul Pierson (1994 and 1996) in arguing that the economic crisis of 1976 did bring an end to the 'Golden Age' of welfare states but did *not* usher in a period of collapse or retreat. His thesis was that the post war welfare institutions had generated their own set of powerful interests so that even politicians like Thatcher and Regan had not been able, and would not be able, to break them. Such institutions would be preserved but there would be growing tension about priorities within them.

The first part of this prediction proved correct. The NHS continued to exist, if in a restructured form, in the UK. Old and generous pension schemes continued on the Continent.

But as Anton Hemerijck (2013) has argued 'welfare' and the state's interpretation of its social policy role was to change profoundly in this period in most countries. Background economic factors were to change significantly. The international supply of labour grew on a vast scale. That affected not just the rewards for labour but where it was employed. It had many benefits, cheap goods for ordinary families, but it also destroyed communities. Yet this took place at precisely the same time that the willingness of governments to intervene in markets declined. That was certainly the case in the United Kingdom.

Industrial manufacturing, mining, shipbuilding, textile and ship building centres and communities began to decline. The internationalisation of labour markets was not the 'fault' of neo liberal ideas but it did make government reluctant to intervene in major ways to 'compensate the losers'. We are perhaps only now realising just how profound these changes were and the impact they have had on communities' view of themselves and of the country in which they live.

As Tony Atkinson argued the post war values climate, as well as trade union power, had restrained large firms from being prepared to reward senior staff at levels that were many multiples of their workers' incomes. Some kind of implicit 'moral ceiling' had been placed on the rewards structure of firms in the post war period. Mrs Thatcher's robust rejection of such 'restraint' and the decline of trade union power helped remove such constraints. This was matched by the growth of the finance and banking sectors where previously unheard of rewards were accepted.

This period saw a striking rise in the inequality of incomes and wealth – out of line with what had been experienced in the post 1945 period (Atkinson 2015 and much more). And this has largely become a new normal.

Opinion also began to turn against the very notion of a safety net. It had over time led people to lapse into bad 'endogenous habits and norms' (Lindbeck 1995). The climate of ideas was moving against some of the key components of the post war settlement.

But other more positive changes were underway too - not least for women. From the mid-1960s the baby boomers, born after the Second World, and over the next two decades, began to enter the labour market in large and increasing numbers. More went to university. Women of this generation expected to be employed. Hence a growing demand for child care.

In some ways this *was* a favoured generation as David Willetts (2010, 2019) has argued. But it was also one that experienced the collapse of local economies, the loss of the relative security they provided - familiar jobs in familiar communities. People lost the expectation that you would get a job like your father or marry a man with a secure a job. This was the first post war generation to experience such a loss of security. A fortunate generation for some but a broken one for others.

Social policy's share of the nation's budget began to grow despite the neo liberal ideal. It grew from 22.6 per cent of GDP in 1986 to nearly 25 per cent in 1996. Thus, far from this being a period of constrained stability welfare states internationally began to change. As Hemerijck (2013) put it:

> 'It is my contention that there is now overwhelming evidence that fundamental rethinking, re-examination and reappraisal of the European welfare state far better captures the reform momentum of the past two decades than the change–resistant welfare states of the Pierson model.'

New policies in this phase. Radical neo-liberal change.

But there were policies that conformed to a neo-liberal pattern.

<u>1. Withdrawing as a provider of new housing</u>. Post war Labour and Conservative Governments had both given high priority to council house building. In the early 1980s councils were providing a third of the nation's dwellings. The move to offer council houses for sale to tenants at a discount and the decision to cut council house building, and other social housing too, was a historic break. The Labour Government in 1964 had set out on a massive council housing drive and came to power planning to 'municipalise' most privately rented housing. From this point on, until very recently, the state largely withdrew from *providing* new housing.

2. Privatising social care. Though it occurred initially almost by accident (Lewis and Glennerster 1996) the next most decisive change was to move residential, and home care, of older people from the hands of councils and into the private sector. Private firms provided only a tiny proportion of residential care in 1971. By 2055 they had become the doinant providers – with local authorities providing not more than 5 percent of such places.

