Thatcherism, New Labour and the Welfare State

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Editorial Note

John Hills is Professor of Social Policy and Director of CASE at the LSE. This paper was originally presented at the annual conference of the German Association for the Study of British History and Politics on ‘The return of Labour: A turning point in British politics’ in Mηlheim, Germany, in May 1998, and has been revised to take account of developments up to July 1998. The author is grateful to conference participants and to Howard Glennerster for comments on earlier versions, and to ESRC for support of CASE as part of whose research the paper was written.

Abstract

This paper examines the extent to which the policies towards the welfare state pursued by the Labour Government in its first fifteen months represent a break with those of its Conservative predecessor and with earlier policies put forward by Labour in opposition. Four key parts of its inheritance from the Conservatives are identified: attempts to control public spending; privatisation (more in terms of welfare provision than of its financing); the growth of means-testing; and the growth of inequality. The paper summarises the main policy developments towards the welfare state since May 1997, and identifies four linking themes: the importance to Labour of shedding its “tax and spend” image leading to tight budget constraints, but with significant reallocation towards health and education; a strong focus on the promotion of paid work; a series of measures intended to reduce inequality and relative poverty, but with controversy over benefit levels; and the new dominance of the Treasury in making welfare and social policy. Some of these policies mark clear reversals from those of the Conservatives, but in others they continue an evolution which was already underway, despite the earlier Labour rhetoric about “thinking the unthinkable” on welfare reform.

1. Introduction

The conference at which this paper was presented was concerned with the extent to which the Labour Government elected in May 1997 represents a break with the past – not just with the preceding Conservative governments under Margaret Thatcher and John Major, but also with its own past in terms of the policies and priorities Labour had espoused when in opposition. The "welfare state" (spending on and policies towards education, health care, social security, housing, and personal social services) is a crucial arena where the new Government has argued that reform is essential, but where some of its critics from left and right have argued that too little has changed, while others criticise what has been done.

2. Labour's Inheritance: The legacy of Thatcherism

Taking the period of Conservative Government from 1979 to 1997 as a whole, four themes stand out as central to policies towards the welfare state:

- ♦ Attempts to control public spending
- ♦ Privatisation
- ♦ Targeting
- ♦ Rising inequality

These are discussed in turn below before addressing the question of whether and in what ways the Labour Government elected in 1997 represents a turning point in welfare policies.

A. Putting the lid on public spending

For many, the defining feature of Mrs Thatcher's Government elected in 1979 was its intention to "roll back the state". Indeed, that Government's first White Paper on its public spending plans began with the bald statement that,

> "Public expenditure is at the heart of Britain's present economic difficulties".[1]

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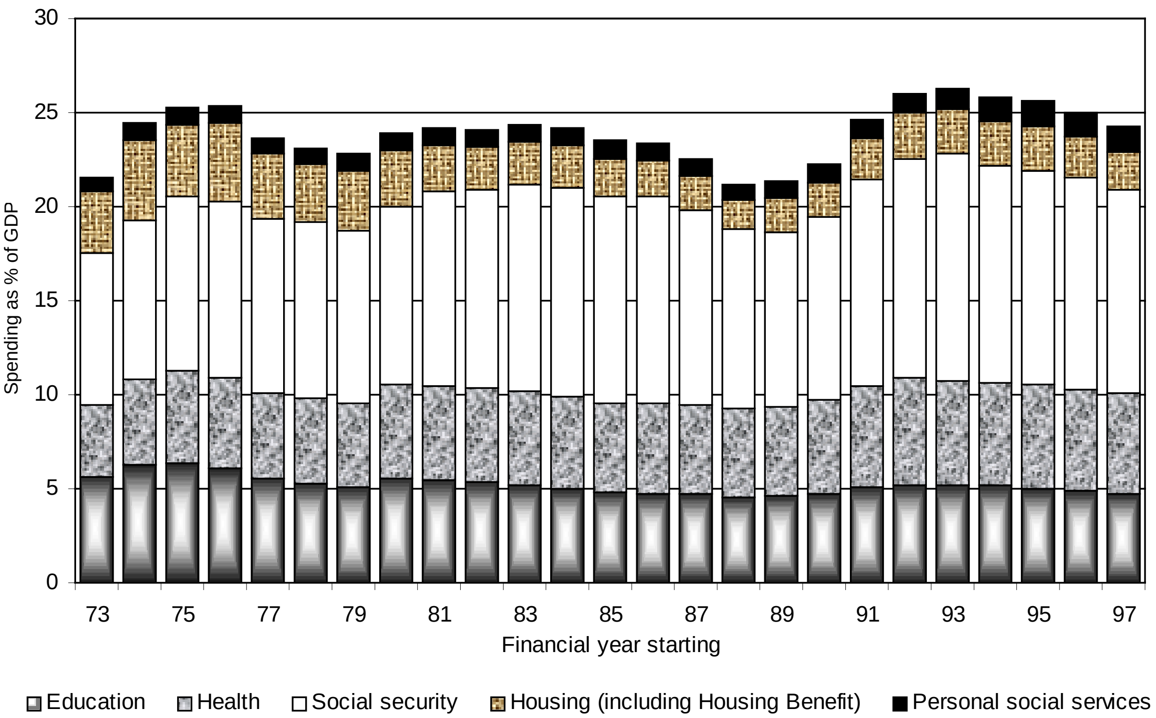
1 HM Treasury, 1979, p.1.

