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The Anglo-Saxon welfare states: still Europe's outlier - or trendsetter?

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Introduction: traits of Anglo-Saxon welfare states

The UK and Ireland are typically paired together as the Anglo-Saxon or liberal welfare states of Europe (Esping-Andersen 1990) or the English speaking 'Family of Nations' (Castles 1993). A core plank of the liberal approach to welfare is the value placed on individualism, with an associated stress on the primacy of market relations through which individual freedom and choice can be expressed and self-reliance promoted (Spicker 2013). In outlining the typical characteristics of the liberal model, the word 'modest' appears frequently (Esping-Andersen 1990 p.26-27). Thus benefit levels are low and associated with relatively austere entitlement rules. Flat rate benefits and a heavy reliance on means testing are also typical, and both policy instruments are a means by which the state encourages market provision and maintains low levels of decommodification. A dualism thus arises between a residual welfare state targeted at the poor and the working class, with middle class welfare leaning more towards market provision. Relatively low levels of public expenditure are matched by low levels of taxation, however, liberal welfare states are also expected to have a preference for fiscal welfare, or welfare via the tax system, which is again a means of encouraging private provision. This preference towards fiscal welfare also gives rise to a potentially larger 'hidden welfare state' than in other welfare regimes, which primarily benefits the middle classes (Howard 1999).

Other characteristics of the liberal regime include a tendency towards punitive, 'work first' type rules (Barbier 2004), but also policies, such as in work benefits, that aim at 'making work pay' (Clegg 2015) in line with 'liberal work-ethic norms' (Esping-Andersen 1990 p.26). If we extend the set of relations within liberal welfare states to the state-market-family nexus and specifically gender and care relations, traditionally at least, such states are also marked by relatively low levels of family services and a general lack of explicit family policies (Korpi et al 2000). As for liberal policy preferences and social investment, a term which is also problematic and to which we return to later, but which includes areas such as activation and family policy under its remit, early research suggests a tendency towards lower levels of expenditure (Nikolai 2012). An emphasis on education and family services is evident, marking a shift from the traditional liberal preference for income transfers over services (Buhr and Stoy 2015).

Political economy typologies also tend to combine the UK and Ireland together as distinct in the European context. These include Albert's (1993) models of Anglo-Saxon and Rhenish capitalism, the former characterized by individualism and economic growth based on short term financial gain and the latter on collectivism, consensus and growth from a long term perspective. Similarly, Hall and Soskice's (2001) *Varieties of Capitalism* approach groups Ireland and the UK as liberal market economies. Mirroring Albert's Anglo-Saxon capitalist model, Hall and Soskice highlight the market-led financial system of liberal market economies which places greater stress on share prices and current profitability in how capital market decisions are made. Industrial relations in liberal market economies are competitive leading to flexible labour markets with weak employment protection legislation as measured by the OECD, weaker trade unions and decentralized wage bargaining. The corresponding liberal 'employment regime' contributes to high earnings inequality and a high incidence of low-waged work (Gallie 2007).

Factors shaping the Anglo-Saxon welfare states

History plays a large part in Ireland and the UK's common ties. As a British colony until 1921 Ireland benefited from early social security developments under the UK's liberalist reform phase in the early twentieth century. However, Ireland's more agrarian economy and the strength of Catholicism meant that early on structural differences emerged. Moving forward to the phase of post war welfare state formation on the basis of Beveridge's model of universal welfare, the UK could be considered pioneering and pulling away from residualism towards a model of citizenship informed by a minimum standard of living as a social right (Marshall 1950). Such expansion was influenced by the solidarity effect of World War Two and a strong social democratic movement, drivers absent in the Irish context. The enduring effects of agrarianism and Catholicism and a sense that it could not afford such sweeping reforms also meant that Ireland did not follow the Beveridge model. However, the colonial legacy and territorial proximity still mattered in terms of a demonstration effect, which meant that over time a more piecemeal Beveridgean system of social security developed in Ireland, though arguably the notion of a welfare state based on social rights never grew as deep roots in Ireland as it did in the UK.

Yet no country is an exact replica of any ideal type model of welfare and both the UK and Ireland display elements of hybridity (Ferragina and Seeleib-Kaiser 2011). Both countries thus bear the traces of other influences besides their shared history of liberalism. In the Irish case, these include the aforementioned Catholicism, which along with a strong conservativism to some degree implicitly reinforced liberal values, in particular individualism as self-reliance, but in other respects pulled the country towards a more familialistic conservative regime (McLaughlin 2001). As for the UK, latterly the influence of third way thinking could be said to have modified (albeit briefly) its dominant political tradition (Driver and Martell 2006).

The most recent systematic comparative analysis of the Irish and UK welfare states dates to Daly and Yeates' (2003) analysis of social security. Regarding structural, political and ideological factors they noted a range of ways the two countries diverged and suggested that both countries were transforming, but in significantly different ways, thus questioning whether they could still be feasibly situated within the same welfare model. In the case of Ireland they highlighted the influence of the turn towards corporatist wage bargaining in 1987, contributing together with the economic growth of the 1990s to an expansionary trajectory for its welfare state. In the UK they saw a more fundamental transformation of social security towards a rights and responsibility based model of citizenship underscored by an emphasis on productivism 'driven by ideological forces and […] enabled by political institutions' with strong similarities between Tory and New Labour policies over the 1980s and 1990s (Daly and Yeates 2003 p.95).