3. Abandoning the extension of state pensions. From the late 1950s through to the Wilson /Callaghan Government of the late 1970s the Labour Party had sought to move away from the Beveridge model of flat rate poverty relief to one based on the Continental European notion of social security as 'consumption smoothing'. The state's job was to prevent an individual's income falling precipitously on retirement, in sickness or ill health. Hence Labour's ambition was to move to a 'prior wage related' pattern of benefits and a beginning was made. But in a series of stages, beginning with the Fowler Review of Social Security in the 1980s, this transition was finally abandoned. It was for individuals and firms to adopt what consumption smoothing they could agree on as part of a privately negotiated labour contract.

4. Moving schools out of local authority control. Initial flirting with the notion of school vouchers – a key neo liberal idea – was abandoned in the early 1980s. Instead local authorities were to lose their dominant position as providers. Not for profit, semi-autonomous schools were allowed and then strongly encouraged to break away from their LEA and receive money direct from the central government. This was a very gradual process. Stalled in the Blair years and pushed forward again in the Coalition years. But it has over the long run transformed the nature of the local school system. 'State' schools have become diverse in character, with minimal direction and support from their local authority. They make their own arrangements for mutual support and common service mechanisms but they are not locally accountable. They have instead become more dependent on central control and direction – a rather odd outcome for a neo liberal venture.

5. Attempting to introduce competition and into the NHS. Much the same can be said of the NHS. An initial intention to move more radically to a social insurance model in which private insurers could play a perhaps growing role was abandoned. Instead funding was devolved to local 'purchasers' or later 'commissioners' of health care. The possibility that familiar local hospitals might somehow close or be put under threat scared the Conservative Government and local 'purchasing' bodies were encouraged not to rock the boat too energetically.

In short, though there is a coherent strain of neo liberal ideas running through this period their practical impact on social policy varied a lot.

Transition to a new phase

Public support for the state playing a major role in service provision had, however, remained strong. The British Social Attitude Survey regularly reported that Britons continued to hold firmly to the idea that it was the *state's* duty to provide access to health care, schooling, a decent income in old age and to secure a minimum standard of life for the sick and unemployed though this later group was less enthusiastically supported. The core 'welfare' idea held firm. Here Pierson was right.

Moreover, over time concern that service standards were falling and that key groups were suffering began to gain support. Though citizens' preparedness to pay higher taxes to fund such services had fallen in the mid- seventies it gradually returned as the decade continued. In 1983 when these surveys began just under a third of respondents were prepared to see taxes rise to pay for better services. By 1998 this had risen to two thirds. It had been a steady relentless rise not some flash in the pan. Moreover, though the Conservative Governments of the time had been more cautious spending on social policy purposes continued to rise as a share of national income from roughly 20 per cent at the beginning of this period to 25 per cent at its end. This was definitely not a substantial 'rolling back of the state.

Thus, both the idea of this as a pure 'neo-liberal phase' or of one of 'constancy' both require strong caveats. Elements of both are to be found. Towards the end of the period the public seemed to be yearning for a return to something rather more collectivist. And though the New Labour Government began with a very cautious two years of public spending it was then to unleash a rapid growth of expenditure in the core social policy areas. But this next phase was not merely a return to a post war model. Elements of the neo-liberal agenda continued *and* state took on *new* responsibilities and forms of intervention.

1997-2010: Reforming and expanding the state's welfare role

Background forces at work

For the first decade of the New Labour Government's period in office the economy seemed to offer a benign environment, though as it turned out this was based on fragile foundations. The boom in financial services that de-regulation had facilitated increased government revenue both from companies and from highly paid employees. The proportion of the working age population in work continued to grow and the demographic ageing spike had not yet begun. Despite this the Blair Brown Government was reluctant to raise tax rates indeed Brown reduced the basic rate of income tax from 22 to 20 per cent in 2008/9.

This was also an era of apparent relative international tranquillity until the banking crisis struck in 2008/9. At that point the government took steps to both extend credit and to support to the banks as well as to bring forward capital building programmes in an attempt to sustain effective demand.

As unemployment rose the welfare state performed the function it was envisaged to perform from the outset – a safety net in times of economic uncertainty. As a result social service spending rose even more sharply as a share of a stalling or declining GDP. Welfare spending rose from 27.7 per cent of GDP in 2008/9 to virtually 30 per cent in 2009/10.

