# All change in the UK's welfare state? First thoughts on what policy commitments should go, and which should not

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*In advance of the Comprehensive Spending Review announcements coming this Wednesday, it is already clear that the UK's welfare state faces a seismic shift at a scale unseen since the late 1940s.* We asked a range of LSE experts *to give us some first thoughts on policy areas that are already in play – with more to come as the impacts of the spending cuts becomes clearer.*


***Miliband's discourse must be about welfare aspirations, not just opposition to cuts***

***Charlie Beckett*** *looks at what Ed Miliband's 'narrative' should be over the government's cuts programme.*

*The easy ground for Ed Miliband to occupy would be on the unionised, oppositionalist left that "fights the cuts" and blindly protects public sector interests. Ideologically, that left is remarkably sterile and introverted. The threat of an attack on the underlying principles of the post-war welfare state has given it fresh energy within the Labour Party but after decades of exile it has completely failed to capture the wider public attention. In the midst of capitalism's greatest crisis for nearly a century it has not dented the debate.*

*During his campaign Ed Miliband appeared to be cozying up to that constituency. It was union members, not MPs or party members, that gave him his majority. However, his first leadership speech and subsequent refusal to condemn outright the Conservative benefit cuts indicates that he is not remotely interested in going down that blind alley.*

*Instead, that speech suggested he wants to build a new alliance around liberal politics of identity. Family, work-life balance, values, community, environment were all cited as he appeared to endorse Richard Layard's political economy of happiness. This attempt at an emotionally literate political language chimes with a much more diverse, individualistic contemporary politics where voters respond to issues of identity, values and character as much as ideology. He is right to attempt a political discourse that reflects the diversity of the society with which it is trying engage. It is a human-centred formulation of politics that gives him some novel political space. However, no British political leader has been able to build a convincing national narrative without addressing core economic concerns.*

*Miliband's narrative must return to reinvent the Blairite reform project around citizenship and the state. His story of a post-deficit Britain must provide an alternative to privatisation that encompasses choice, aspiration and diversity but within a mutualised, more egalitarian framework. The appointment of Alan Johnson as shadow chancellor is a significant step in that direction.*

*Ed Miliband appears to have fashioned a political version of Keat's Negative Capability: the capacity for accepting uncertainty and the unresolved. He is a protean being who can adapt to his environment. This may be his greatest strength. He is in opposition. He can allow a discourse to evolve that enables him to attack the Coalition while simultaneously rebuilding a coherent story for the next election. Tactically, the last thing he needs to do is draw lines in the sand. But he must have a strategic direction that promises fiscal rectitude, sustainable growth and fairness.*

*This section first appeared in* *Policy Network* *on 14 October.*

***The coalition programme of cuts and downsizing of the state is not inevitable: but we need to rebuild the discourse to re-legitimate the welfare society***

*[**Bart Cammaerts**](#) interrogates the coalition's reforms and finds a lack of public discourse on their necessity and on possible alternatives.*

*The welfare society was (is?) a collective endeavour and required years of planning and decades of struggle by different groups of citizens across the country; struggles for universal healthcare, for free quality education at the point of use, for the right to strike, for a diverse socio-economic fabric in cities, for support to mothers, children, the elderly, the disabled, the sick and the unemployed. One of the corner stones of a welfare society is precisely a delicate balance between universality and specificity, between collective benefits to which everybody is entitled and benefits that depend on individual circumstances and hardship.*

*The Government's current plans to socially cleanse inner-cities, to formally institutionalise a desolidarisation of the middle class and families from the welfare system as a whole, to stigmatise the poor and unemployed as benefit scroungers and to limit their social benefits at a time when unemployment will be rising because of the cuts of the Government and when there is no sign of net job-creation, represents a paradigmatic shift in approach and policy with regard to social welfare and should be recognised as well as exposed as such.*

*Up until now, the Government has managed to justify these 'radical' changes by virtue of necessity and by blaming Labour's irresponsible policies which have led to a drastic increase in public debt. What is startling about this is that there seems to a general amnesia regarding the causes of this substantial increase in public debt, which is mainly the result of saving the financial sector and by extension capitalism as well as dealing with the recession that ensued afterwards. In other words, the efforts of states and taxpayers to bail out capitalism are now being abused by the Conservative/Liberal Democrat coalition to down-size the welfare system in this country, raise tuition fees, justify deep almost across the board cuts in public spending and whatever else awaits us in a few weeks time. Why does nobody in the mainstream public debate dare to put it in these blatantly obvious terms?*

*What is most worrying here is that this proposed onslaught on the UK social welfare system as well as other cuts in public spending are presented as unavoidable, as if there are no other alternatives. Why doesn't anybody for example suggest that raising the minimum wage to a decent level compared to other European countries is another and maybe fairer way of making sure that those who work earn more than those on benefits?*

*I would argue it is our task as public intellectuals and certainly as LSE academics to critique and speak out against these plans in the different fora to which we have access as well as develop alternative policies in order to preserve the welfare society we have all grown up in.*

***The latest pension rules changes: What do they mean?***

*[**Leandro Carrera**](#) explains the coalition's new policy on tax relief for pension contributions.*