Both countries have since experienced major upheaval, their common 'Anglo-liberal' growth model (Hay and Watt 2012) being at the core of the financial crisis in 2008. Following the crisis some literature has looked at the countries together in terms of the shared characteristics of their political economies (Barnes and Wren 2012; Hay and Wincott 2012; Hay and Smith 2013). Such analyses point out the similarities of their growth models and vulnerabilities which to a degree stem from their Anglo-Saxon economic characteristics – both countries embraced economic globalization, financialization and light touch regulation with relatively volatile economic growth cycles, including deep fluctuation in house prices, and latterly high levels of household debt. Yet the place of their welfare states within this growth model and its crisis has not been systematically compared.

In taking where Daly and Yeates (2003) finished as our starting point we look at how these two welfare states have since developed in a period which has been dominated by crisis and austerity. We ask whether the Irish and UK welfare states are still as divergent as Daly and Yeates observed or whether the crisis meant that these two welfare states are moving in a common direction (without necessarily reaching full convergence). Are we even seeing a reversion to type? In asking this question we also need to consider whether we are looking at reversion against a shifting background. This concerns the fact that neoliberalization as a form of politics has transcended the left/right divide in Europe (Mudge 2008) and that the post crisis era is marked by 'resilient liberalism' (Schmidt and Thatcher, 2013). Even if Ireland and the UK have to some extent 'reverted to type', this therefore raises the question of whether there are still characteristics within these two welfare states that make them an outlier or conversely a liberal 'trendsetter'.

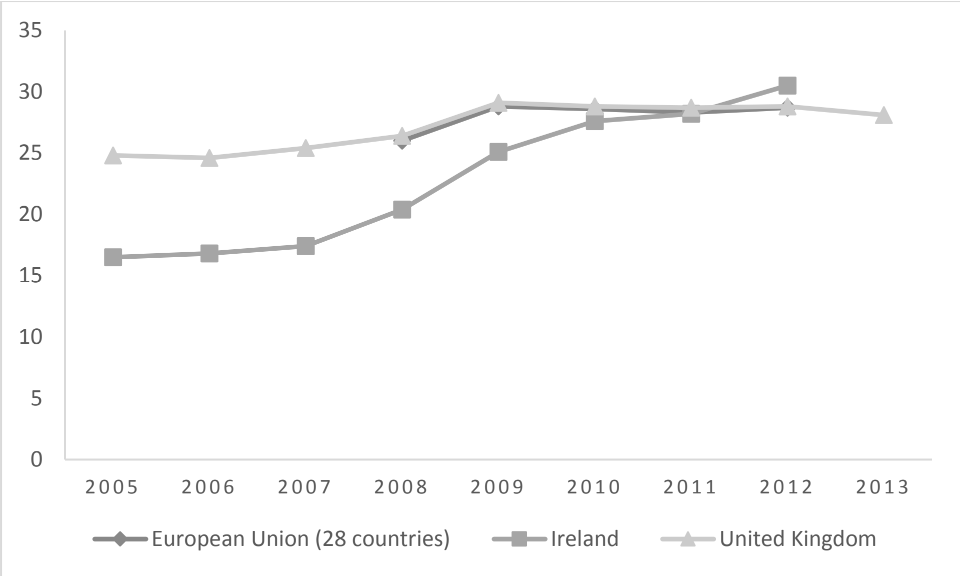
We proceed to address these questions by broadly tracking the typical characteristics of liberal welfare regimes outlined earlier. We first look at patterns of social expenditure, taxation and related policy reform. We then look at what might be deemed social investment policies and this is followed with an analysis of selected welfare outcomes. We end by analysing the main factors that help explain our findings and assessing how the two welfare states currently compare as the Anglo-Saxon welfare states of Europe.

Our analysis does not include the pension and healthcare systems in each country. It should be briefly noted that both pension systems conform quite closely to the liberal model: both countries have a multi-pillar system with flat rate state benefits combined with encouragement of supplementary private provision. Healthcare is a little different, with the UK having a universal system, but with increasing marketization and privatization. The Irish health care system never became fully universal; although a public system of hospital care is universal a substantial duplicate system of private health insurance exists and the system also stands out for being the only one in the EU which does not provide universal primary care (Thomson et al. 2014).

Social expenditure, social protection and taxation: reverting to type?

Ireland typically spends less on social protection than the UK, whilst in recent times the gap between the UK and the EU28 has been negligible (Figure 1). Recent trends in social protection expenditure in both countries have unsurprisingly been affected by the crisis, though to a larger extent in Ireland than in the UK. Moreover, in international rankings according to the wider measure of public expenditure both countries are now at the bottom of the league with spending levels similar to other liberal welfare states outside Europe like Australia, Canada, New Zealand or the US (IMF 2015). Forecasts by the IMF even estimate public spending in Ireland to be even lower than in the US by the end of the 2010s. However besides the caution which needs to be noted when using GDP as a denominator in the Irish case[i], overall trends in expenditure are a relatively blunt instrument in capturing the defining features of welfare states and how they are changing. Looking at other elements such as programme characteristics and benefit levels present a more complex picture of the nature of social expenditure in both countries.

