The Divisive Welfare State

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Abstract

An important tradition in social policy writing sees the welfare state as an agent of social cohesion against the conflicts of market capitalism. Social policy in the UK is now developing in a way that directly conflicts with this approach. This may signal the future direction of change in other countries, as crisis and slow growth limit available resources and governments become increasingly committed to neo-liberal and consolidation agenda. The 2010 Conservative-led Coalition and 2015 Conservative governments in the UK use social policy to exacerbate and embed social divisions as part of a project to achieve permanent cuts in welfare state spending without damaging their own electoral chances. This paper reviews the divisive welfare state policies in relation to taxation, benefits for working age people and for immigrants and between pensioners and non-pensioners because these groups cover much of welfare state activity and are currently salient in a way that gives the project political purchase. It goes on to argue that the divisions mask a further neo-liberal long-term project of reducing the proportion of national resources going to all recipients of social spending. In this sense we are all in it together.

Keywords: welfare state; retrenchment; pensions; UK; Conservative party; social cohesion, social divisions

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The welfare state and social cohesion

The welfare state has traditionally been seen as about social cohesion, mitigating the conflictual tendencies of market capitalist societies. Current development, exemplified in UK policies, use welfare to enhance divisions and exploit them to protect the electability of right-wing parties. This paper discusses this approach to the problem of achieving real cuts and making them permanent, using the UK example. A number of tactics have been pursued by the current government in this country: tax reform; attacking alternative power bases; focusing on unpopular groups such as trade unions, immigrants or short-term benefit claimers; exploiting the intergenerational divisions; and working with growing inequalities in wealth. While many of these changes have been analysed in considerable detail (for example Lupton et al 2016: Bochel and Powell, 2016) it has not been noted that the overall effect is to widen existing social divisions in order to facilitate and embed cut-backs in UK welfare state spending without damaging electability.

The social cohesion tradition is a major feature of political economy, political science and social policy accounts of the development of welfare states. In political economy, Polanyi analysed how industrialisation under free market liberalism reduced a whole range of things to commodities: items produced for sale. This included human labour and the products of the natural world, though these are patently produced by natural processes. The 'stark utopia' of free market liberalism required a counter-movement if it was not to exterminate humanity. Decommodification mitigated the power of the free market over people's lives. This contributed to the foundation of the modern welfare state (Polanyi, 1944, 3-5). Esping-Andersen (1990) takes up this theme in regime theory. Other writers expand the idea to include the commodification of nature as a problem of market society alongside the commodification of labour, for example Gough, who draws parallels between the capacity of the welfare state to confront the commodification of labour and the development of a social state to mitigate the environmental damage inflicted by commodification of nature (Gough 2014).

Other political economists follow Polanyi's original insights about the contradictory nature of welfare state capitalism. Offe (1984) discusses the interlinkages between economic structure, class interests and ideas both at level of elite paradigms of political economy and that of popular ideologies, so that capitalism finds the welfare state both a challenge (by endorsing state interventions against liberal market capitalism) and an essential means of sustaining that system (by legitimating it and mitigating destructive class pressures). Many writers, including Saville (1957) and O'Connor (1973) have discussed the legitimation function of social provision.

A political science tradition points to the role of the welfare state in containing class struggle: Baldwin argues that the success of the mature welfare state in industrial society rested on the reconciliation and coalition of class interests (1991). Goodin's *Political Theory of the Welfare State* (2008) lists political stability alongside autonomy and poverty alleviation as a key feature. Middle and working class groups recognise a common interest in the main state services that reinforces electoral support. This class coalition in turn advances middle and working class employment within the welfare state with strong interests in maintaining and expanding services as commentators closer to social policy from Tawney (1923) through Marshall (1963) to Crosland (1964) and Goodin and Le Grand (1987) have pointed out.

Challenges to social cohesion

More recent developments challenge the capacity of state welfare to support social cohesion. The Great Recession of 2007-8 and subsequent stagnation had a major effect on European welfare states: in the short term social spending increased as automatic regulators operated (Gough 2011), labour market support and job-creation was expanded (Martin 2015) and a number of governments with a degree of IMF coordination pursued stronger public investment programmes (OECD 2011). Spending in most cases then trended back toward previous levels, most swiftly in the case of Germany, more slowly for France, Italy and Sweden (Figure 1). The UK initially pursued broadly neo-Keynesian counter-cyclical investment but after 2010 the incoming Conservative-led coalition government imposed a retrenchment package designed to reduce spending permanently to a level close to that of the US (Taylor-Gooby 2012).

Most social policy commentators point out that the main regime differences between European welfare states persist (for example, Hemerijck 2014 85). However the commitment across

Europe to austerity and balanced budgets (summed up in the 2013 Treaty on *Stability, Coordination and Governance* which provides for legal enforcement in the Eurozone of a 0.5 per cent deficit cap, with comparable national level legislation in the UK) suggests a new overall approach to welfare spending. This perception is reinforced by two factors: first the stringent conditions attached to joint ECB/IMF/EU loan packages, including profound cuts in public spending and restructuring of the public sector, privatisation and tax reforms, most evident in Greece, and affecting Ireland, Italy, Spain and Portugal (Hay and Winncott 2012; Armingeon 2012; van Kersbergen and Vis 2014; Starke, Kaasch and van Hooren 2013); and second, the more recent EU instruments that require Eurozone governments to submit budgets for ECB comment and set up a mechanism for surveillance and enforcement of the Treaty (the Six-Pack and Two-Pack: EC 2013; de la Porte and Heins 2015).

Many factors lie behind the austerity response to the Great Recession. At the level of labour markets, the shift from manufacturing to service sector employment, the increasing dualisation of economies between secure insiders and precarious lower or obsolete-skilled outsiders and stricter international competition have profound effects on the capacity to finance high levels of provision, and require stricter labour discipline. Trade unions previously sustained by the dominance of manufacturing employment grow weaker as the service sector expands. At the social level, populations are ageing, imposing greater pressures on health care, pensions and disability benefit systems (OECD 2014 4). At the same time, the gender balance of the work-force is changing and women are demanding recognition of their industrial, civil and legal rights.

At the political level, the parties increasingly fragment as the class divisions of industrialism become less central, as interests fan out among more diverse populations by age, sexuality, ethnicity and region, and as governments find the political management of their economies harder in a globalised world. This challenge operates rather differently in first-past-the-post majoritarian Britain than in other European countries with more consensus-forming democracies, since the threshold of support for creating a new party with viable parliamentary representation is much higher.

These points about longer term pressures on the traditional integrative welfare state and the immediate impact of the crisis have been extensively discussed elsewhere (Lister et al, 2014; Pierson 2001; Scharpf and Schmidt 2001; Taylor-Gooby 2001). Here we note the impact on political cohesion, and the outcome for social policy; it is more difficult for governments in welfare states to manage social provision in such a way that long-term goals of social stability are served. One result is a shift towards a more neo-liberal politics, most evident in the abandonment of neo-Keynesianism and the commitment to balanced budgets at the level of the EU and in retrenchment policies in the UK, the US and other major economies.