*Workers can contribute to their pensions as much as they like, although the norm is that people contribute at least 6 to 7 per cent of their salary, to which employers may add additional contributions. Tax relief on pensions [was first introduced](#) in 1921 as a way to encourage savings into occupational schemes, and it has then been applied to private personal pensions since they were introduced in the 1980s. Starting in 1947, successive governments have changed the limits on which tax relief on pension contributions is provided. Currently, (taking into account their own contributions and those made by the employer) employees can contribute up to £250,000 per year into occupational or personal pensions schemes and receive tax relief on it at the basic income tax rate (20 per cent), which increases to a maximum of 40 per cent for high earners.*

*The system works in the following way: an employee in the basic income tax rate who wants to contribute a total of £100 each month pays only £80, and then HMRC tops up the remaining £20. The government will now lower the annual contributions limit to £50,000 per year (a fifth* *of its previous level). There is agreement [among practitioners](#) that this move will only affect high and very high earners, while the government claims that it will save up to £4 billion of the current £19 billion spent on tax relief.*

*However, some experts and [union leaders](#) have criticised the fact that the provision allowing tax relief up to 40 per cent for high earners has not been changed. This means that better-off people, who tend to be those more likely to save, will still get a generous relief for their contributions. In addition, people who receive a significant salary increase in the latest years of their employment, or who decide to increase their contributions before retiring to catch up with years of low contribution levels, may be caught by the new limit and be subject to pay 40 per cent tax on their contributions above the £50,000 annual limit.*

*The government has also changed the limit on the lifetime savings sum for which tax relief can be claimed, lowering it from £1.8million to £1.5million. If you consider that a £1.5million pension pot gives an annuity, that is a lifetime monthly income benefit, of around £5000 (depending on the provider), or a £60,000 a year pension, then it should be clear that this measure will at first apply to few people. However, if the limit is sticky, and is not increased over time, this provision will affect an increasing number of people.*

***All parties must do better on housing***

***The government's social housing budget may be cut by as much as 50 per cent, [according to the BBC](#). In light of these and other changes, [Tim Leunig](#)*** *reads the riot act to the politicians over social housing.*

*In her recent interview with Inside Housing, Yvette Cooper said that the government should create an integrated benefit that combined housing benefit with other benefits. I fell off my seat – after all, Yvette Cooper was Secretary of State for Work and Pensions, before that she was Chief Secretary to the Treasury, and before that Minister of State for Housing and Planning. In short, she had three years in which she could have done this, or at least argued for it, worked up some plans, and so on. But no, she waited until she was out of office before suggesting it! Tip: if you want to be an effective minister, come up with the ideas while you are in office, not after you leave.*

*Nor will this suggestion, in itself, save any meaningful amount of money. After all, the idea is to save money without driving people from their homes. You might save a bit on administration, but that is small beer.*

*Even fewer marks go to her new boss, Ed Miliband. Somewhat surreally, he declared that he wanted social housing to become the tenure of choice. Social housing is costly to the taxpayer, and we don't have enough of it. In that context, how is increasing demand going to help?*

*The Tories are not doing much better. Steven Greenhalgh, leader of Hammersmith and Fulham Council, told Inside Housing that "The answer is giving greater powers to councils to allocate housing benefit according to local needs". Now what does that mean? More precisely, who is Greenhalgh going to take housing benefit away from?*

*Housing professionals have done no better either. Helen Williams, Assistant Director of the National Housing Federation, in a joint submission with the Chartered Institute of Housing, called on the government to build 150,000 new affordable homes. She argued that had this been done, the housing benefit bill reduction could be "as much as £250 million". But saving £250million is trivial in the context of cutting a £20billion bill. To save £5billion, the sort of figure government would be interested in, would mean building 3 million social houses. Even if the land was free, that would cost around £200billion, which is never going to happen, not in your wildest dreams.*

*In all of this, the only possible ray of light comes from Grant Shapps, who spoke at a Centre Forum think tank event at the Liberal Democrat conference. In his speech he said explicitly that he thought Britain would be a better place if house prices did not rise in nominal terms over the course of this parliament.*

*That is a brave thing for any politician to say, because rising house prices are widely –and in my view wrongly – seen as a good thing. So for Grant to argue the opposite is very hopeful.*

> *Nor is he the only voice on the right to say that – Neil O'Brien, head of the Cameroonian think tank Policy Exchange – argued in the Financial Times recently that Britain needed to build more houses, so that house prices fell. Rumour reaches me that some of his Board choked on their claret when they read his piece, but he was right: lower house prices would be good for Britain, and they would lead to lower housing benefit bills.*
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> *So now Shapps has to make his deeds match his words. No housing economist I know thinks that the incentives Pickles and Shapps have announced will be sufficient. All think that they will lead to lower housing starts and therefore higher prices in the medium term. So the next question to Shapps is this: how many housing starts do you estimate are needed to stabilise house prices? And what will you do if your incentives lead to fewer housing starts than are necessary?*

*To access the Government Spending Review source documents and key commentaries, see the clickable list here.*

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