Figure 1: Social protection expenditure (% GDP), UK, Ireland, and EU28



Source: Eurostat, accessed 7 January 2016

Since the late 1990s the social insurance principle has been significantly diminished in the UK due to restrictions on entitlement and generosity of social insurance benefits, the extension of means tested benefits and also private insurance (Erskine 1997). A greater fiscalization of social security also occurred with the introduction of a range of tax credits designed to encourage employment and subsidise low-paid employment (Clegg 2015). This 'reverting' to the liberal type of welfare characterized by low and often means tested benefits and the prime reliance on the market or private forms of welfare has since then continued. According to the OECD's social expenditure database, the share of private (voluntary and mandatory) social expenditure in the UK has increased from 3.6 per cent of GDP in 1980 to 6.2 per cent in 2011. In Ireland, the share of private social expenditure has only marginally increased from 1.3 to 1.9 per cent of GDP over the same time period and thus remains negligible. With regard to means testing however, the social protection systems in both countries have remained structurally similar with comparatively high levels of means testing (Table 1).

Table 1 Means tested expenditure as a share of total social protection expenditure, Ireland, the UK and EU28

	2005	2012	2012 ranking**
UK	15.47	14.73	3
Ireland	24.03	26.95	1
EU28	10.75*	10.59	

Source: Eurostat, accessed 29 October 2015

*EU27

** Descending order – '1' equals highest value

In Ireland the expansionary course of social security as identified by Daly and Yeates (2003) continued until 2008. As a result, and in reversal to historical trends, benefit generosity was significantly higher than in the UK. However, more recently a partial reverting to type and greater convergence with the UK is evident, although replacement rates are still higher in Ireland. Both countries' replacement rates are also, in most OECD tax-benefit models of different family types and earning levels, lower than the EU28 average[ii]. Recent Irish political discourse related to rate cuts attests to the continued relevance of territorial proximity and the demonstration effect between the two countries. Cuts to social security payments were framed by the Minister for Finance with reference to the idea that 'payments compare very well internationally, particularly with payments in Britain and Northern Ireland' (Lenihan 2009). Entitlement conditions to insurance payments were substantially tightened, bringing them more in line with the UK. Between 2008 and 2013 the duration of Jobseeker's Benefit in Ireland was reduced from between 15 and 12 months (depending on the number of contributions paid) to between nine and six months. This more closely aligns the system with the UK regime of a six month entitlement to contribution based Jobseeker's Allowance. Though cutting the deficit has been a major focus of governments in both countries, reforms have been more far reaching in the UK. Among the measures implemented by the UK Coalition government (2010-2015) were a reduction in tax credits, the introduction of an earnings threshold for the hitherto universal child benefit, various cuts to housing benefits (most controversially including a reduction in case of under occupancy, popularly known as the 'bedroom tax'), a change to the rules of benefit uprating, the tightening of rules for jobseekers, including increased conditionality also for lone parents and disabled people, the introduction of benefit caps and the abolition of various social support funds and grants. Notably, pensioners were largely exempted from the cuts and the basic state pension has even been protected by a 'triple lock', meaning that the rates will go up by the highest of earnings, inflation or 2.5 per cent. The savings to the benefit systems amounted to £16.7 billion (7 per cent of public spending) (Hood and Phillips 2015).

Although cuts and entitlement reforms have brought some elements of the Irish social protection system into closer alignment with the UK, in other respects reforms have been less drastic. Following reforms to the One Parent Family Payment, lone parents are effectively exempted from the condition of being available for work until their youngest child reaches 14, which is still far off the UK limit of five years. Also in contrast with the UK, as of yet no activation conditions apply to payments for people with disabilities. With respect to child benefit, despite relatively deep cuts, the universal nature of the payment was retained while a means test was introduced in the UK in 2013. Like the UK, state pension payments were protected from cuts, though both countries are in the process of raising the state pension age, to 67 years of age in the UK and 68 years of age in Ireland, by 2028. In Ireland's case this will be the oldest state pension age in Europe along with the Czech Republic (OECD 2015).

Forthcoming reforms indicate a prolonged period of austerity for the UK. The Conservative manifesto promised £12 billion welfare savings by 2017/18. After the 2015 general elections, the new majority Conservative government proclaimed their vision of a 'higher-wage, lower-tax, lower-welfare economy' (HM Treasury and Osborne 2015). The Chancellor of the Exchequer correspondingly announced in July 2015 a four year freeze on working age benefits and significant cuts to the tax credits system as well as a reduction in the overall benefits cap in addition to a number of other welfare cuts.

When it comes to taxation, both are low tax countries, though Ireland is more of an outlier, whilst the gap between the UK and the EU28 for revenue as a percentage of GDP is minor (Table 2). Both countries are distinct for their consistently low levels of social contributions, reflecting the weakness of the insurance principle in their social protection systems.