Challenges to the social division project in the UK

If it is difficult to achieve cohesion through state welfare, it is also difficult to move towards an overt neo-liberalism that involves abandoning the welfare state. I have argued in a number of places (Taylor-Gooby 2011, 2012, 2013) that the UK Conservative Party seized on the opportunity that the crisis provided to pursue long term objectives of permanently shrinking the size of the welfare state and of advantaging their party supporters. However, these objectives are challenging, particularly so for this party, despite the fact that it dominated the

2010 Coalition and now forms the government. The party derives a disproportionate share of finance from a small number of very wealthy individuals able to donate £50,000 or more (40 per cent of total funding 2010-2013) and from business (38 per cent). By contrast, the main opposition party, Labour relies on Trade Union members' donations (50 per cent over the same period) and parliamentary funding (39 per cent) (BIJ 2011; Fact Check 2013). This means that the Conservative party has strong incentives to promote tax-cutting and retrenchment policies that advantage business and wealthy individuals. Nonetheless it needs the votes of a majority of the mass public. The difficulties in cutting well-established welfare state programmes that benefit substantial numbers of ordinary voters are well-recognised. Three are of most importance.

Firstly, an established social psychological principle holds that loss is felt more keenly than an equivalent gain: all things being equal it hurts more to lose an amount than it comforts to gain it (Kahneman and Tversky, 1979). It is intrinsically more difficult to cut back than to expand welfare.

Secondly, as Pierson (1994), Van Kersbergen and Vis (2015), Starke et al (2008) and others have pointed out that politicians typically avoid high profile welfare state cuts. In general the benefits (lower taxes) are diffused through the electorate or focused on small minorities (as in the case with tax cuts for the wealthy) while the pain is concentrated and felt more intensely. A particular group of claimers or service recipients lose what they currently get and are likely to protest, leading to a politics of blame avoidance (Weaver 1986). The current government has taken this route by blaming previous governments for over-spending which it claims necessitates cut-backs.

Thirdly, 'new politics' theories point to the increasing complexity of effective policy making, especially in relation to the welfare state, as interests fragment and achieve representation, and this requires negotiation and compromise (Bonoli, 2005). Bonoli and Natali (2012) argue that the welfare state is a particularly rich area for forming alliances and managing the new more fragmented politics. This makes politicians particularly reluctant to cut welfare spending.

The claim that retrenchment is particularly hard is further reinforced by previous experience. Analyses of the long-term trajectory of state spending in developed countries show an almost universal pattern: spending tends to stabilise until a severe shock (typically a war) raises it. It then re-stabilises at a higher level often with a gradual upward tendency. History is set against retrenchment. Attempts to slow or reverse the long-term trajectory of growth in state spending on various occasions through the 20th century met with failure (most notably the 1922 Geddes Axe, the 1931 Liberal government; the 1975 IMF loan; Thatcher in the 1980s, Major in the 1990s and Brown after the Crisis). All were restored within five years, with the exception of the late-1940s-early-1950s post-war cuts which took place at the same time as the modern welfare state was established (Taylor-Gooby 2012). This demonstrates the difficulty of not only achieving but also of embedding cuts. Only two countries are held up as examples of successfully achieving lasting cut-backs through deliberate public policy before the Great Recession: Canada in the 1990s and Australia in the 1980s (Starke et al 2013).

A number of commentators have pointed out that the welfare state currently faces major and cumulative challenges. Two arguments are important: first writers from O'Connor (1973), Gough (1979), to Hay and Winnicot (2013) and Streeck (2013) have argued that market capitalism faces real problems in maintaining a steady rate of accumulation in a democracy. During the past three decades, profits have rested increasingly on higher levels of public and private indebtedness so that returns to capital could exceed the declining rates of growth in the real economy. Debt was financialised in increasingly risky ways resulting in the Great Recession and in the enormous difficulties encountered in restoring satisfactory growth. From this perspective Europe has moved into an era of consolidation characterised by austerity, a move towards liberalism, retrenchment in social programmes and political disillusion, as mass publics become aware that governments are unable to deliver the improvements in living standards promised (Streeck 2015). Hafferts and Mehrtens examine developments in six economies with large pre-2007 surpluses (and thus room for manoeuvre) and show that even in these cases, the responses to the recession has been cuts in spending and tax cuts rather than social investment. This confirms the view that arguments about investment-led growth are failing to direct policy even in areas where circumstances are most favourable.

The issues discussed above apply to a lesser or greater extent across all developed welfare states. This paper focuses on the UK as an extreme case, but one which is likely to point to future policy directions for three reasons: the UK has a distinctive first-past-the-post electoral system, making it the most majoritarian democracy in Europe (Lijphart 2012). Thus issues of political compromise and cohesion have always been particularly difficult in this country, since diverse interests are marshalled thought the party system into opposing camps. This system is now under strain as nationalist movements in Scotland and, to lesser extent, Wales, challenge Westminster, and as distinctive and politically more extreme parties gain votes (OECD 2016; Fitzgibbon, Leruth and Startin 2017).

Secondly, the UK is the most liberal of European welfare states. National responses to the Great Recession and its aftermath across Europe subordinate social objectives to growth. UK experience indicates a direction which may become more influential elsewhere.

Thirdly, it has the most developed and largest financial sector in Europe, increasing the instability of the economy and again creating conditions for an exemplar of a debt-led crisis.

This paper argues that in the past the welfare state has been seen as centrally concerned with social cohesion in a divided and conflictual capitalist market society. Associated shifts in political economy and in democracy in developed welfare states make social cohesion harder to achieve, because governments are moving towards retrenchment and have less to offer and because electorates are more fragmented and political trust is in decline. One strategy is to use social policy in a divisive way to advantage key groups of supporters and to denigrate and stigmatise non-supporters. UK governments since 2010 have been particularly active in doing this, because they are liberal-leaning, operate in the polarising context of the Westminster constitutional framework and are dominated by anti-welfare groups.

We trace policy change in four areas: taxation, labour market and related policies, services for immigrants, and (the highest-spending component of the cohesive welfare state) old age pensions, to support the argument. These areas cover much of spending (the elderly) and revenue-raising, the high profile contemporary issues affecting welfare chauvinism and a long-established area of moralistic concern (the poor of working age).

In all these areas policy changes focus heavily on social divisions which are increasingly significant across class, income and generational divides, benefiting supporters of the Conservative party and singling out non-supporters for stigmatic treatment. They also have the effect of directing public attention downwards towards stigmatised outgroups and away from the unequal effect of policies in benefiting the already advantaged.

Divisive policy changes: Tax reform

The biggest change in tax has been the VAT increase from 17.5 to 20 per cent in 2010 (see Figure 2). This had the effect of shifting the tax burden downwards, since lower income people tend to spend more of their income on VAT-rated goods. At the same time income tax (which in general is more progressive) has been reduced by raising thresholds above the rate of inflation. This approach is particularly regressive since the increased basic threshold for the various rates of income tax has the knock-on effect (for higher income groups) of pushing less of their income over the thresholds for higher rates of tax. One result of the shift is that VAT has overtaken income tax as the major source of revenue. The reduction in income from corporation tax since the cuts in the 1973 and 1979 budgets and later in the 1980s and early 1990s has continued and taxes on business are now of little importance in UK revenue-raising.

The UK followed the countries examined by Haffert and Mehrtens (2013) in responding to the crisis through retrenchment and tax cuts. The net effect of these changes has been a shift in revenue raising away from the better-off towards those with lower incomes, and from business to individuals. It is surprising that income tax continues to bulk largest in people's perception of taxation as recorded in survey data (Taylor-Gooby 2015) so that the importance of VAT is largely masked and the shift in tax from rich to poor is not prominent in public discourse.