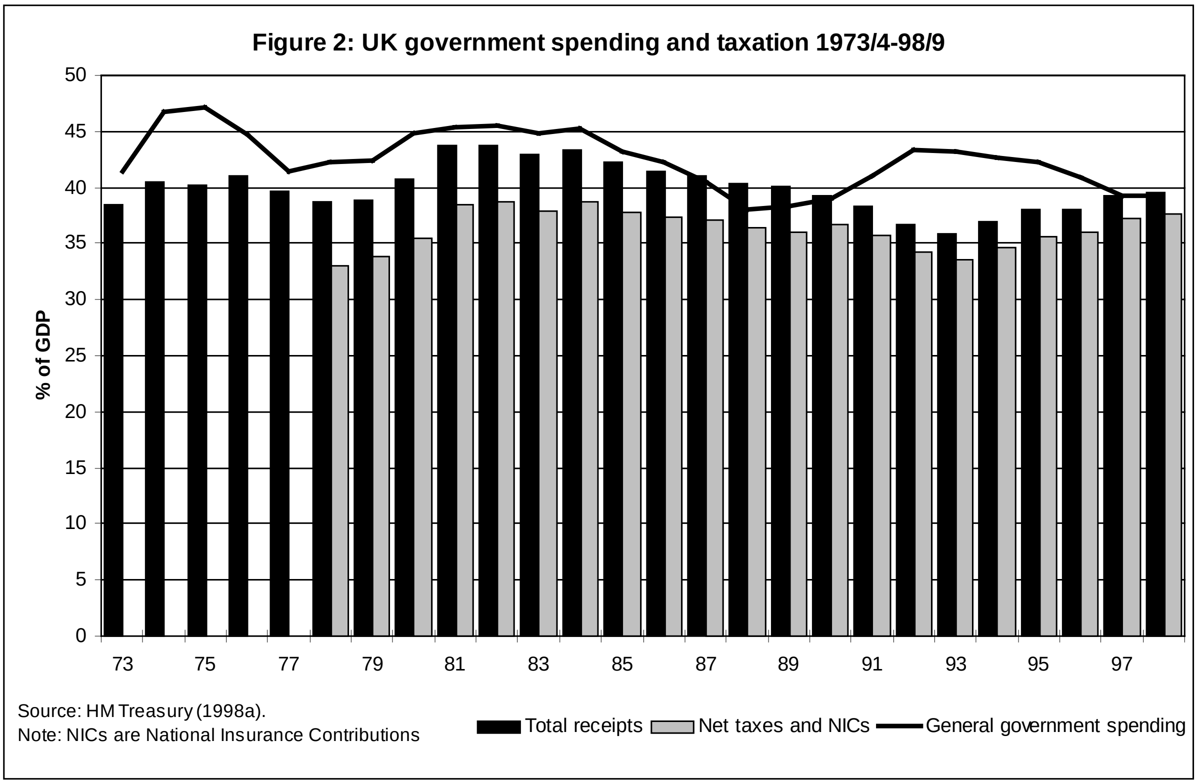
Much of the politics of welfare in the 1980s revolved around "cuts" and restrictions in public spending designed to allow tax cuts, particularly reductions in the rates of income tax. In this context it may come as something of a surprise to see from Figure 1 that in its last year in office, 1996-97 (the financial year starting in April 1996), the Conservative Government devoted almost the same share of national income to the main welfare services as its Labour predecessor had twenty years before. The story is not that of the continuous rolling back of the welfare state which many of the Conservative's opponents might have portrayed at the time – or indeed, which its supporters might have hoped for on its election. The balance of welfare spending changed between services – towards health and social security at the expense of housing and education – but the overall total remained at or around a quarter of national income.

Figure 1: UK Government welfare spending 1973/4 to 1997/8



Source: HM Treasury (1998b) and equivalents.

This picture is put in perspective by Figure 2, which shows the overall totals of taxation and public spending over the last 30 years. Three key points can be drawn from this diagram:



- First, overall public spending *has* been reduced in relation to national income since it nearly reached 50 per cent in 1975-76. Welfare spending has, however, formed a steadily rising share – now making up two-thirds of all public spending. Other sectors proved easier to cut, and capital spending was one of the main casualties.[2]
- Second, the restrictions of public spending began not in 1979, but in 1976 under the then Labour government. As far as welfare spending is concerned, 1976-77 marked the end of the post war *growth* in its share of national income. The lid went on spending when the IMF came to visit, not when Mrs Thatcher was elected.
- Third, the overall tax burden was not, in fact, cut under the Conservatives. Income tax *rates* were indeed reduced, particularly for those with the highest incomes, but taxes

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2 Net public sector investment fell from 6.4 per cent of GDP in 1974-75 to 3.1 per cent in 1978-79 and 0.9 per cent in 1996-97 (HM Treasury, 1998c, Table A6).

were raised in other ways, notably from higher VAT and increased National Insurance Contributions (NICs). The sharp increases in taxation in the period before the 1997 election are important both in terms of the unpopularity of the Major Government (particularly as there was nothing by way of higher spending to show for the tax increases), and in terms of the Blair Government's determination *not* to increase income tax rates.

At the same time there were ways in which the generosity of welfare provision clearly *was* cut back under the Conservatives. Most importantly, in the early 1980s the link – in some cases established by statute law, in others simply convention – between the value of social security benefits like the flat rate "basic" state pension and measures of other incomes or earnings was broken. Instead of cash benefits rising with national prosperity at times of economic growth, they are now generally increased each year in line with price inflation. Their value has therefore been steadily falling in relation to the incomes of those at work.

In addition, the Labour Government of the mid 1970s had, under Social Security Secretary Barbara Castle, attempted to establish its State Earnings Related Pension Scheme (SERPS) as a way of making British public pensions look more like the earnings-replacement based continental European systems than did Beveridge's flat rate basic pension. Two Conservative reforms substantially reduced people's prospective future rights under this system (although the effects on public spending accrue more in terms of reduced future costs than in reductions in spending before 1997). Other important ways in which the generosity of the welfare system was cut back include sharp reductions in subsidies to social housing in both the early 1980s and early 1990s (and hence higher rents charged to social tenants), a series of dozens of rule changes which reduced entitlements to social insurance benefits for the unemployed, and the cash limit put on the cost of residential and home care for the elderly when responsibilities were transferred from the social security budget to local authorities by 1993.

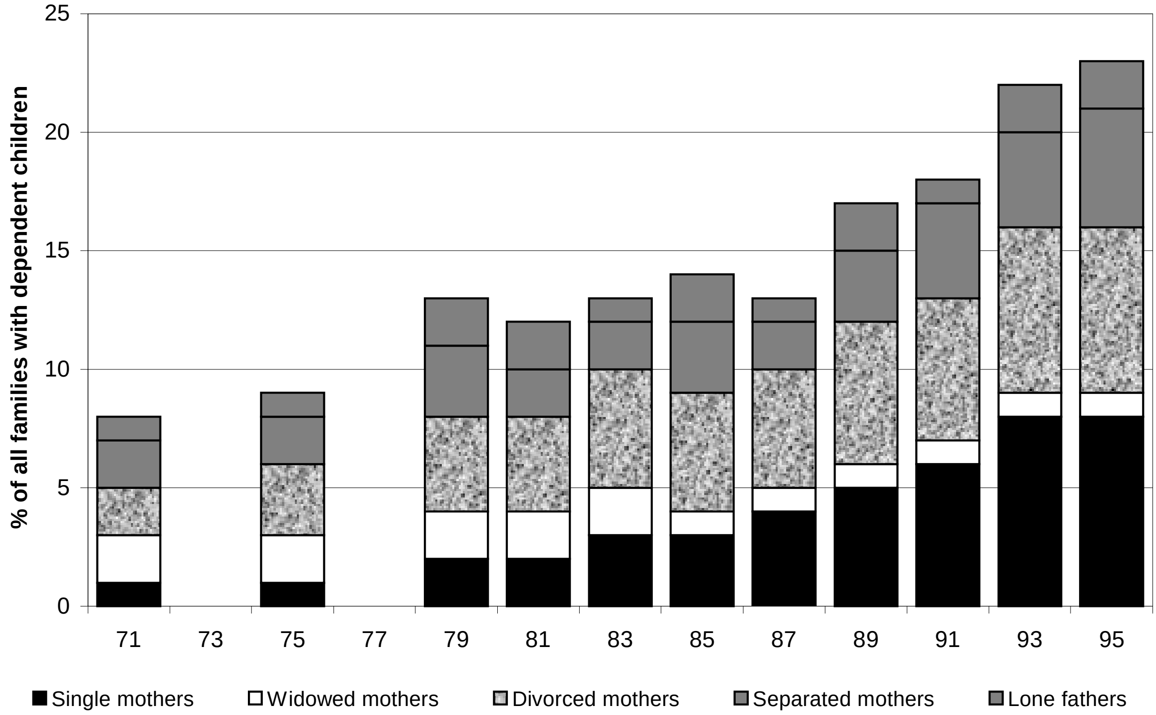
The reason why such cuts did not succeed in actually reducing welfare spending in relation to GDP lies in two constraints on the Conservatives. First, *demand* for welfare services increased rapidly. As Figure 3 shows, unemployment increased hugely in the first years of the Thatcher government, and after a fall in the late-1980s boom, the male unemployment rate again reached 14 per cent in 1993. At the same time the elderly population was growing steadily. By 1991, those over statutory pension age (65 for men and 60 for women) made up 18.5 per cent of the population, compared to 15.8 per cent in 1971. This not only increased demand for state pensions, but also for health services and – particularly as the population over 85 was increasing fastest – for personal social services and residential care. Other sources of demand grew as well: as Figure 4 shows, the proportion of families with children headed by a lone parent rose from 12 to 23 per cent between 1979 and 1995. By the end of the period nearly 80 per cent of lone parents depended on the state's minimum income benefit, Income Support. In essence, the spending total was kept in check by spreading the jam out more thinly between a much larger group of claimants.