Table 2 Social contributions and total revenue (% GDP) UK, Ireland and EU28

		2005	2012	EU 28 ranking* 2012
Social contributions	UK Ireland EU28	6.6 4.7 10.8	6.7 4.4 11.1	25 27
Total	UK Ireland EU28	35.4 30.6 36.5	35.4 28 36.3	14 23

Source: Eurostat 2014.

* Descending order – '1' equals highest value

Taxation played a different role in each country's approach to austerity, though it appears that more recently both countries are on a similar trajectory of lowering taxes. This suggests a stronger shared reversion to type compared to the more complex picture on social protection. Given their similar political economy models this is also reflective of an element of tax competition between the two countries. Taken together with the impact of benefit reforms, budgetary changes became more clearly regressive in the UK after the election of the Coalition government (Browne and Elming 2015), whereas in Ireland a stronger regressive pattern is evident since 2015, coinciding with the easing of austerity (Keane et al. 2014). Besides early efforts by the Labour government in the UK to raise revenue when austerity began, under the subsequent coalition and Conservative governments the UK has pursued a strategy of tax decreases, e.g. reducing the top tax rate from 50 to 45 per cent. Under the subsequent majority Conservative government, in keeping with its 'lower-tax' vision, family homes (up to a value of £2m) will be exempted from inheritance tax. While the main rate of corporation tax has already been cut in 2010 from 28 per cent to 20 per cent, plans are in train to reduce it to 18 per cent in 2020 (HM Treasury and Osborne 2015).

Several cuts to taxes rates were made in Ireland by the early 2000s and an unstable reliance on consumption taxes followed during the economic boom with the extra revenue one of the principal drivers of expansion in social policy. Since 2009, income tax (via a new tax called the Universal Social Charge), VAT and capital tax rates were raised, and a property tax was introduced. However, Ireland's corporation tax rate of 12.5 per cent, the second lowest in the EU28, was left untouched. As the crisis abated, reducing the 'tax burden' is associated with economic recovery. Since 2015 income tax cuts are being made, including a reduction in the top rate of income tax from 41 to 40 per cent, and property tax rates have been reduced across a number of local authorities. While the extent to which political rhetoric becomes reality remains to be seen the current Taoiseach (leader of the government) has expressed a preference for further tax cuts as a form of competitiveness, referring to the UK as a rationale for changes: 'As the UK and other countries now seek to match Ireland's corporate tax rate, we must now secure the economic recovery by reducing tax rates on income' (Kenny cited in Kelly 2015). Maintaining low levels of taxation is thus a feature of both welfare states, however Irish political dynamics means that lower taxes are less likely to be coupled with lower welfare in political discourse compared to the UK, an issue we return to later.

The Anglo-Saxon take on social investment

Both countries have an uneven relationship with social investment and, at the same time, the nature of social investment policy in each country reflects some of the ways the concept and its implications are contested. Questions arise about what social investment means for the redistributive and protective functions of the welfare state and its ambiguous ideological heritage split between social democracy and liberalism (Morel et al. 2012). Such questions are particularly apposite in the UK context given the UK lineage of one branch of social investment's recent history which can be traced to Giddens's (1998) *The Third Way* and the type of policies pursued by New Labour to promote a more productivist welfare state. As mentioned these reforms were highlighted by Daly and Yeates (2003) in their appraisal of how UK social security was being transformed, while subsequently they were the basis for Van Kersbergen and Hemerijck's (2012 p.483) claim that the UK 'has been taking a new tack roughly in line with the social investment paradigm'. However in recent times such reforms have become the conduit by which more targeted and tougher policies have been implemented to the extent that any semblance of social investment in the UK is questionable. A more noticeable turn towards social investment is evident in Ireland, yet it is approached as a trade-off with 'passive' welfare or social protection which is typical of a liberal approach to social investment (Deeming and Smyth 2015), particularly in the area of family policy (Bothfield and Rouault 2015).

Looking at activation, the low level of ALMP expenditure is particularly marked in the UK case; a clear outlier in this regard. Ireland has seen a distinct increase in expenditure in recent years, ranking as one of the highest in the EU. However, measured in participant terms, Ireland falls below the EU28 average, while the UK still remains an outlier (Table 3).

Table 3: Active labour market policy indicators, Ireland, UK and EU28

	2005		2010		
	ALMPs per 100 wanting to work	ALMP expenditure % GDP	ALMPs per 100 wanting to work	ALMP expenditure % GDP	EU28** expenditure ranking
Ireland	34.8	0.469	22	.696	7
UK	1.8	0.047	1.5*	.075	26
EU28	n.a.	0.526	29.5*	.526	