Labour market policies: trade unions, short-term benefits and activation

A series of labour market policies weaken labour. In relation to trade unions, these include the dilution of dismissal rights (lengthening the period of employment with the same employer required before rights are acquired from one to two years) in 2011; the introduction and escalation of fees for industrial tribunals from 2013 (cases taken to tribunals fell by 70 per cent in the first year of the new system); the dilution in 2014 of rights to preservation of conditions of employment when public sector workers are transferred to the private sector; and the provisions of the 2015 Trade Union Bill (currently under debate) which seeks to curtail rights to strike and picket, especially for core public sector workers, end payroll deductions for trade union subscriptions and end the political levy which is the main source of funding for the Labour Party.

Figure 3, drawing on OECD statistics, contrasts provisions which protect workers against dismissal in the UK with those in the other large EU economies. The UK has substantially lower rights and the effect of cut-backs in these rights since 2012 is apparent. The changes weaken workers and make them more docile as well as weakening the main opposition party. This fits with the objectives of the Conservative Party in government.

A further policy area which also exacerbates labour market divisions concerns benefits for low-paid and unemployed people. A large number of changes have been made to short-term and especially to means-tested benefits which have the effect of cutting public spending and weakening labour. In Polanyi's terms the effect is to increase commodification. The most important are: the changes to uprating short term benefits, the benefits cap, the limitations on housing benefit, the bedroom tax, the ending of a national system of council tax benefit, the introduction and cutting back of universal credit, the cuts in Tax Credit and the sanctions regime that affects as many as one in ten of unemployed claimers. Detailed accounts of the cut-backs are contained in two recent studies (Hills, De Agostini and Sutherland, 2016 and McKay and Rowlingson 2016)

These cuts are initially popular, especially the benefits cap and cuts to benefits for unemployed people. Table 1 from British Social Attitudes for 2014 shows that more than seventy percent of the population in every age and income group apart from the youngest support the cap, with older people who proportionately tend to vote Conservative, as is detailed below, even more likely to endorse the cap. It should be noted that the account of the cap as restricting benefits to a measure of average household income is misleading: a family getting benefits close to national average income level would, if in paid work, be entitled to extra benefits that would substantially raise their income. It should also be noted that most households (about 70 per cent) who receive short-term benefits have at least one member in paid work. The decline in class solidarity undermines support for provision for the low-waged and unemployed and there is more emphasis on desert justified by labour market contribution, as against need in the discourse about entitlement (Mau 2004; Baumberg et al 2012; van Oorschott 2000).

Popular feeling about unemployment benefits became markedly less sympathetic in the early 2000s and has remained so despite rises in unemployment, benefit cuts and growing labour market insecurity (see for example, Baumberg 2014; Figure 5). The impact has been to reverse the modest redistribution from better-off to worse-off people achieved by the Brown government from 2007 to 2010. However, falls in real wages not immediately reflected in benefits across most of the work force meant that relative poverty did not rise as much as it would otherwise have done from 2010 to 2013. After that inequalities in income reasserted themselves so that inequality at the end of the 2010-2015 government was roughly where it had been at the beginning and is now increasing rapidly (Figure 4).

Predictions for the period from 2015 to 2020 suggest that inequality will rise substantially, in the context of real cuts in state support for most households and real falls in disposable income, with small gains at the top (Browne and Hood, 2016). This is mainly due to income tax and means-tested benefit changes. Families with children are the big losers and pensioners are relatively well protected. The VAT hike in 2010 and the impact of public services on living standards are ignored in this analysis. It should also be noted that these figures are estimated before housing costs to facilitate projection. Since inequalities in housing costs mirror income and are growing the reality in terms of disposable income is likely to be even greater.

Activation policies intensify the stigmatic treatment of the poor. The 2010 and 2015 UK governments have developed existing activation/stigmatisation programmes in three ways: cuts in benefit rates and entitlement, a new and harsher sanctions regime and tougher requirements to find work. Up-rating for benefits for those of working age is now set at one per cent below CPI, an index of inflation that omits housing costs, currently the most rapidly rising item, so that over time benefits sink in value (Hills, 2015a). There have also been freezes in benefit uprating for particular benefits, most recently for all working-age benefits for two years from April 2016. The system of sanctions for non-compliance with increasingly onerous requirements for unemployed Job Seeker’s Allowance claimers has been progressively tightened since 2010 .It now denies some ten per cent of them full entitlement for periods between three months and a year (Oakley 2014: 17) and is the biggest single cause of applications to food banks (Trussell Trust 2016). Since 2010, the management of job-seeking has been outsourced via the Work Programme mainly to commercial providers with payment by results conditional on shifting claimers into paid jobs. The treatment of trade unions and of benefit claimers of working age points to a theme in government policy.

The current government pursues cuts through a strategy of focusing on existing conflicts and attacking the weaker side. The key long-term development at the level of industrialisation has been the transition to a post-industrial (for example Bell 1974) or post-Fordist (Jessop 2002) form of capitalism in which manufacturing employment declines and the more heterogeneous service sector becomes the most important provider of jobs. This change results from new technology and higher productivity at home, industrialisation elsewhere and expanding international trade and greater mobility of capital.

Manufacturing employment reached its peak in western Europe in the late 1970s and trade union membership peaked in the late 1950s in the US, and in the late 1970s in the UK at about 50 per cent, in 1991 in West Germany at 35 per cent, in the mid-1990s in Scandinavian countries at over 70 per cent and in the late 1990s in Southern European countries at just under 40 per cent (OECD 2015). Now trade union membership in the UK is about 25 per cent while in Germany it is 18 per cent in Sweden 66 per cent and in the US 10 per cent. The UK government takes an opportunity to weaken trade unions and the main opposition party.

It is interesting to note that in the area of gender divisions where voting is much less fragmented and where interests are intertwined in complex ways there has been no rolling back of rights against discrimination and in employment and some expansion of the free child care places scheme that supports women in paid work. What has been described as the ‘silent (r)evolution of family policy expansion’ continues (Ferragina, Seelieb-Kaiser and Spreckelsen 2015).

Immigration and welfare chauvinism

A further area where a vulnerable group is subject to attack concerns immigration. There is a well-established argument that immigration weakens solidarity (see Goodhart, 2004 and Alesina and Glaser 2004. Taylor-Gooby 2005 provides a review of the debate). Figure 6 shows how the level of net immigration into the UK was relatively stable between 1970 and the early 1990s. It increased between 1995 and 2004 as the number of immigrants increased much faster than that of emigrants. There was then net stability until about 2013 when immigration again increased sharply and has continued to do so.

Immigration is mainly driven by wars and unrest elsewhere in the world, and by the opening up of the UK labour market to an expanding EU. Most academic commentators see the effect of the movement of people as broadly positive in line with comparative advantage theory (for a summary of the debate, see Migration Observatory 2015). However the mass public view immigration with suspicion and fear competition for jobs, housing and education opportunities, with welfare chauvinist attitudes increasingly influential. One result is that overall very nearly half those interviewed in the British Social Attitudes survey in 2015 thought that immigrants from outside the EU should only be entitled to benefits for up to one month maximum and a substantial proportion (38 per cent) thought that the same should apply to immigrants from EU countries (see Table 2).

The government has followed this line in attitudes most notably in its 2010 and 2015 pledge to reduce net immigration from the hundreds to the tens of thousands, and in the current renegotiation of the terms of UK membership which seeks to restrict EU immigrants' rights to most benefits until they have been resident for four years or more (BBC 2016). Whether the strong possibility that this will be the outcome will impact on the UK's European membership referendum in June 2016 is at present unclear.