Figure 3: UK unemployment (claimant count), 1971-97

Source: ONS (1997a).

It is also important that certain services were protected. Notably, Figure 1 shows that health spending rose from 4.5 to 5.4 per cent of GDP between 1978-79 and 1995-96. Over the first half of the 1980s growth barely kept up with rising NHS costs and the demands of an ageing population, but after 1989 spending was increased in relation to these,[3] notably in the run-up to the 1992 election. This preferential treatment – like the cut-backs to subsidies for social housing – was consistent with theories of the "middle class capture" of the welfare state, with protection for services benefiting higher income groups.[4] Other trends were not, particularly the move to greater reliance on means-testing of cash benefits discussed below, and the falling share of education spending (although numbers of school-age children were falling at the same time).

Figure 4: Lone parent families



Source: ONS (1997b).

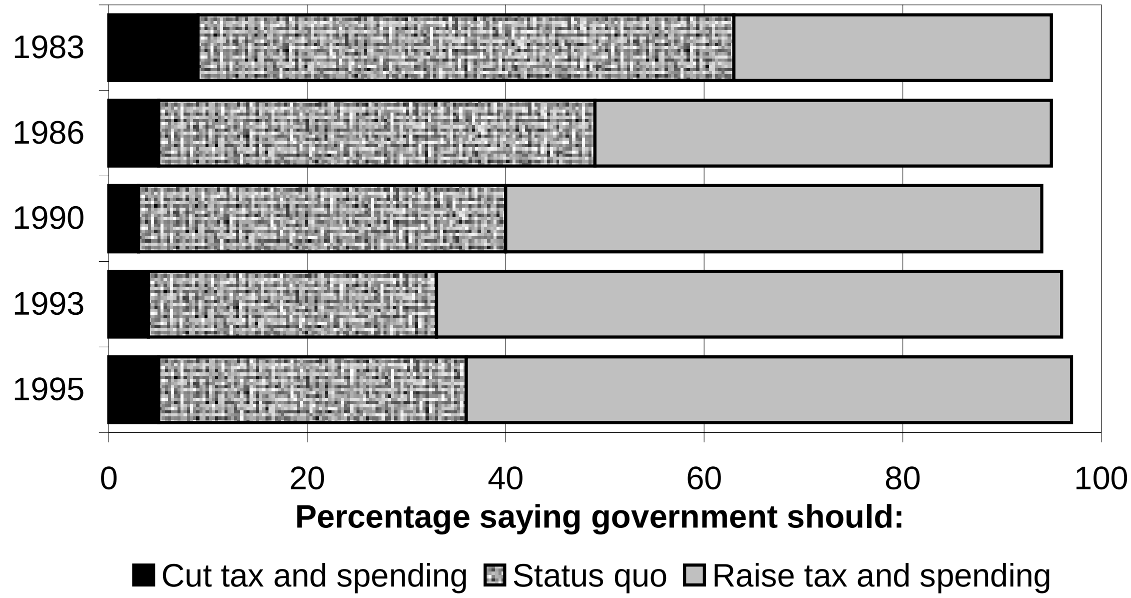
Whether from the middle classes or not, a crucial constraint on the Conservatives was the sheer popularity of welfare institutions. As Figure 5 shows, Mrs Thatcher failed to win the country's hearts and minds in this crucial part of her agenda. In 1983, when faced with a general trade-off between public spending and taxation, a majority of respondents to the British Social Attitudes Survey opted for the status quo, although many more (32 per cent) opted for higher spending and taxation than for both

3 Le Grand and Vizard, 1998, Figure 4.1.

4 Goodin and Le Grand, 1987.

to be cut (9 per cent). By the 1990s there was a firm majority for *higher* taxation and spending – 61 per cent of the 1995 sample opting for this despite the tax increases after 1993. This is a fairly crude question, but more detailed questioning in the 1995 survey which spelt out the consequences of higher taxes more directly still left substantial majorities wanting increased taxes increased to finance greater health and education spending (by no co-incidence the new Labour Government's top priorities where it has increased spending).

Figure 5: Public attitudes to tax and spending



Source: Lipsey (1994); Brook et al (1996).

This points to a crucial part of Labour's inheritance. There is talk of a "crisis" in the welfare state, and the new Government has said that failure to reform the system is not an option.[5] But much of the overall system remains popular and its outputs have increased over the last twenty years.[6] The reasons for dissatisfaction reflect two factors: a constrained budget while demands have risen; and rising aspirations as standards have risen with economic growth in other parts of people's lives.

[5] DSS, 1998b.

[6] Glennerster and Hills, 1998.

B. Privatisation

The other side of the Conservatives' attempts to roll back the welfare state were measures intended to increase the role of the private sector. Most notably:

- Under the "Right to Buy", 1.7 million social housing units were sold at discounted prices to their tenants between 1981 and 1995. The provision of new social housing was switched from local authorities to non-profit housing associations and some existing properties were transferred to them. Whereas in 1978 32 per cent of all housing in Great Britain was owned by local authorities, the proportion was under 19 per cent by 1995.
- The role of the private sector was encouraged and increased in pensions provision. For each successive cohort retiring, a rising proportion received privately-funded occupational pensions, reducing the importance of state pensions in retirement incomes. While membership of occupational pension schemes amongst current employees remained around 50 per cent for the whole period from 1971 to 1991, the Conservative government gave tax and national insurance concessions to encourage people to opt for "portable personal pensions" instead of either state provision under SERPS or occupational schemes. By 1991 over 5 million people were contributing to such pensions.[7] However, it transpired that many people – at least half a million - had been incorrectly advised to switch to less valuable personal pensions, a scandal which has tarnished the reputation of private provision as a whole.
- Provision of residential care for the elderly is increasingly by the private sector, even where the public sector is the source of funding. In 1974 local authorities supplied 100,000 out of 130,000 residential places for the elderly; by 1995 they provided only 50,000 out of a total of 230,000.[8]

Conspicuously, however, the role of private provision increased little in health care: the low cost of the UK's tax-financed National Health Service by comparison with that of the private insurance based system in the USA seems to have scotched ideas of privatisation in the late-1980s. Some limited concessions were

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[7] Evans, 1998, Table 7.13.