Source: Eurostat, accessed 14 January 2016

*2009 data

** Descending order – '1' equals highest value

Characteristics of ALMPs in both countries indicate problematic elements bringing into question the 'flexicure' elements of activation as social investment. Especially for the UK the kind of ALMPs implemented are less of an upskilling and training focused social investment type, but focus on cheaper job search services. Berry (2014) found that the policy measures often overlap with cost reducing 'welfare to work' initiatives compelling the unemployed to accept low paid, low quality employment opportunities. Change in Ireland reflects both convergence and divergence with the UK. New programmes, reflecting a stronger emphasis on mutual obligations and work first models have been introduced while more socially inclusive ALMPs have been curtailed, meaning that in Ireland the reform of ALMP is also becoming a route to low paid work (Collins and Murphy, forthcoming). Though the Irish system has also become more punitive, with a strengthened sanctions regime, it still does not appear as punitive as the UK regime. The number of penalty rates applied to those in receipt of jobseeker payments has increased from a total of 359 in 2011 to 5,325 in 2014 (Dáil Debates 2015) against a total of 316,386 recipients of jobseeker's payments at the end of 2014. In the UK, sanction rates have risen sharply since 2010, and even more so since tighter conditions were introduced in late 2012. The Irish ratio of 1.7 per cent in 2014 compares to a jobseeker claimants/sanctions ratio in the UK of around 5 per cent on monthly average in the same year (own calculation based on ONS claimant count and DWP sanction figures). Also, Ireland introduced a new in-work benefit (Back to Work Family Dividend) payable to the unemployed returning to work. This represents a turn to 'making work pay' as a form of social investment reflective of recommodification, whilst at the same time contrasting with retrenchment of fiscal welfare for the working poor in the UK.

Looking at early years education, Table 4 shows that both Ireland and the UK have pursued this only half-heartedly. While the share of children in both age groups (under or over 3 years of age) attending formal childcare institutions part-time (between 1-29 hours per week) is higher than the EU average, the share of children attending full time (30 hours or more) is lower than the EU average for both age groups, particularly for younger children in the UK. The EU's Barcelona objectives to provide childcare to at least 90 per cent of children between 3 years old and the mandatory school age and at least 33 per cent of children under 3 years of age are missed in both countries (and the EU as a whole).

Table 4: Percentage of children in formal childcare by duration and age group, Ireland, UK and EU28, 2013

	Under 3 years		3 years to school age	
	Part-time	Full time	Part-time	Full time
Ireland	19	10	68	21
UK	26	4	50	21
EU28	13	14	35	47

Source: Eurostat, accessed 24 October 2015

In the UK less than 0.5 per cent of GDP is spent publicly each year on childcare support, including tax credit elements for working families with children and employer vouchers. Only part-time places for preschool children are funded publicly and the commercial sector is thus an important provider if full time childcare is sought, raising affordability and thus inequality issues given the relevance of formal early years education on later development. In Ireland even less is spent – 0.2 per cent of GDP. Substantial increases in child related income transfers, via Child Benefit and the introduction of an Early Childcare Supplement during Ireland's economic boom indicated that Ireland seemed to be shifting from a liberal to a conservative model of family policy (Ferragina and Seeleib-Kaiser 2015). The direction of that shift is currently in flux given the retrenchment of Child Benefit and the replacement of the Supplement with a free preschool year on a part-time basis in 2010 and extended from 2016 to all children once they reach three years of age. Besides this a highly targeted system of childcare subsidies exists in a sector, which like the UK, is dominated by private provision. Initiatives are also being planned to reduce the cost of childcare though it is likely these will remain targeted provisions and must be seen in the context of Ireland having the most costly childcare in the EU for most family scenarios[iii].

Labour market outcomes, income and wealth inequalities

Extending our comparative analysis to social policy related outcomes, in this section we look labour market outcomes, income and wealth inequalities. Overall employment rates are high in the UK and in 2014 the country was one of the few meeting the Europe 2020 target to have 75 per cent of the 20-64 year olds in employment (Table 3). Ireland, in contrast, has a much lower employment rate as it has not recovered yet from a surge in unemployment during the crisis.

Table 3: Selected employment rates, Ireland, the UK and EU28

	2007					2014				
	Total	Female	Part-time	Invol. p-t	Temp.	Total	Female	Part-time	Invol. p-t	Temp.
Ireland	73.8	64.5	17.9	10.9	8.5	67.0	61.2	23.0	41.4	9.3
UK	75.2	68.4	25.1	10.6	5.8	76.2	70.6	25.3	18.8	6.4
EU28	69.8	62.1	18.2	22.4	14.6	69.2	63.5	19.6	29.6	14.0

Source: Eurostat, accessed 9 October 2015

Notes: Total and female employment rates as percentage of population aged 20-64; part-time and temporary employment rates as percentage of total employment; involuntary part-time work as percentage of all part-time work

However, the overall employment rates need to be further contextualized. There is still a divide between male and female labour market participation, indicating that the traditional male breadwinner model has only been partially overcome in both countries. Furthermore, about a quarter of the population (mainly women) only works part-time. Some of the employment growth since the crisis has been due to an increase in (involuntary) part-time work. In the UK, there has also been a strong increase in self-employment (which is often not covered by social security schemes) predominantly at the lower end of the pay spectrum (Heins and Bennett, forthcoming).