Intergenerational divisions

As many commentators have remarked, pensioners have been protected from austerity while younger people have been hardest hit by welfare state changes and by wage falls and slow recovery (see for example McKay and Rowlingson 2016). The state reinforces rather than compensates changes in the market, thus strengthening tensions rather than pursuing cohesion. This is reflected in a divergence of state spending on pensioners and people of working age. This is a matter of interest. After all older people will constitute the biggest source of pressure on future welfare state spending (see for example Ecofin 2012). One might not expect a government committed to a neo-liberal project of shrinking the state to avoid measures that differentially protect the group most likely to exert pressures that make that project harder.

Figure 7, drawn from the official analysis of the impact of policy changes (DWP 2015) shows how public spending on benefits for pensioners and non-pensioners has developed since the crisis in real terms, and projects the impact over the life of the current government. Spending on pensioners has steadily increased and is set to reach a plateau. Spending on other groups rises after the recession and then starts to decline as the cuts enacted by the 2010 government take effect after 2012/13. The projections show that spending for non-pensioners is set on a downward trajectory. In 2007/8 spending on families of working age and children was equivalent to 52 per cent of pensioner spending. By 2020/21 it will have fallen to 42 per cent.

The graph takes a number of relevant factors into account. The definition of pensioner benefits includes: basic pension, new pension, pension credit winter fuel bus passes, Christmas Bonus, housing allowances and Disability Living Allowance. Non-pensioner benefits include all benefits to non-pensioners including those paid to in work households. Council tax benefits are not included due to the abolition of the national scheme under the 2010-15 Coalition.

The graph also takes into account the revisions to pension age resulting from the equalling up of women's retirement age under the1995 Act and the acceleration of this process and raising of retirement ages for men and women under the 2011 Act. This is the most important factor in explanation of why spending on the pensioner group does not increase despite the increase in the older population. A further factor here is the cut-backs in benefits apart from the state pension that go mainly or entirely to this groups, most importantly Disability Living Allowance and Attendance Allowance, and to some extent Housing Benefits.

It should be noted that the calculation refers to cash benefits and does not cover the impact of services in kind on older and younger people. While the health service and schooling have been to a considerable extent protected, social housing and personal social services in particular have been cut, severely damaging both groups (IFS 2015, Figure 7.3).

While there are real cuts in benefits for both groups and further cuts are in train, Figure 7 reflects the generally agreed view that the triple lock of uprating by earnings or prices indices or a set amount has protected pensioners in a way that claimers of other benefits who have no such protection have not enjoyed. Government policy has exacerbated divisions between older and younger people and is set to make the gap wider in the future.

Age, Voting and Universal Cuts.

Age is one of the key markers of party support in the UK and this explains relative government generosity towards older people. Further analysis of voting behaviour using the IPSOS-Mori combined dataset indicates that the existing age divisions in political support have become much more marked in recent years: over 65s were one fifth more likely to vote Conservative than Labour in 2005 (Ipsos-Mori 2015). In 2010 they were twice as likely. Under 25s are half as much more likely to vote Labour as Conservative in 2005 but for this group there is little change in the ratio, so the age effect has been dramatically enhanced (Figure 8). The dataset used draws together all the responses in a series of surveys over the campaign period and is considered a good guide to how people actually vote. The voting statistics show why it makes sense for the Conservative government to convince the electorate that it is and will protect and enhance support for this key group of Conservative voters.

The age effect is exacerbated by the fact that the over 65s are in both elections roughly twice as likely to turn out and vote compared with younger voters. Figure 9 gives voting weighted by turnout for the oldest and youngest groups. This shows that the Conservative party is more than three times as likely to draw effective support from old as from young people by the end of the period covered in 2015 while Labour draw roughly equal voting impact from old and young. This provides a simple explanation of Conservative policies favouring older people and of the use of welfare state policy to enhance rather than resolve an existing division in attitudes.

Three further points should be born in mind in relation to age policy and the divisive welfare state, concerning wealth, spending on public services which do not enjoy ring-fenced budgets and population and GDP growth. First wealth. Hills and Stewart examine existing data on the impact of the crisis on wealth distribution and show that in absolute terms and in relation to incomes wealth rose much more for those at the top than for those at the bottom between 2006 and 2012: ‘an increase of 4.7 years of average income for those in the 90th percentile as compared with less than two months for those at the tenth percentile’ (Hills and Stewart 2016, p 264). The result was that the wealthy survived the pain of the crisis with their fortunes relatively unscathed. Those at the bottom, for whom market incomes and benefits are far more important, suffered real losses. Hills and his colleague: ‘to those who placed the responsibility for the crash and the subsequent recession at the doors of wealthy and irresponsible investors…it may appear as a sharp injustice.’ (Hills and Stewart 2016 264).

The analysis goes on to consider intergenerational divides in wealth that have been exacerbated across the population by the weakening of the occupational pensions available to most of the middle class and by the fall in owner-occupation after 2007. Hills points out that the median 60 year old had wealth (including housing and pension rights) of some £425 thousand pounds in 2012, while for a thirty year old, the equivalent figure was sixty thousand pounds. To achieve the wealth levels of the current older generation the thirty-year old would have to save some thirty-three pounds a day, which is more or less impossible (Hills, Cunliffe and Oboloskaya, 2016, 287-8).

Most people are going to have less wealth in the future. That is to talk of medians. From the point of view of distributions, Hills points out that the top and bottom decile ratio for 55-64 year olds is 48 to one. For 25-34 year olds it is 61 to one. It is difficult to see a process that will promote greater equality in wealth holdings over time. Indeed as occupational pensions decline further and owner occupation becomes steadily more difficult to attain, inequality both inter-generationally and between better and worse off groups is likely to grow greater. The net effect is to exacerbate the divisions that lie behind the welfare state policies discussed above. This underlines the importance of moving towards policies that mitigate rather than exaggerate such differences.

The second point concerns public services. Here it should be noted that there have been very large cuts in spending in kind on older people, particularly by local government. The number of older people getting local authority commissioned care fell by a third, from 1.2 to 0.8 million between 2008/9 and 2013/14 although the older population was growing over the period (Burchardt et al 2016). Burkhardt and her colleagues also note that a measure of growth in population-adjusted local authority spending on those over 65 years old fell by about half between 2008/9 and 2013-14. Despite the roughly horizontal trend from 2013 onwards in real-terms spending on benefits for older people shown in Figure 7, other areas of state spending on this group are being cut back.

The third point takes into account population growth, change in GDP and changes in benefits, looking forward and projecting Figure 7 on the basis of government plans. If we confine our attention simply to cash benefits (basic pension, new pension, pension credit, winter fuel, bus passes and the Christmas bonus) spending on pensioners is projected to fall from 5.5 to 5 per cent of GDP between 2014 and 2020 (see Figure 10 which shows projected spending on pensioners as a percentage of GDP). This is partly due to the changes in entitlement age mentioned earlier and partly due to projections that GDP will rise faster than earnings or prices in the future. The assumption of government planning is that national resources will grow faster than the incomes. The blunt truth is that government policy presumes that most people will not share the increase in national prosperity. This is a powerful illustration of the shift away from the view that the welfare state needs to reconcile differences and build cohesiveness. It reflects the weakening of the bargaining power of labour achieved by the trade union and short-term benefit policies discussed earlier.