[8] Glennerster, 1998a, p.316.

given to private medical insurance, and the number of people covered by such policies tripled from 2.3 million in 1978 to 6.6 million in 1990, after which numbers fell back a little. Including dependants, just over 10 per cent of the population is now covered by such insurance. However, benefits paid out by private insurance still represent less than 3 per cent of NHS spending: in terms of activity, the public sector remains dominant.[9] Similarly, the role of private education only increased slowly: the proportion of pupils in private schools rising from 5.8 per cent in 1979-80 to a peak of 6.7 per cent in 1989-90, after which it fell back.[10] In these sectors what emerged as far more important were a series of reforms in the late-1980s designed to bring market principles into public sector provision, to establish what became known as "quasi-markets",[11] with competition between what remained public providers (such as NHS hospitals) to supply services to separate purchasers (such as family doctors holding decentralised budgets).

A final development – which may well loom important in New Labour's agenda – is the development of what Le Grand[12] has described as "legal" or "regulation" welfare. An example of this is the system of Child Support, under which absent parents (usually men) are supposed to contribute towards the costs of their children, substituting for state social security benefits. This kind of activity shows up neither as state provision, nor state-financed welfare, but it is under public control.

Summarising all of this, Burchardt[13] has devised a typology for dividing welfare activity between public and private sectors according to three dimensions of their roles: who is responsible for *provision*; who *finances* services (including contributions from tax reliefs as part of public finance); and who *controls* decisions on which providers to use or how much of a service is used. Table 1 summarises her findings, showing the results of the changes in the period from 1979-80 to 1995-96 in the categorisation of welfare activity under this typology. Purely public activity (with public

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9 Le Grand and Vizard, 1998, p.98.

10 Glennerster, 1998b, Table 3.2; most recent figures suggest a limited recovery after 1995.

11 Le Grand and Bartlett, 1993.

12 Le Grand, 1997.

13 Burchardt, 1997.

provision, finance and control) falls from 52 per cent of the total to 49 per cent, while purely private activity grows from 24 to 29 per cent (corresponding to a rise from 8 to 10 per cent of GDP in this sector). The other notable change is a rise from 6 to 9 per cent in the activity which is publicly financed and controlled, but privately provided. All this is in the direction one might expect, but is perhaps somewhat less dramatic than might have been expected given the Thatcher Government's radical reputation.

Table 1: Public and private welfare expenditure, 1979-80 and 1995-96 (% of total)

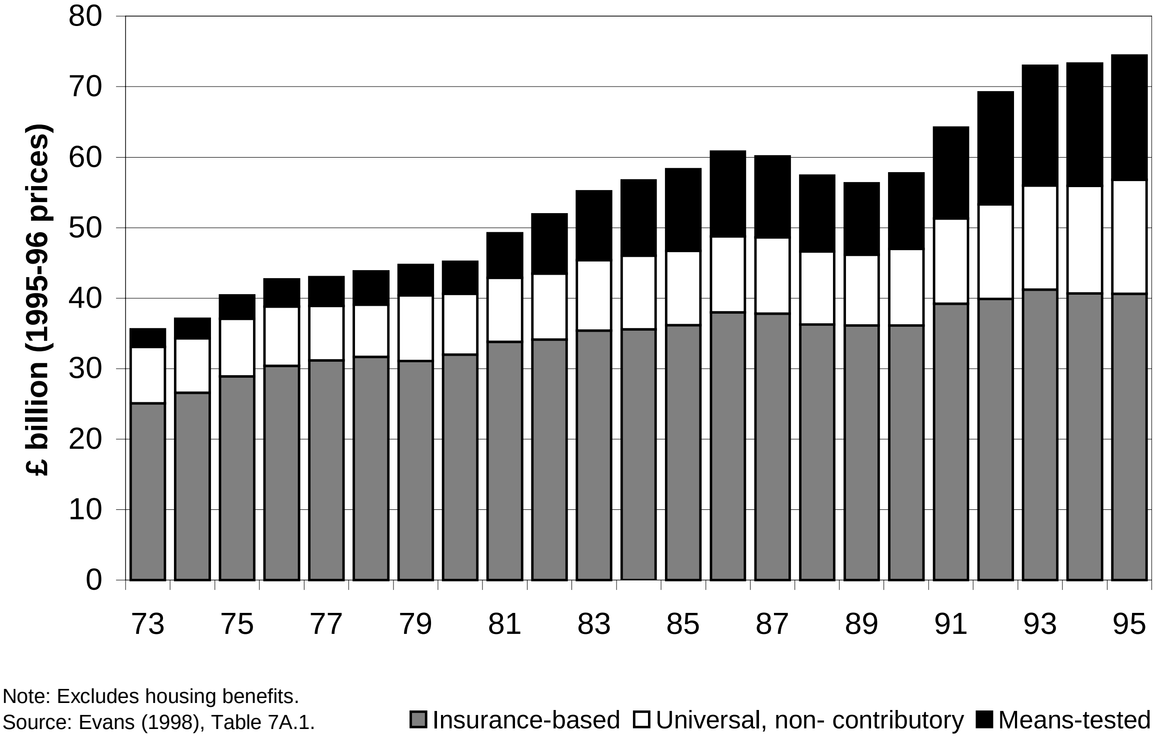
	1979-80	**1995-96**
Public provision		
Public finance; public control	52.2	48.8
Public finance; private control	4.6	1.4
Private finance; public control	2.3	1.2
Private finance; private control	0.1	0.1
Private provision		
Public finance; public control	6.4	8.7
Public finance; private control	9.7	9.8
Private finance; public control	0.4	0.9
Private finance; private control	24.3	29.2
All	100	100

Source: Burchardt (1997), Appendix (revised).

C. Targeting

Historically, a crucial political divide across the British political spectrum has been over the fundamental aims of the welfare state, with those on the Right -particularly the "New Right" - seeing its role as predominantly that of poverty relief, while the Left has pushed towards provision of welfare services on a universal basis, not just to the poor. The protection – at least relatively speaking - of the NHS in the Conservative years goes against this. However, as far as cash benefits and social housing are concerned, the pressure to move towards means-testing and targeting did move spending this way. Figure 6 divides the social security budget (excluding Housing Benefit) between insurance, universal non-contributory and means-tested benefits. In 1979-80 means-tested benefits were only 9 per cent of the total; by 1995-96 they were 22 per cent. Insurance-based benefits had fallen from 63 to 50 per cent of the total. The number of people in families who rely on means-tested provision for their basic income either through Income Support (social assistance) or Family Credit (means-tested wage supplementation) rose from 8.5 per cent in 1979 to 21 per cent in 1994.[14]

Figure 6: Social security spending by type of benefit



Note: Excludes housing benefits.
Source: Evans (1998), Table 7A.1.