Social policy themes of the period

Some traditional welfare goals are mixed with less traditional ones.

<u>1. Traditional welfare priorities</u>
Part of the New Labour programme shows strong support for the tradition heartlands of welfare policy – above all the NHS and schools. The former saw its annual spending grow from a post war average of about 4 per cent per annum to about 7 per cent.

Blair was frustrated early in his term by waiting lists remaining persistently high despite the key part the NHS had played in his 1997 Election campaign. He asked Adair Turner to find out why. The NHS is persistently under-funded compared to its European neighbours Turner replied. Hence Blair's pledge to raise NHS funding to the 'European average' - ill specified but a much higher figure however you did the sums.

Having suffered a fall in its share of the GDP in Mrs Thatcher's period education's share was restored and schools saw their spending per pupil rise sharply after 1998. Spending per primary school child rose from just over £3,000 in 1998 to about £6,000 in 2010 in constant 2016/16 prices, for example (Glennerster 2017).

<u>2. An expanded role for the state in 'welfare policy'</u>
In several important ways the New Labour Government also expanded the state's traditional post war 'welfare' role.

The first extension was in promoting state provided pre-school services – Sure Start – services that went well beyond mere pre schooling to include a combined range of health, advice and wider help especially for at risk families. This began in poorer neighbourhoods and, perhaps prematurely, became 'universal' and less well targeted. But Sure Start was to be one of its most effective and popular social programmes. It also marked a striking change from the immediate post war welfare model. The post war Labour Government had closed the extensive system of day nurseries that had operated during the War. Working mothers should not pose a threat to returning service men's jobs. Men's wages should be high enough to support 'a family' was the traditional 'Labour' view.

The second major extension of 'welfare policy' was for the state to intervene in the labour market. Beverage saw social security's role as taking over when the labour market failed. When individuals were unable to work for reasons beyond their control. Wage setting was none of the state's business. That was the responsibility of trade union and employer bargaining. The state did have a role in supporting the incomes of families with children and that applied to all families.

The idea that there should be a means tested addition for low income families had been accepted by a Conservative Government in the early 1970s but the idea that low incomes per se should be supplemented by the exchequer - 'working tax credits' - was I think a major intellectual step. It had its roots in the notion of a 'negative income tax', the brain child of Milton Friedman on the right and a more traditional Democrat, Robert Lampman on the left, at roughly the same time. But it had another innovative consequence – a statutory minimum wage. Without it employers would merely use this wage subsidy as a means to pay low wages. So here was a major new extension of the state's role.

Another related innovation was something that came to be labelled 'welfare reform' reflecting its American origins. It involved using a mix of sticks and carrots to encourage people off benefits and back into the labour market. The sticks took the form of sanctions applied by the benefit system to those who were not 'actively seeking work'. The carrots involved training and support for those seeking re-entry into the labour market. A beginning had been made by the previous administration down this road, but it was taken further by New Labour.

3. A compromise on pension policy

One central feature of welfare provision where there had been no full 'compromise' between the political parties had been pension policy. Ever since Labour had turned to Titmuss' 'skiffle group' at the LSE for advice in the mid-1950s it had favoured some kind of state organised, wage related pension scheme similar to that which had been adopted in Sweden and Western Germany. As we saw earlier the Conservative Party finally took the view that 'consumption smoothing' in retirement was a matter for the private market to deliver. What no one fully appreciated at the time was that the typical defined benefit pension schemes of the time put a huge potential risk onto the employer. They were promising to pay a given percentage of an ex employee's income in perpetuity. If longevity rose sharply, as it did, and if returns on pension fund investments fell, as they did, the firm was in deep trouble. It was this failure of the private pensions market that prompted the Turner Pensions Commission 2005 review of pension policy. Its report was to produce cross party support. That was the first time this had been achieved in half a century.

It had three central features.

- The heavy and growing reliance on means testing should be ended. A low basic pension plus growing means testing was fundamentally inconsistent with encouraging individuals to save for their retirement. This meant returning to the old Beveridge model of a pension set at or, a little above, the level of the safety net.
- The age at which state pensions should be drawn should rise with life expectancy. The share of adult life spent in retirement should be stabilised not let to gradually increase as had been happening for decades.
- Employers should be required to provide an employee with a pension scheme and employees incentivised, nudged, into joining one.