Compared to the rest of the EU, the use of temporary work is below average in both Ireland and the UK which can be explained by the flexible working conditions that also regulate ‘permanent’ work contracts and that thus do not give many incentives for employers to recur to temporary employment contracts. Poverty among temporary workers (relative to permanent workers) is also less pronounced than in other countries (Van Lancker 2012) although it is still a problem due to the precariousness of these contracts and the generally high risk of in work poverty (at least in the UK, see Table 4). An additional problem is that the share of households with a low work intensity is high in both countries, particularly in Ireland. A recently publicly debated phenomenon both countries is the spread of so-called zero hours contracts. Official estimates of these contracts are low despite the attention they gained, but it has to be kept in mind that counting them is inherently difficult as employees might hold several of such precarious jobs but only the main job gets counted. While in work poverty at the beginning of the 2000s was predominantly discussed as a peculiar liberal welfare state problem (and within the European context was a very British problem), Table 4 shows that it has become much more widespread throughout Europe.

Income inequality is, as liberal regime typologies suggest, high in both countries when compared to Western Continental or the Northern European welfare states, but close to the EU27 average due to high levels of inequality also in many Southern and Central and Eastern European countries (as measured by the Gini coefficient).

Table 4: Selected labour market outcomes, Ireland, the UK and EU27

	2007		2014		
	Gini	At risk of in work poverty	Gini	At risk of in work poverty	Low work intensity
Ireland	31.3	5.0	30.7	4.7	21.0
UK	32.6	7.7	31.6	8.4	12.2
EU27	30.6	8.2	30.9	9.4	11.1

Source: Eurostat (EU-SILC)

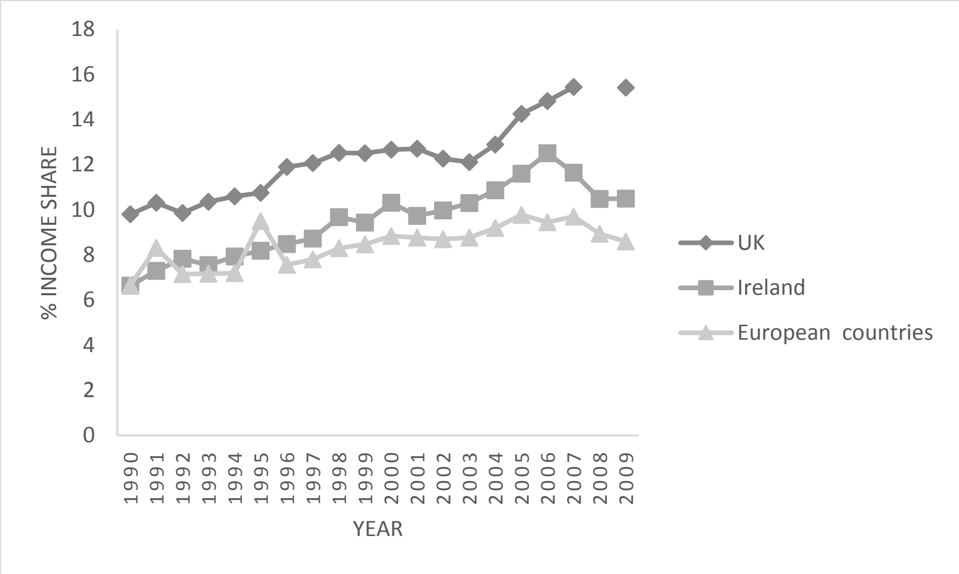
Notes: At risk of in work poverty figures for households with work intensity other than very low; no figures for low work intensity available before 2010 (measured as percentage of population less than 60 years)

One reason why the liberal welfare state is potentially more redistributive than one might intuitively expect in a residual system is the strong emphasis on targeting of low income groups

(Castles 2010). However, there are some caveats when comparing income inequalities as the seemingly stable ratio of income inequality masks over some important details. First, Gini – and even less so comparisons of bottom versus top income quintile ratios – is not sensitive to the inequality between the top 1 per cent and the famous 99 per cent but more sensitive to changes in incomes in the middle of the income distribution, which have been falling (Dorling 2014). The UK and Ireland are among a handful of countries where the at-risk-of-poverty rate fell between 2008 and 2013 because of falling median incomes (European Social Policy Network 2015). Yet it was at the very top - the 1 per cent and even more so the 0.1 per cent – where the strongest gain in incomes happened in the UK and in Ireland (Figure 2). This trend in income gains is similar to that in other liberal welfare states (OECD 2014).

Second, more pronounced than income inequalities are wealth inequalities, though calculations vary since wealth is inherently difficult to measure. According to the Wealth and Assets Survey of the Office for National Statistics, in 2010/12 the richest 10 per cent owned 44 per cent of total household wealth in Britain (ONS 2014). A similar share, 42.3 per cent, has been calculated for Ireland (O'Connor and Staunton 2015). The Credit Suisse Global Wealth Report calculates the wealth Gini coefficient for Ireland in 2010 as 58.9 and 71.7 by 2015. Change is less dramatic in the UK, decreasing from 71.1 in 2010 to 67.8 in 2015, but also much higher than for income inequality (Credit Suisse 2010; 2015).