At the same time there was a switch within housing policy away from general subsidies to all social tenants towards means-tested Housing Benefit – "from bricks and mortar to people". Looking at all forms of government spending on housing (including tax reliefs for mortgages), Housing Benefit grew dramatically from 12 per cent of housing spending in 1979-80 to 69 per cent in 1996-97.[15] Meanwhile the combination of the "Right to Buy", allocations policies increasingly driven only by needs-based criteria, and the changing economic environment meant that social housing became increasingly polarised towards only those with the lowest incomes. In 1979 42 per cent of all individuals lived in social housing. Of these, just under half were in the poorest two-

14 Evans, 1998, Table 7.22.

15 Hills, 1998a, Table 5.1.

fifths, but 40 per cent were in the top half of the income distribution. By 1995 only 23 per cent of the population was living in social housing, but three-quarters of these were in the poorest two-fifths, and only 16 per cent in the top half.[16]

Putting the two sectors together, means-testing has become more pervasive. Including Housing Benefit with other cash benefits, means-tested benefits rose from 15 to 30 per cent of total cash benefits from 1979-80 to 1995-96.[17] An effect of this has been to extend the "poverty trap", where those with low incomes in work face very high effective marginal tax rates from both direct taxation and benefit withdrawal as earnings rise. By 1995-96, nearly 1.5 million workers faced combined effective marginal tax rates of over 70 per cent, up from 1.0 million in 1985.[18] Such work disincentives have loomed large in the new Labour Government's reform agenda, as have concerns about the vulnerability of means-tested systems to fraud.

Once again, however, the results of other changes mean that the effects on the actual distribution of spending between income groups has been less clear-cut. Figure 7 shows figures recently published by the new Government in support of its "Case for Welfare Reform".[19] As far as cash benefits are concerned, the proportion going to the bottom fifth *fell* from 42 to 30 per cent of all benefit spending between 1979 and 1994/95 (the average of the financial years 1994-95 and 1995-96). This reflected the way in which pensioners (who receive over 40 per cent of all cash benefits) have moved up the income distribution, and the growing importance of non-means-tested benefits for disability or long-term sickness.

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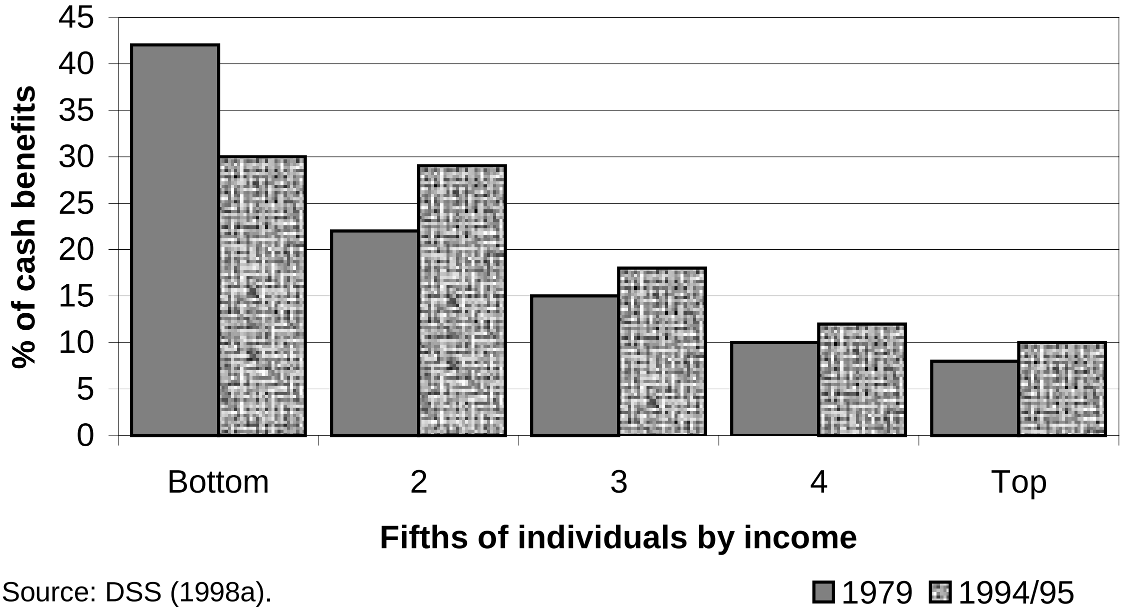
16 Hills, 1998b, pp.22-23.

17 Evans, 1998, p.270.

18 Evans, 1998, Table 7.18.

19 DSS, 1998a, p.6.

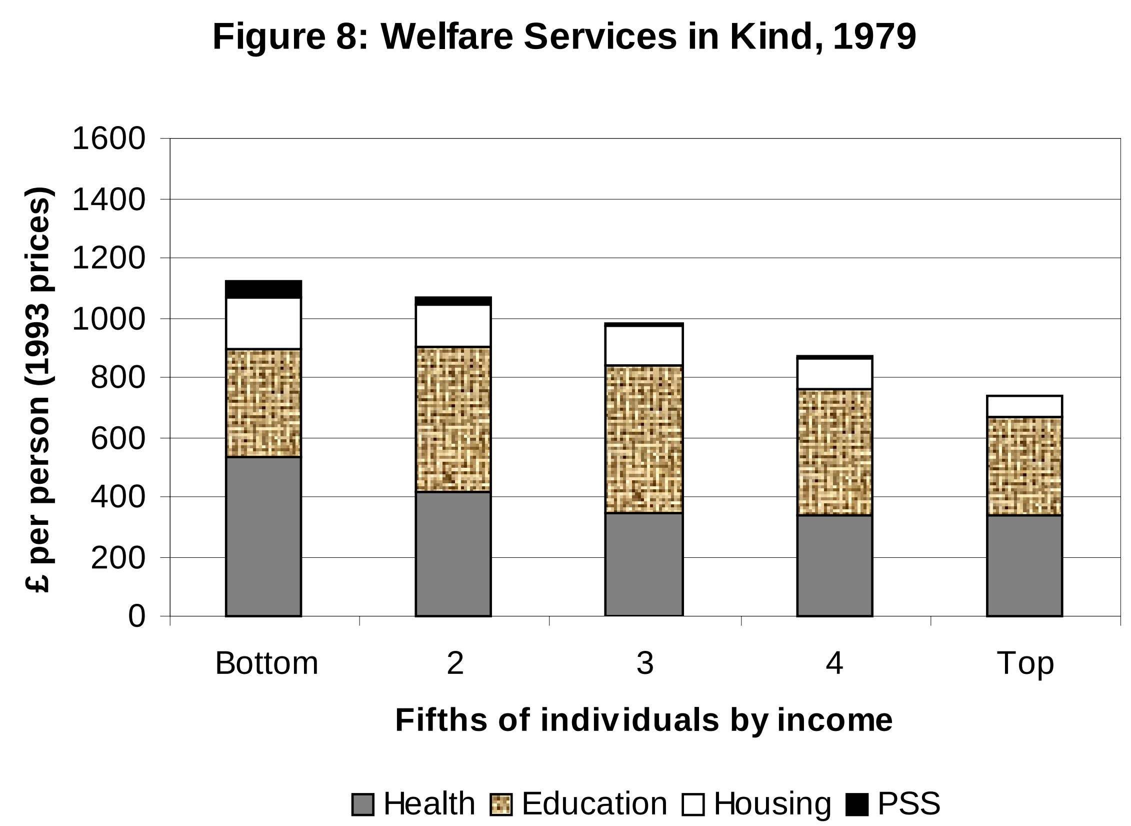
Figure 7: Distribution of cash benefits, 1979 and 1994/95