If we include housing benefits and Attendance Allowance and Disability Living Allowance in the calculation of benefits available to pensioners, the percentages are greater but the pattern of a fall is the same: from 6.5 to 5.7 per cent (PPI, 2016). The slightly more rapid rate of decline is due to the cuts in these benefits and especially disability benefits announced in the 2016 Budget. At the time of writing the future of the disability cuts is uncertain. The cuts may be deferred following their rejection by back-bench Conservatives. The government has said it will not purse some of them, but has not said how it will make the savings in the welfare budget that are still included in its plans.

This takes us to a further aspect of intergenerational division: one perspective is that the UK government is seeking to cut the welfare state and that its cuts are focused very much on particular groups and needs that are not supported by the mass of the public: unemployed people, claimers of working age and immigrants. There is evidence from public opinion surveys and from studies of the incidence of cuts to support this view. Similarly the government seeks to weaken trade unions which are in decline and uses the opportunity to weaken Labour the main opposition party.

This view is often linked to the assumption that government is supporting the pensioners who are more likely to vote for it. There is considerable evidence of support for the Conservative party from pensioners and this support has risen sharply in recent years. It is also true and very widely accepted that the relative protection of pensions and the stringent cuts in benefits for non-pensioners are one of the most striking features of the 2010 and 2015 governments' social policies. However this perspective may not pay sufficient attention to the impact of cuts on other benefits claimed by pensioners. It may also fail to take account of the fact that the triple lock will not keep pensions up to the level of GDP growth, because earnings and prices are not expected to parallel that growth

Conclusion

Welfare states have always been seen as about social cohesion. Across Europe governments face the challenge of stagnant growth and in responses retrenchment has tended to predominate over resilience and consolidation rather than tax increases are the main policy directions. The UK is a particularly interesting example due to its distinctive majoritarian democracy, anti-welfare government and the way in which divisive trends in policy and political attitudes have been exploited to advantage government supporters so that pro-cuts parties can get elected while damaging the system of social provision.

The current UK government faces the problem that it is committed to cutting welfare spending and that most financial support for the party of government comes from rich minorities and from business. Welfare retrenchment is difficult in a democracy, as many writers have pointed out. The government is pursuing its policy goals using a number of tactics which include: direct attacks on the funding base of the main opposition party, reduction in the rights of workers and in benefits available to them, cuts in unpopular, direct and progressive taxes and increases in the less visible regressive taxes, cuts and a more stringent regime for short-term benefits available to those out of work and of working age made possible by the stigma attached to these benefits, attacks on benefits available to immigrants, and exploitation of age-divisions which are of growing importance. In fact, despite increases in headline state pension rates, public spending on pensions as a share of GDP is set to decline and other state spending on older people is being cut very sharply. Nevertheless the salience of age divisions in social spending, summed up in the 'triple lock' and the 'benefit cap', is associated with an increase in Conservative voting by older people.

The government is seeking to change the direction of the welfare state in the UK from an engine of social cohesion to one of social division in order to implement difficult policies by favouring supportive groups and directing cuts to non-supporters. It is exploiting and exacerbating existing divisions to do so, perhaps most importantly age divisions. Government policies certainly visit much harsher cuts on younger people than on older people, working with the existing division of interest and of resources between the two groups. However, as part of the overall project of cutting the UK welfare state radically and achieving the goal of embedding those cuts permanently, the government will also cut back, to a lesser extent, on social spending on pensioners as a whole. The government plans to direct a declining proportion of national wealth to spending on both pensioners and non-pensioners. From this perspective, we are all, as the UK prime minister repeatedly puts it, in it together.

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Figure 1: Public Spending as % GDP 2000-2014 (predicted)-2020 (IMF WEO Database)

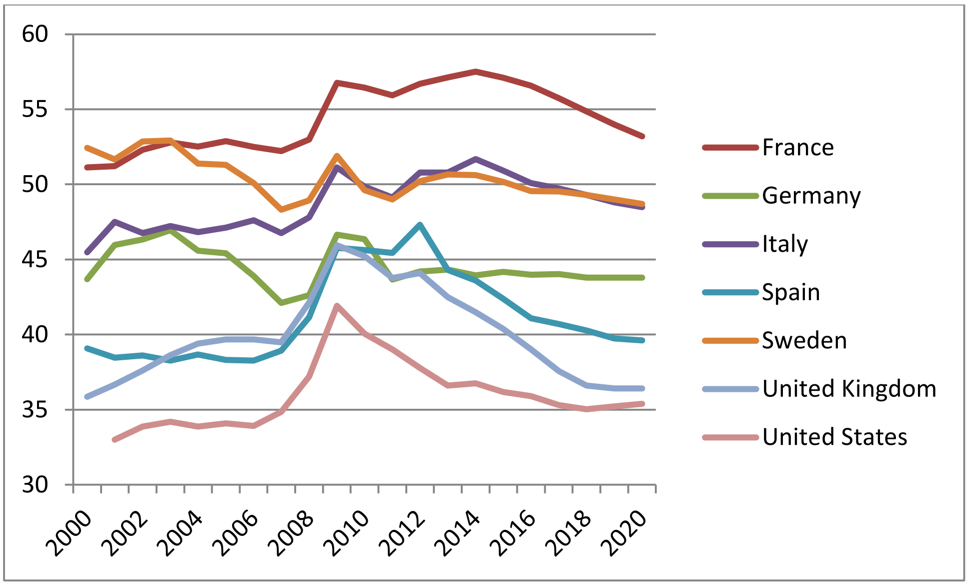

Figure 2: Revenue as % GDP: the rise of VAT, and fall of corporation taxes (OECD statistics)