Though in the next period political disagreements broke out on the speed and timing of these moves the importance of this political compromise underpinning pension policy was considerable, especially in a period of a rapidly growing ageing population.

<u>4. Continuation of some neo-liberal themes</u>
Many who were not enthusiasts for privatisation or neo-liberalism saw that some of the neo-liberal critiques of state monopolies had validity. I count myself in that category along with Julian Le Grand who summed up the argument in 1991 with his article entitled 'The theory of government failure' and in his inaugural and book on nights and Knaves in 2003.

Perhaps though the key work for many of us was Hirschman's 'Exit, voice and loyalty' (1970). With weak consumer democratic voice, the incapacity to show disapproval or by moving custom and with too much public loyalty to a local public service provider quality could steadily decline. There was evidence of this happening in hospitals, schools and council housing estates. If it continued public services could lose public favour. This was at bottom a pro public service argument, not the reverse.

However right or wrong we may have been this strand of thought did convince Blair and many of those around him. Thus, widening choice of school, of GPs and hospitals and a reluctance to return to local authority monopoly in the care services continued as a theme in this period.

The period comes to an end with the banking crash. Public investment schemes are brought forward. Spending on current service provision is maintained. Benefits are available to those who lose their jobs. The role the post war welfare state was meant to play as a stabiliser is played. And it works.

2010 -19: Austerity

I leave this to those of you who have been doing all the work on the period. But if we contrast the story with these previous periods what stand out for me are the following.

Background forces

<u>Demography</u>
While the natural focus for the period tends to be on recovering from the banking crisis and how that was done two or three other fundamental changes were underway. The most obvious is demography. Live births in the 1930s in the UK had averaged about 710,000 a year. That rose to a million in 1947 falling back to about 800,000 in the mid-1980s. But rose to over 900,000 in 1960 and to a million in the mid-1960s when Andrew and Rachel were born! Figures that fell to 675,000 by the mid-1970s. This are very big numbers and David Willetts is right to examine the consequences they have had on the political and resource claims they produced through their life-times. But this is the decade that sees this age group

reaching 70. Turner did produce a cross party policy response to mitigate the impact on pension provision. Nothing comparable occurred in health and social care.

As the figures I worked on in ACRA showed (Glennerster 2017 p 128) those aged 65 and above make five to eight times the demands on health resources of different kinds compared to younger people. The weak, not to say perverse, links between health and social care moved from being unhelpful to the near catastrophic.

Productivity

Here too there is a discontinuity. Since 1990 productivity per hour worked had risen by about two and a quarter per cent a year. After the crisis it has been pretty flat and hence real wages have been pretty flat too. This is part of a much wider international trend and its causes disputed. But it is another fundamental shift in the assumed 'natural' world. It is also linked to the nature of production and technology.

So some big things are going on in the world. Yet many of the policy obsessions continue.

Social policy themes of the period

1. Rolling back the state

The task of 'restoring the nation's finances' could have been done by raising taxes as well as slimming the state back to pre-crisis scale. However, governments of this period chose to work primarily through reducing state spending and especially local state spending.

They also chose not merely to cut spending back to 2008 levels but lower than that. This scaling back of state activity was unprecedented. A goal was set was to reduce public spending (managed expenditure) to 38% of GDP in 2020. These were levels that had only been reached for any length of time in the mid-1990s long before the rise in the elderly population and after more than a decade of Mrs Thatcher's best efforts.

It was to be achieved *without* explicitly drawing back from any of the responsibilities the state was to undertake, except perhaps financing universities. It meant that each of the state's functions become more thinly full filled. In the 1980s the state's role as provider of basic public service functions had been handed over to private, heavily regulated, firms. No comparable shift of responsibility for parks or policing occurred in this phase.

Finally, the relative generosity of the safety net fell as colleagues have recently shown. The harshness with which the welfare 'stick' was wielded grew.

2. Rolling on the state – intervening in the labour market

In one respect, however, the governments of this period continued with a theme that New Labour had begun. They continued both to support the incomes of low paid employees and to set a statutory floor to earned rates of income per hour. Indeed, they increased the pace at which this was happening. But to reduce the cost of doing so they tipped the balance towards pushing up the statutory minimum wage ie interfering more heavily in the labour market. (They also began remonstrating with employers about very high rewards!) As Abigail and Kerris's recent paper shows raising the statutory minimum narrowed the gap between those on the lowest earnings and the rest of the labour market.