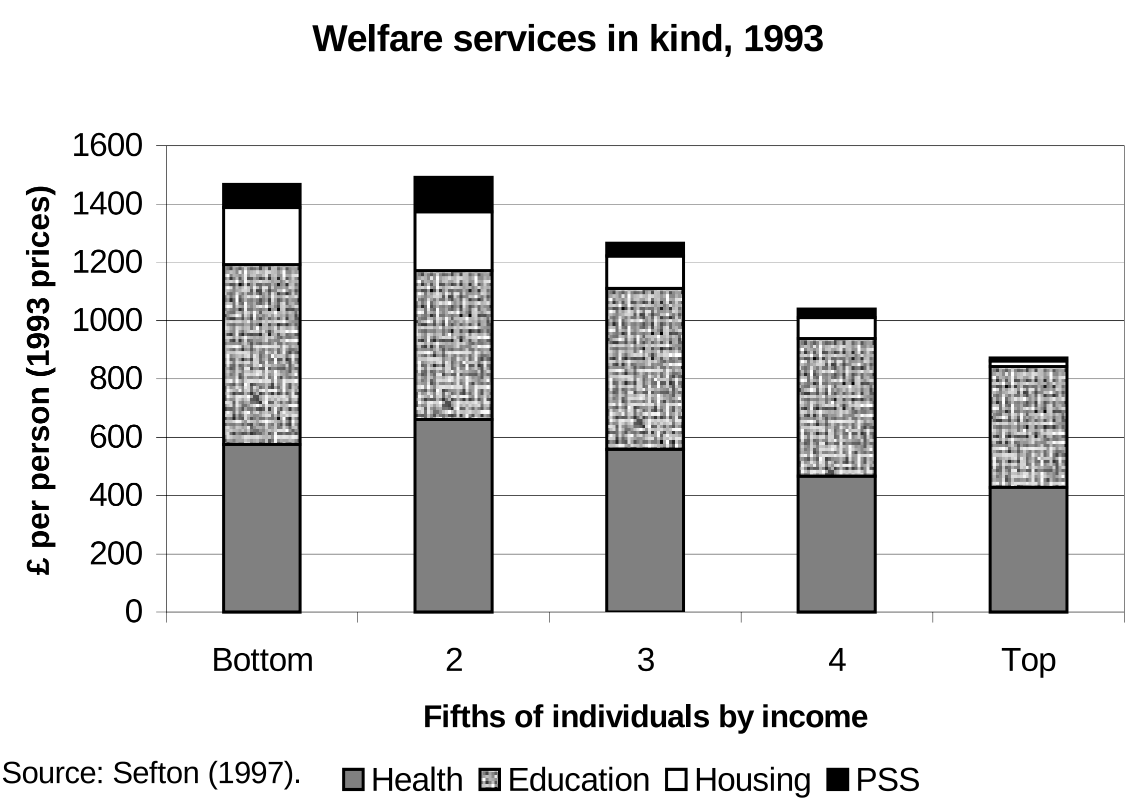


Source: DSS (1998a).

Comparable figures for benefits "in kind" (that is, provision of a service rather than cash benefits) from public spending on health, education, housing subsidies, and personal social services are shown in Figure 8.[20] This distribution remains strongly "pro-poor", and became slightly more so over the period in that the share received by the second poorest fifth – dominated by pensioners – grew over the period. The change is not very dramatic, however, suggesting neither increasingly effective targeting of these services, nor "middle class capture". Reflecting the trends discussed above, the real value of services increased by 30 per cent over the period, although this was not as fast as the 40 per cent growth in cash incomes, and the increased value of services is smaller if one adjusts for the rising cost of provision (rather than adjusting by a general price index as in the Figure).

[20] Based on Sefton, 1997.



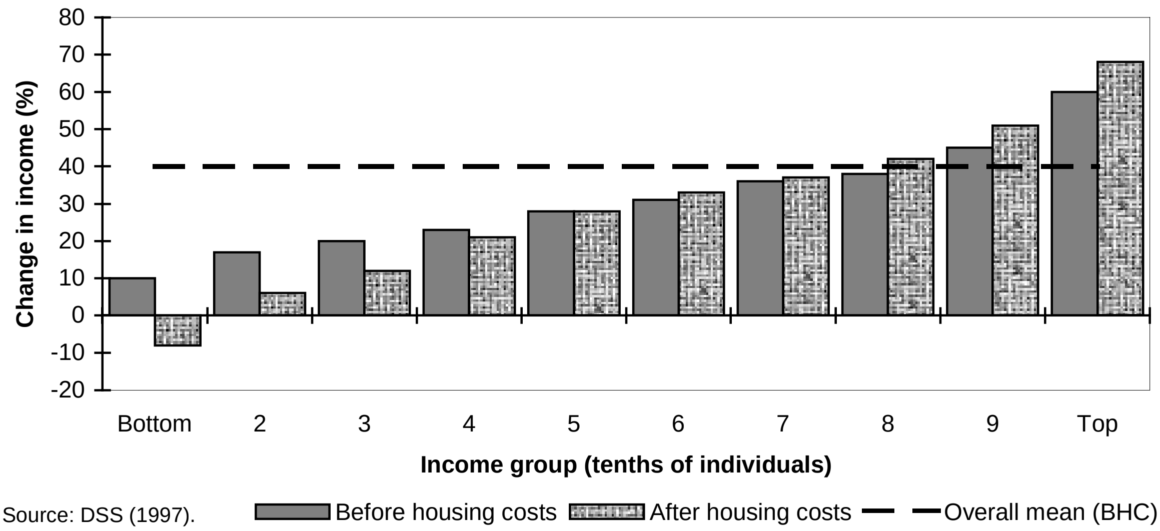


Source: Sefton (1997).