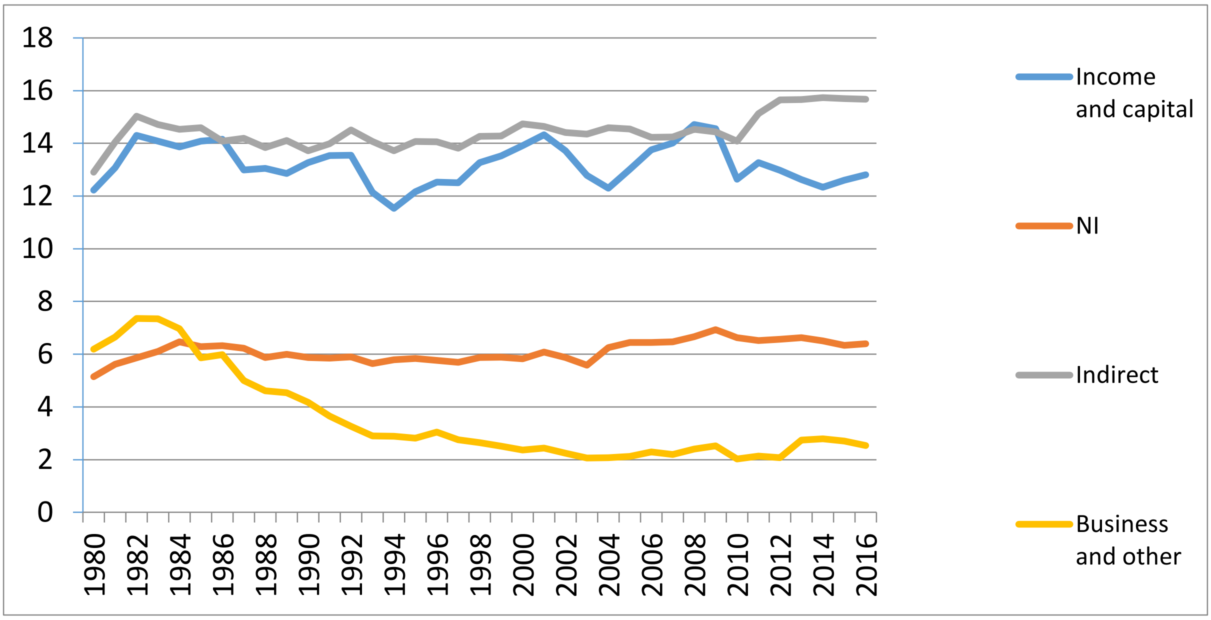

Figure 3: Employment Protection Index (version 2) OECD Statistics

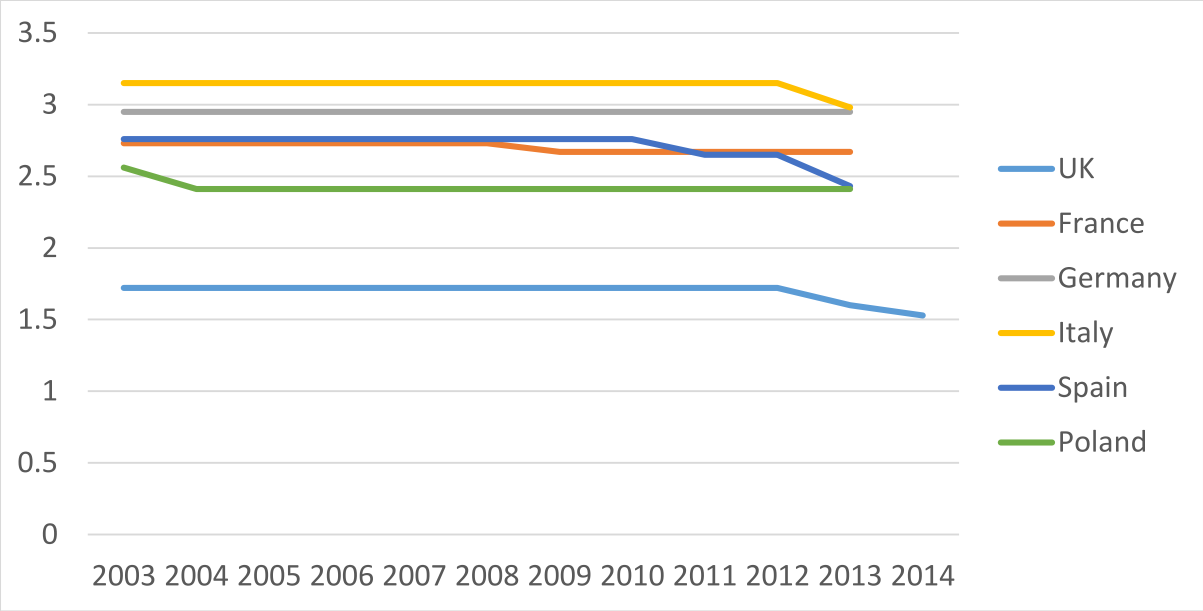

Figure 4: Relative Poverty Before Housing Costs: Browne and Hood 2016.