Figure 2: Top 1% Income Share, UK, Ireland and selected European countries (1990-2009)



Source: World Top Incomes Database, accessed 27 October 2015.

European countries = average of Ireland, the UK, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Portugal, Spain, Sweden and Switzerland for each year data is available (data gaps in some countries).

The role of ideology, politics and support for the welfare state in the Anglo-Saxon model

Reflecting some continuities with Daly and Yeates' (2003) assessment of the role of ideology, the resilience of neoliberalism has played a significant role in policy changes in both countries in the intervening years, however the normative commitment to neoliberalism has been much stronger in the UK. Ideology has played a huge role in how the UK welfare state is being transformed and in how public support for the welfare state has evolved. The British public has largely endorsed reforms and cuts to the welfare state, with little support for higher taxes to increase spending on health, education and social benefits (falling from 63 per cent in 2002 to 37 per cent in 2014). Despite increasing poverty among working age people, only 30 per cent agree that the government should be spending more on welfare benefits. A large majority (73 percent) also support the government's benefits cap (Taylor-Gooby and Taylor 2015).

In line with arguments about the prevalence of negative stereotyping and pronounced 'deservingness' debates in liberal welfare states due to the selectivity of benefits (Albrekt Larsen 2013), public opinion trends in the UK reveal an increasingly negative view on working age benefits and their recipients. British Social Attitude Surveys found a clear hardening of views towards the unemployed over time and unemployment benefits are increasingly seen as too generous (Taylor-Gooby and Taylor, 2015).

Comparable welfare attitude surveys are not available for Ireland. The most recent source of comparative attitudinal data for both countries is the 2008 round of the European Social Survey. This showed that respondents in Ireland generally had a more favourable view of the role of welfare in relation to poverty and equality, yet a high proportion of respondents in both countries believed that welfare made people lazy. On the relationship of welfare with the economy, respondents in Ireland tended to think in more negative terms.

Table 5: Percentage agreeing or strongly agreeing that welfare and social benefits have particular effects

	Prevents poverty	Makes more equal society	Makes people lazy	Too much strain on the economy	Costs businesses too much in taxes and charges
Ireland	71.5	53.7	62.9	60	58.1
UK	57.3	41.6	65.9	51.9	51.3
EU average	54.7	47.6	38.1	35.3	40.4

Source: European Social Survey 2008.

In the UK contributing to harsh views on welfare are parts of the mass media which are obsessed with benefit ‘fraud’ despite the fact that official estimates do not show this to be a worrying issue (Baumberg et al. 2012). ‘Us’ versus ‘them’ discourses are promoted, fuelling a moral panic about the ‘deviance of the poor’ (Albrekt Larsen 2013) and.

Negative attitudes towards benefit claimants can also be observed in the public discourse led by politicians. At the Conservative Party Conference in 2012, the Chancellor of the Exchequer rhetorically stated: ‘Where is the fairness, we ask, for the shift-worker, leaving home in the dark hours of the early morning, who looks up at the closed blinds of their next door neighbour sleeping off a life on benefits?’ (Osborne 2012). The insinuation that claiming welfare benefits is a ‘lifestyle choice’ has been repeated since (see, e.g., HM Treasury and Osborne 2015). Such stereotyping and stigmatising views on welfare recipients are not only shared by other Conservative politicians, but also Labour Party candidates are eager to make clear that they are ‘not the party for people on benefits’ (Gentleman 2015).

Cuts typically used to be concentrated on those without a lobby and those marginalized in a majoritarian electoral system (Taylor-Gooby 2001), but tax credits, a policy tool copied from the US, are now under attack (Clegg 2015). The model now seems to be Australia (‘high wages, low welfare’, see Castles 2010). However, it is doubtful that the so called National Living Wage that has been presented as a compensation for the drastic cuts to tax credits, but really just is an increased minimum wage, will achieve this in the absence of strong industrial relations and the weakness of unions.

In Ireland there have been more limiting factors to radical change or even dismantling of the welfare state. However, shifts in some of these factors help account for how elements of the welfare state are changing and curbing its more divergent trajectory with the UK. Political structures and traditions mean that mainstream political parties compete on a pin head and often profess ambivalent policy ideas. Politics has been dominated by two centre right parties, and populism and clientelism have played a strong role in policy preferences, which are also shaped by the proportional representation electoral system. While neoliberal economics has also featured very strongly, both as a form of common sense and constraint, neoliberal political discourse tends to be more euphemistic (Phelan 2007). As a result the traditional subordination of social policy to the economy comfortably segued to the idea that high spending and taxes damage the economy; an idea that has become increasingly popular since the 1990s and is strongly reflected in public opinion as Table 5 suggests. The strength of neoliberal economic thinking also helps account for the fact that the role of the Troika in Irish policy making was not a disruption or redirection of the majority of policy preferences during the period of austerity though it did enable and hasten the implementation of reforms (Dukelow 2015). This is not to say that normative discourse is absent in Ireland though it generally tends to be less explicit. Overly negative comments, such as welfare as a lifestyle choice, are also articulated but are relatively rarer in Irish political discourse. Moreover, an indication that public attitudes towards welfare have hardened is the increase in the reporting of suspected fraud by the public which grew by 2,367 per cent between 2008 and 2013 (Fallon 2014). Yet, as in the UK, actual levels of fraud remain low.