D. Inequality

The final factor both shaping and reflecting Conservative welfare policies was the growth in income inequality over their period of government. The trends over most of their period are summarised in Figures 9 and 10. The first of these compares incomes of those in successive tenths of the income distribution in 1994/95 with those of those in the equivalent group in 1979. In complete contrast to the rest of the post-war period, when economic growth had benefited all income groups, incomes at the bottom rose very slowly, or not at all depending on the income definition used.[21] This was despite average income growth of 40 per cent.

Figure 9: Change in real net income 1979 to 1994/95



Source: DSS (1997).

Figure 10 shows the resultant proportion of the population with incomes below half the average (before housing costs), comparing with the position since 1960. This reached a maximum of over 20 per cent in the early 1990s, more than double the rate in 1979, although again it should be noted that the growth in inequality and relative poverty started after 1977, before Mrs Thatcher came into office. Figure 10 also shows that there was a

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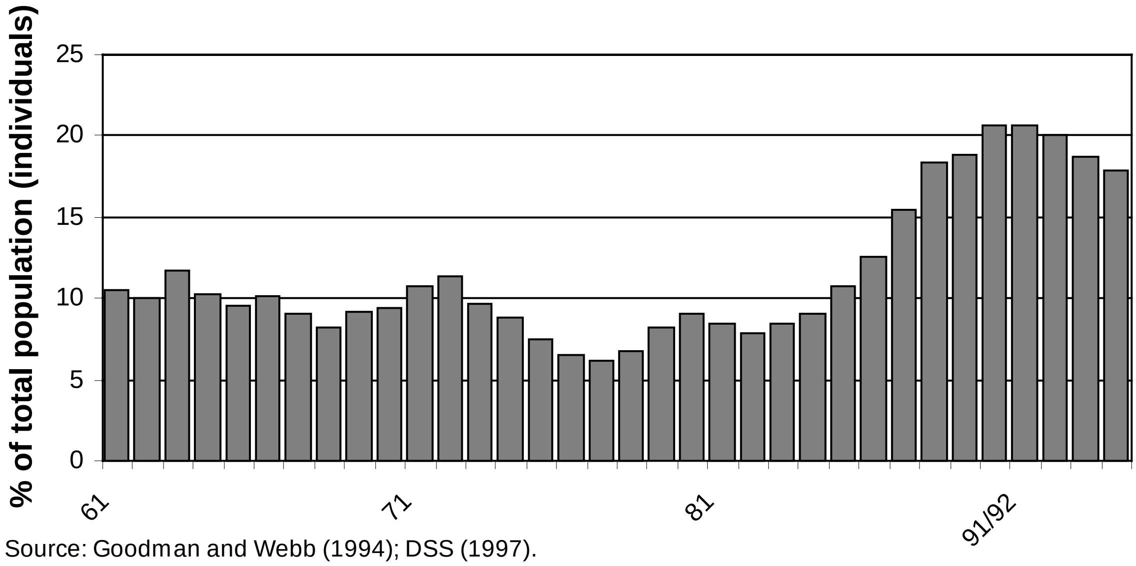
21 The Figure shows the comparison based on incomes both before and after housing costs are taken into account. For technical reasons neither basis is entirely satisfactory as a picture of what has happened to income growth, particularly at the bottom, with the fairest picture lying somewhere between the two (see Hills 1998b for a discussion).

fall in relative poverty under the Major Government in the period between 1993 and 1995 as the economy came out of recession.[22]

Figure 10: Population below half average income (BHC)



Source: Goodman and Webb (1994); DSS (1997).

This growth in inequality had a variety of causes, rather than being the simple results of government policies.[23] The most important of these can be summarised as:

- Growing earnings inequality, in part linked to increasing premiums for skills and qualifications, in turn related in part to technological change. While such pressures hit many countries, the results were most dramatic in the UK and USA. In the UK case this is partly related to long-term factors like the high proportion of the workforce with low qualifications. It also reflected shorter-term policy influences, like the declining importance of trade unions and of (limited) minimum wage protection through the "Wages Councils".
- Rising unemployment and larger numbers receiving benefits, with a particularly rapid growth in the proportion of working age families without any family member in work.

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[22] The most recent figures suggest that this reduction in inequality was not sustained in the year or two after this, however (Stuttard, 1998).

[23] Hills 1995, 1996.

- ♦ The change in policy towards price-linking benefit levels, rather than maintaining relativities with incomes.
- ♦ At first sight more surprisingly, the overall effect of taxation was neutral, with inequality in post-tax incomes growing as fast as that in pre-tax incomes. This was the result of two conflicting factors: as market incomes became more unequal the tax system tended to have an “automatic” effect slowing inequality growth, but this was entirely offset by “discretionary” changes to tax policy which shifted the tax burden from those with high to those with low incomes.

Examining why the trend was the reverse over the 1993 to 1995 period a little before Labour came into office, the reason lies in very *slow* income growth for most of the population (with little growth in real earnings but rising taxes), but income gains at the bottom (reflecting factors like abolition of the Poll Tax system of financing local government and falling unemployment).

E. Summary

Putting this together, the key parts of Labour’s inheritance on the welfare state can be summarised as follows:

1. A quarter of national income is spent on the welfare state, neither a high figure in European terms, nor one which has grown over the last two decades. Despite a series of measures to keep its growth in check, rising demands meant that the Conservatives had not succeeded in cutting back the overall scale of the welfare state. However, the constrained budget alongside rising needs and aspirations have meant a perception of a system which is failing to achieve what people want. Important parts of the system remain popular, however, and its benefits are spread widely, limiting any government’s reform options.
2. The role of the private sector within welfare did increase over the Conservative years, reflecting deliberate policies. However, this increase in role was more important for service *provision* (where Table 1 shows that the private sector rose from 41 to 49 per cent of all welfare expenditure) than in terms of *finance* (where its share rose from 27 to 31 per cent). The overall picture is one of gradual, rather than rapid, privatisation of welfare activity.

3. Means-testing became much more important under the Conservatives as far as housing and cash benefits were concerned, with consequences for some work incentives, but other factors meant that there was little overall change in which parts of the income distribution benefited from welfare services overall. The most dramatic change was in the polarisation of social housing, which increasingly houses only the poorest. Given that much social housing is built as estates, this has increased pressures towards geographical polarisation, in turn leading into some of the new Government's priorities in tackling social exclusion.
4. Inequality increased dramatically in the 1980s, reflecting both underlying factors, such as technological change and the skills of the workforce, and government policies, for instance towards social security, taxation, unions and minimum wage protection. Over the whole period from 1979 to 1995, the incomes of the poorest 10-20 per cent were little or no higher in real terms, despite overall income growth of 40 per cent.

3. What's New About "New Labour"?

Writing just after the first anniversary of the Blair Government's election, ten events stand out as beginning to define its approach to the welfare state:

First, the ***Manifesto*** on which it fought the 1997 election pledged not to increase rates of income tax, and to hold public spending totals for the first two years in office to those planned by its predecessor. The exception to this was to be spending on "the New Deal" programme to reduce unemployment, financed by a £5.2 billion "windfall tax" on some of the public utilities privatised under favourable terms by the Conservatives.