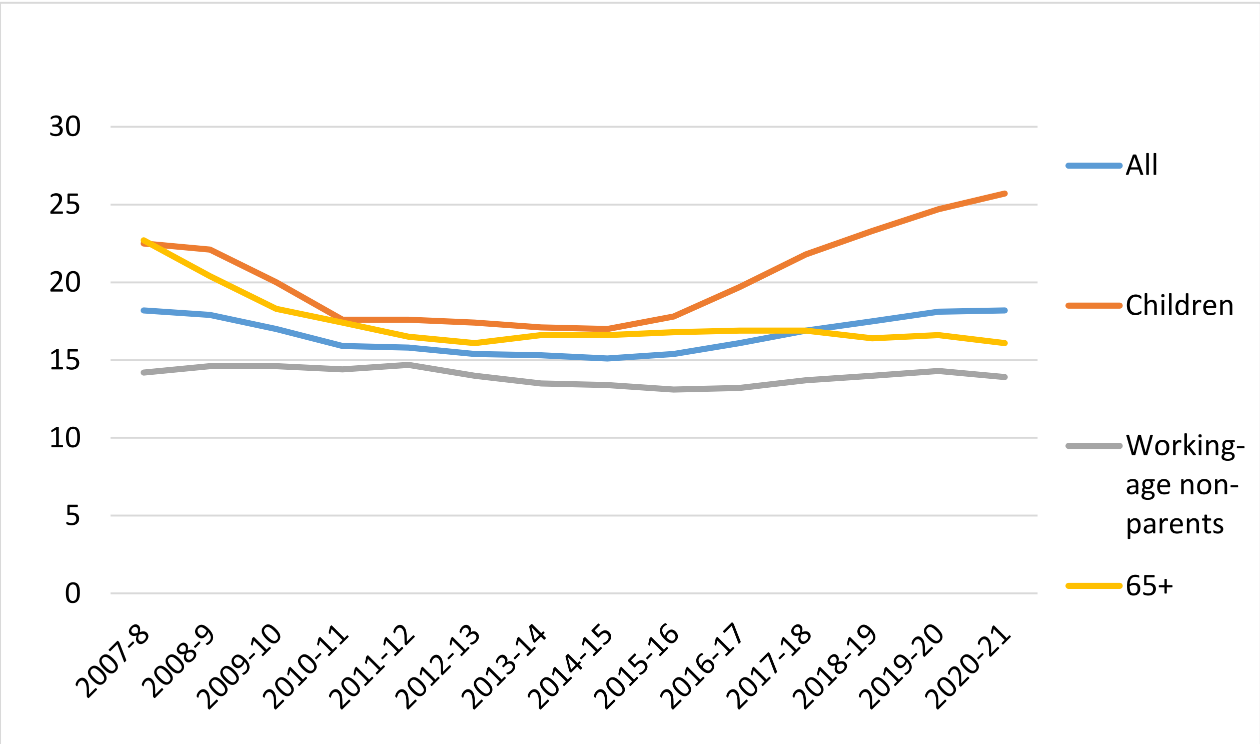

Figure 5: Perceptions of the Impact of Unemployment Benefits, 1983-2014, BSA

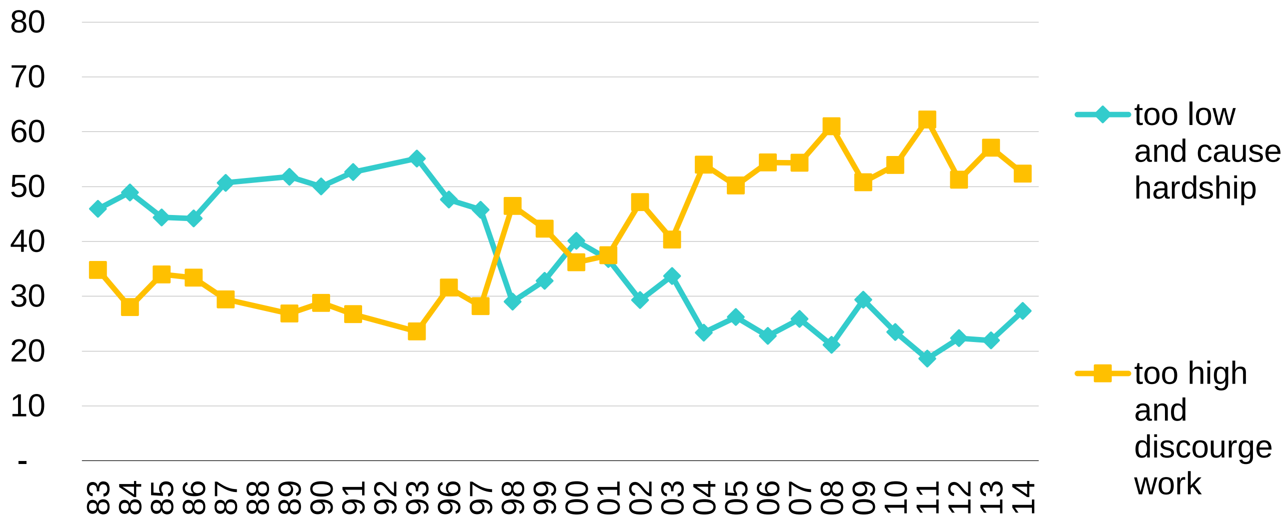

Figure 6: Immigration and Emigration, UK Statistics (International Passenger Survey, ONS)

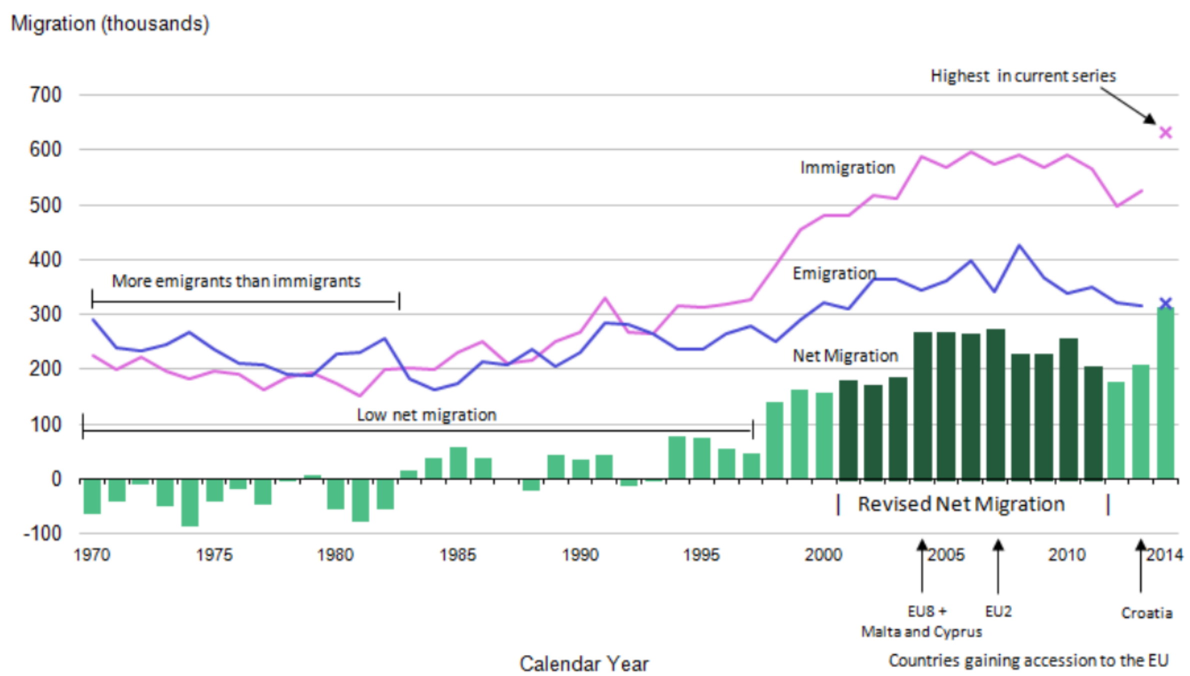

Figure 7: Pensioner and Non-pensioner benefit Spending £bn 2015/16 prices (DWP 2015)

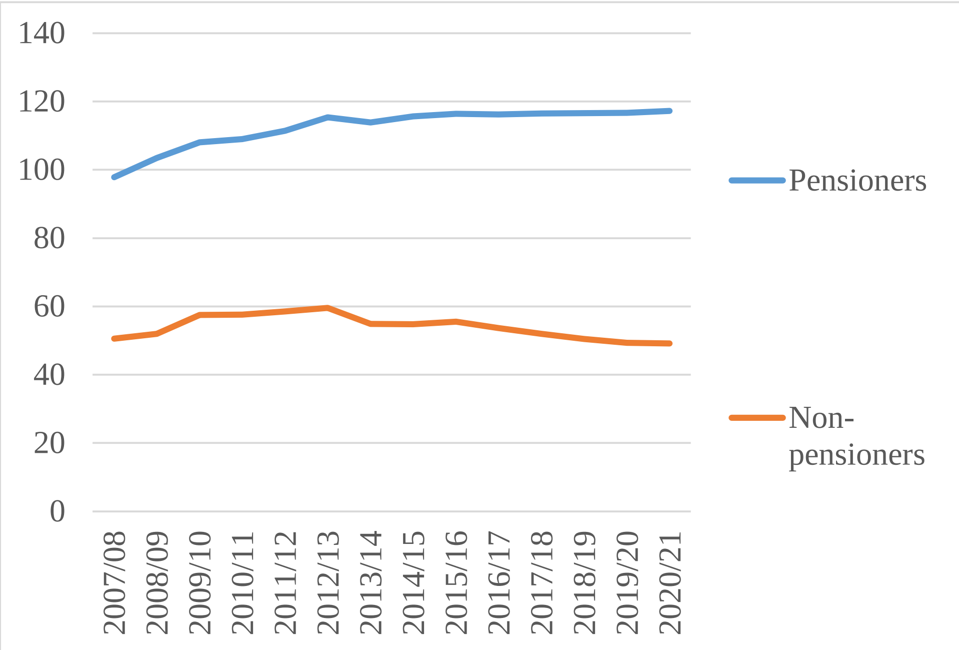

Figure 8: Conservative and Labour Voting Support by Age, General Elections 2005 to 2015 (IPSOS-MORI)