3. Privatisation falters?

The period begins with a push to extend the policies begun two decades before. Competition and privatisation in the NHS was to be extended. 'Freeing' schools from local authority control was to be extended. But NHS England increasingly found privatisation an unhelpful means of tackling the big problems it was facing- notably caring for the long-term sick and elderly. That required getting local services to collaborate not to compete.

Quite separately there was some growing dissatisfaction with the quality of services that had been contracted out. Some local authority services from refuse collection to parks began to drift back 'in house'. But this was not the case with services for the elderly or mentally ill.
More data on this?

4. A shift in public opinion. More willingness to be taxed?

As in the Thatcher period there is a growing frustration with faltering policing standards, rising waiting lists, and schools running out of cash. This gets reflected as it did in the 1980s in a slow but steady rise in the share of voters saying they would be prepared to pay more in tax at least for some aspects of welfare provision.

5. Regional inequalities and a shift in political focus

But outside Westminster these social policy haggles were losing their resonance. The Brexit debate shifted the focus from more state versus less state divisions to discussion about identity and regional and local unfairness.

2020 on

We are now clearly at the end of a period. Where go from here is bound to be a point for discussion but at least it may help to see more clearly when we see where we have been.

References

Atkinson A.B. (2015) *Inequality: What can be done?* Harvard University Press.

Beveridge Report (1942) *Social Insurance and Allied Services* Cmd 6404

Evans, M. and Glennerster H. (1993) *Squaring the Circle? The inconsistencies and constraints of Beveridge's Plan* Welfare State paper WSP/86.

Glennerster, H. (1995, 2000, 2007) *British Social Policy 1945 to the Present*. Blackwells.

Glennerster, H. (2017) *Understanding the Cost of Welfare* Policy Press

Hemerijck A. (2013) *Changing Welfare States* Oxford: Oxford University Press.

Hennessy, P. (2019) *Winds of Change*

Hills J. (1995) *Joseph Rowntree Inquiry into Income and Wealth Vol 2: a summary of the evidence*

Hirschman , A. O. (1970) *Exit Voice and Loyalty; Responses to decline in firms, organisations and states* Cambridge Mass Harvard University Press.

Le Grand, J. (1991) 'The Theory of Government Failure' *British Journal of Political Science* Vol 21 p423-42

Le Grand, J. (2003) *Motivation, agency and public policy: Of knights and knaves, pawns and queens* Oxford: Oxford University Press.

Lewis J. and Glennerster. H. (1990) *Implementing the New Community Care* Open University

Lindbeck, A. (1995) 'Welfare state disincentives with endogenous habits and norms' *Scandinavian Journal of Economics* Vol 97 no 4 pp 477-94.

Lowe, R. (1989) 'Resignation at the Treasury: the Social Services Committee and the failure to reform the Welfare State 1955-57' *Journal of Social Policy* 18(4) p505-26

Lowe, R. (1993, 1999, 2005) *The Welfare State in Britain Since 1945* London: Macmillan

Macleod, I. and Powell, E. (1952) *The Social Services: Needs and Means* London: Conservative Political Centre

Peacock A. and Wiseman J. (1961) *The Growth of Public Expenditure in the United Kingdom* Unwin

Pensions Commission (2005) *A new pensions settlement for the twenty first century* London Stationery Office.

Pierson, P. (1996) ‘The new politics of the welfare state’ World Politics vol 48 pp 143-79. And his 1994 book *Dismantling the Welfare State?* Cambridge

Plant, R. (2012) *The neo-liberal state* Oxford: Oxford University Press

Schafer, A. and Streek, W. (2013) *Politics in the Age of Austerity* Cambridge: Polity Press

Scheidel, W. (2017) *The Great Leveler: Violence and the History of Inequality* Princeton University Press

Steadman Jones D. *Masters of the Universe: Hayek Friedman and the birth of neo-liberal politics* Princeton University Press

Timmins N. (1995, 2001, 2017) *The Five Giants: A Biography of the Welfare State* London: Collins

Willetts D. (2010 and 2019) *The Pinch* London: Atlantic Books