A major recent change to Irish policy making is the fall of the corporatism in 2009, which in Daly and Yeates' view was central to what set Ireland on a path apart from the UK. Trade union leaders in particular came in for criticism as the crisis unfolded and, though contested, social partnership was strongly implicated in the idea that Ireland's problems were a result of excessive public expenditure. This represents another weakened bulwark against welfare retrenchment. Since the collapse of social partnership policy making has become even more centralized with the establishment of new institutions representing greater fiscalization of policy making. These include an Economic Management Council comprising key government ministries, a Department of Public Expenditure and Reform and an independent Fiscal Advisory Council.

These domestic institutional changes are mirrored by the introduction of tighter fiscal governance at European level and greater surveillance of national budgetary decision by European institutions, posing potentially serious constraints on social expenditure (de la Porte and Heins 2015). While the UK is not as strictly bound by any budgetary rules at EU level as Ireland is as a Eurozone member, the country imposed its own fiscal 'golden rule' in 1998 and pursued a strict austerity course since 2010 by presenting it discursively as being without alternative.

Another commonality and final point suggested as an explanation for why we have seen a greater onslaught on the two European Anglo-Saxon welfare states is the decline in the strength of trade unions and thus their ability to defend the welfare state. While a decrease in trade union membership is a general trend across Europe, it is important to bear in mind that the starting point in the two countries was already quite low, especially with regards to Britain. Closely connected to this trend is a general decline in manufacturing and conversely an increasing dominance of the financial service industries in both economies. In Ireland, trade union density declined from just under 40 per cent in the late 1990s to under 30 per cent in 2013. In the UK, the decline was from 30 per cent in 1999 to around 25 per cent in 2013[v]. Furthermore in the UK the weakening of trade unions can be seen in the curtailment of their rights of representation. Having already been marginalized in the Thatcher years, the most recent Trade Union Bill further raises the threshold for strike ballots and proposes other curtailments of trade union rights.

Conclusion

Our analysis points to two overall conclusions. The first relates to how the UK and Ireland compare as liberal or Anglo-Saxon welfare states in recent times and the second, which is more a point raised by the analysis rather than systematically explored, relates to how liberal welfare traits are becoming more widespread throughout Europe.

Overall our analysis shows that the UK has moved further down the road of a residual welfare state since the early 2000s. Former productivist and fiscal elements of the welfare state are being eroded and replaced with more punitive measures for the poor. Ireland is no longer on an expansionary course either and is therefore on less of a divergent track with the UK than was the case in the early 2000s. Both countries appear on the way to a lower tax and expenditure regime, however a mixed picture of convergence and divergence emerges when we consider changes qualitatively. Retrenchment is the overriding theme in the UK, whereas in Ireland some recalibration is occurring, mirroring the earlier productivist turn in the UK and retrenchment, in some cases, is not as deep. While both countries might be said to be reverting to the liberal type, the UK remains the more proto-typical. Ideology, and specifically neoliberalism in recent times, plays a large part in the UK's welfare trajectory. Differences in political culture and political traditions mean that ideology is not as overt as a driver of welfare change in Ireland, yet other recent changes in policy making, including the decline of corporatism, suggest a deepening of the influence of neoliberal ideas. Moreover in terms of Ireland's political economy model, the UK represents a benchmark when it comes to debates about how welfare, tax and regulation impact on the economy and its competitiveness.

It has to be acknowledged though that there is not only a reverting to type by these two liberal welfare states. As our comparative data have revealed other countries which do formally not belong to the liberal 'world of welfare' are also increasingly displaying typical liberal features such as increasing income inequality, flexible labour markets and less generous welfare benefits. Seen in this overall comparative trend, the liberal cluster becomes less distinctive despite both real empirical cases in Europe displaying the typical liberal features as strongly as probably never before since the institutionalization of the modern welfare state. The gloomy picture presented here might thus not only be characteristic of the Anglo-Saxon countries, but setting a trend that can be detected throughout Europe in the years to come.

[i] There is some debate about whether GDP or GNP is the better measurement of economic activity in Ireland. Unlike other European countries a sizeable gap exists between the two measurements, principally because of transfer pricing by trans-national companies to avail of the Irish corporate tax rate (Ó Riain 2014). In 2014 GNP was 14% less than GDP. Using GNP as the denominator for comparative purposes would show higher levels of expenditure and taxation, but the general pattern of similarity with the UK would in most cases be maintained.

[ii] See the OECD tax and benefits statistics for data on replacement rates, http://www.oecd.org/els/benefits-and-wages-statistics.htm.

[iii] See OECD measures of childcare costs and related work incentives www.oecd.org/els/soc/**Childcare**_2012_EN_20150320.xlsx

[V] See OECD.Stat Trade Unions Density, https://stats.oecd.org/Index.aspx?DataSetCode=UN_DEN, accessed 30 September 2015.

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