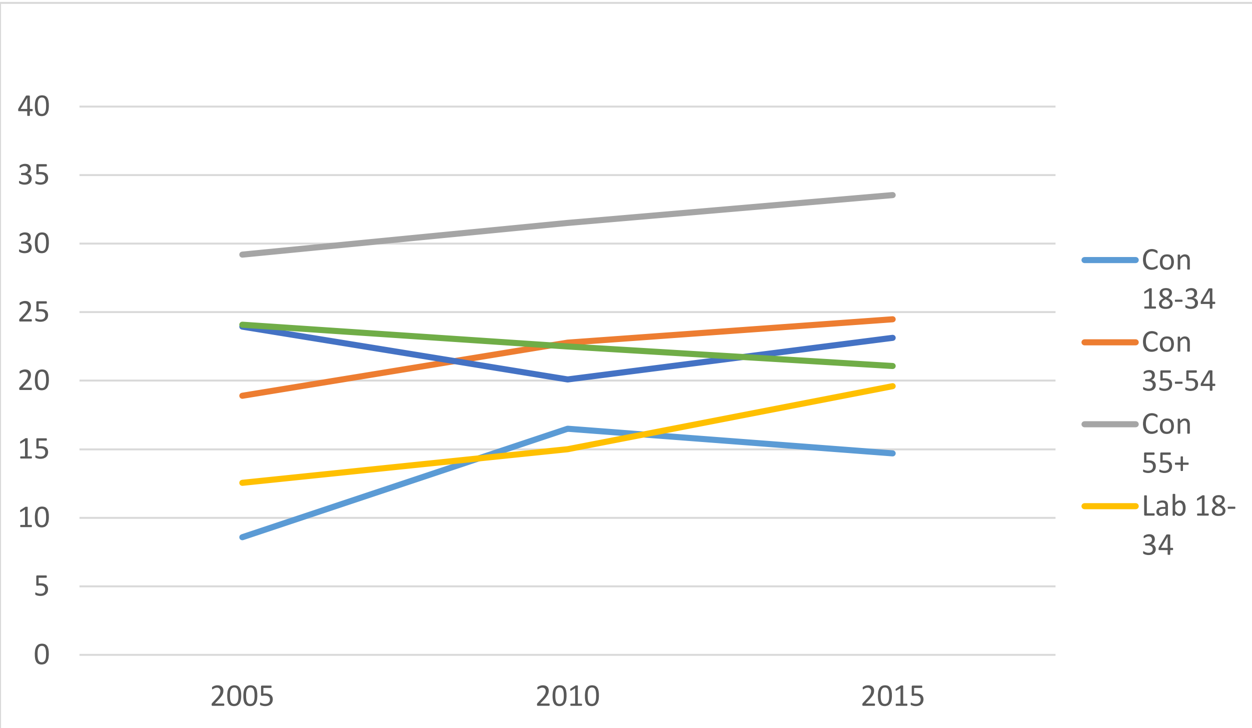

Figure 9: Conservative and Labour Voting among 65+ and 18-24 year olds weighted by Turnout (IPSOS-MORI)

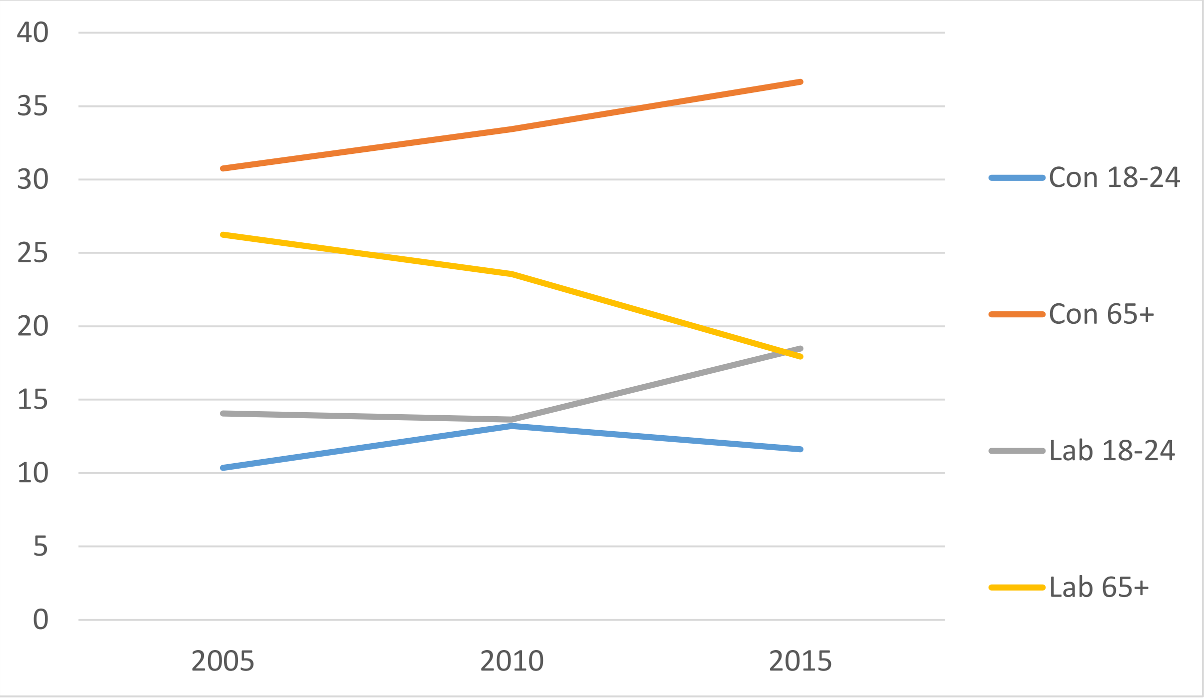

Figure 10: Pensioner benefits without and including Disabled and Housing Benefits received by pensioners (2015-2020: PP1)

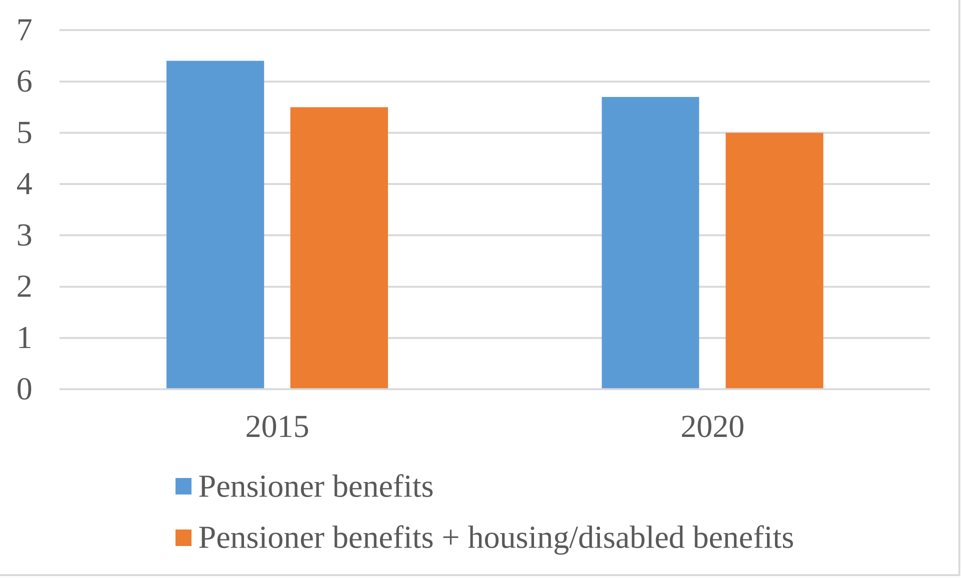

Table 1: Attitudes to the benefits cap, by income group and age (BSA 2015)

	Households should receive all the benefits they are eligible for	No household should receive more in benefits than the national average hhld income
Age	%	%
18–34	35	63
35–54	25	73
55–64	15	84
65+	16	82
Household income quartile	%	%
Lowest quartile	27	70
2nd quartile	22	77
3rd quartile	23	76
Highest quartile	23	76
Total	25	73

Table 2: How long should migrants be eligible for benefits? by age and income (BSA 2015)

	Migrants from outside EU should have access to benefits…		Migrants from within EU should have access to benefits…	
	Up to 6 months+	Never / up to 1 month	Up to 6 months+	Never / up to 1 month
Age	%	%	%	%
18–34	63	36	70	29
35–54	52	48	63	37

55–64	40	58	48	50
65+	43	54	53	45
Household income quartile	%	%	%	%
Lowest quartile	50	48	61	38
2nd quartile	50	49	58	41
3rd quartile	50	49	58	41
Highest quartile	52	48	63	36
Total	51	47	61	38