Second, the ***July 1997 Budget*** brought in the New Deal, concentrating in particular on the young unemployed, offering four options for training, subsidised private sector work, voluntary sector work, or work with an Environmental Taskforce, but no "fifth option" of benefit receipt for the unemployed young people (under 25) beyond six months.

The Government accepted (with modifications) the recommendations of the ***Dearing Committee*** on higher education.

This had been set up by the Conservatives, but carefully timed (with tacit Labour agreement) to report after the election. The key changes involve introduction from October 1998 of a standard annual fee for (previously free) university education (although this will be waived on a means-tested basis for students from poor families), and replacement of the previous mixture of loans and a means-tested grant for living costs with a loan system repaid as a percentage of future income.

Early in its life, it established a large number of ***review groups*** and committees covering most aspects of the welfare state. These included: a Minimum Wage Commission to recommend the level of minimum wage, the principle of which was in the election manifesto; a series of Comprehensive Spending Reviews looking across the whole of public spending; the appointment of the independently-minded Frank Field MP as a special Minister for Welfare Reform; an internal review of the pensions system; appointment of an (independent) Royal Commission on Long Term Care; establishment of a small Social Exclusion Unit within the Cabinet Office, initially concentrating on school exclusions and truancy, street homelessness, and the most difficult social housing estates; a review of "welfare-to-work" policies; and another of interactions between the tax and benefit systems.

In the Autumn of 1997 it implemented a cut built into the Conservative's spending plans (to which Labour had committed itself) to remove special additional social ***security benefits to lone parents***. This led to the most serious internal row within the Labour Party since the election, with a substantial back-bench revolt in Parliament.

In an attempt to regain the initiative after the lone parents benefit debacle, the government launched a ***"welfare reform roadshow"*** in February 1998, with a series of meetings and speeches launched by Tony Blair, as well as a document setting out "the case for welfare reform". As the reviews described above were still in progress, this could do little to set out positive policies, concentrating instead on the failings and cost of the existing system, further feeding concerns that more cuts in benefits were planned, particularly in disability benefits.

It has set up a new series of ***area-based policies*** such as Health Action Zones, Education Action Zones, and Employment Zones, where innovative policies can be tried out (with limited additional resources) in low income neighbourhoods and areas, together with significant new resources for an integrated "New Deal for Communities" covering a number of the country's poorest areas.

The ***March 1998 Budget*** announced the implementation of recommendations from the review into tax-benefit interactions. These included transformation of the existing cash benefit for low paid workers with children, Family Credit, into a "Working Families Tax Credit" (WFTC) to be paid (usually) via the wage packet, combined with increases in its generosity (including very favourable treatment of childcare costs) and a reduced withdrawal rate as income rises. It also included reforms to the National Insurance Contribution system to align it more closely with income tax, to reduce the cost to employers of lower paid workers (increasing the cost of higher paid ones), and a promise of reduced contributions for lower paid employees. It included the announcement of an increase in the universal Child Benefit going to all parents from 1999, and in the rates of Income Support for the poorest families with children aged under 11. The amounts involved meant that, combined with the new WFTC, virtually all lone parents with younger children would be no worse off than they had been before the withdrawal of special lone parent benefits, despite the equalisation in support across family types.

A week later it published its ***welfare reform Green Paper,*** *New ambitions for our country: A new contract for welfare*, setting out the Government's broad principles in approaching welfare reform, but containing little or nothing by way of specific proposals which had not already been announced. At the end of July 1998 the Minister originally responsible for this paper, Frank Field, resigned rather than accept a move to an alternative post still outside the Cabinet. In acrimonious exchanges Field said that his plans for radical reform to reduce the role of means-testing had been blocked, particularly by his boss, Harriet Harman (who also lost her job as Social Security Secretary in the reshuffle) and the Chancellor Gordon Brown. Unnamed government sources told the media that Field's plans had been impractical and had never been worked out in detail.

Finally, spending plans for the three years 1999-00 to 2001-02 were announced in the ***Comprehensive Spending Review***, published in July 1998.[24] These involved health, education and

[24] HM Treasury, 1998c.

capital spending rising faster than GDP, some increased benefits for the poorest pensioners, but overall current government spending growing no faster than national income.

A. Public spending and taxation: Is New Labour different?

Public spending and taxation is one of the areas where "New Labour" under Tony Blair is most clearly different from "Old Labour", even including earlier modernisations under Neil Kinnock and John Smith. Policies towards state pensions provide a clear example. In its 1983 Manifesto, marking the high water mark of left-wing influence on policy, Labour was committed to restoring the cuts in the relative value of the universal basic pension which had resulted from the decision by the Thatcher Government to link its value to prices rather than earnings, and then to restoring the earnings link in future. In the 1987 Manifesto Labour was still committed to restoring the earnings link for the future, with an immediate increase of £5 per week in the single pension and £8 in the married pension, equal in real terms to what had been pledged in 1983, but not recapturing the ground lost since then. In 1992, Labour under John Smith as Shadow Chancellor was at great pains to present clearly costed plans, including the taxes needed to finance them (after a disaster in the 1987 campaign where the party was unclear, to say the least, about how it would finance some of its spending plans), and did so in its pre-election "Shadow Budget". The most expensive spending item was an increase of £5 and £8 in the basic pension, a commitment which had been carried over from the 1987 campaign despite the modernising "Policy Review" of the late 1980s, an early decision having effectively been taken that Labour could not promise less to pensioners than it had in 1987,[25] although even this was only true in cash rather than real terms.

In the event, the promise of higher pensions hardly featured in the 1992 election campaign, but the taxes needed to pay for them certainly did. Subsequent academic analysis of voting behaviour found little evidence that it was tax that led to Labour's defeat. Looking at those who switched from Labour during the campaign, "there is no evidence that they were people particularly averse to high taxation; rather they seemed to be people who had relatively little faith in Labour's ability to improve services like

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[25] Labour Party, 1989, p.35.

health and education".[26] None the less, the clear message drawn by the new leadership under Tony Blair was that Labour had to lose its "tax and spend" image. As Anthony Heath and John Curtice have shown,[27] people might in general have wanted higher government spending in particular areas, and been prepared to pay more tax to finance it, but until after 1994 a majority saw Labour as being to their left on tax and spending. In other words they wanted more, but feared that Labour would go too far.

As part of this change of image, few specific pledges were made on pensions in 1997, beyond that Labour would review the system and would introduce some not very clearly defined "partnership pensions" (a better value and more closely regulated form of private pension) and "stakeholder pensions" (which would protect the interests of some groups without earnings, such as carers). The Conservatives came under heavy (and not entirely accurate) attack from Labour in the election campaign for their not very well thought out proposals to abandon the universal state pension for future generations then aged under 25, by contrast with which Labour committed itself to maintain the basic pension linked "at least" to prices. Other issues were left for the post-election pensions review.

In other welfare areas – with the exception of the "New Deal" - commitments were similarly modest, with campaigning centred around "five early pledges". These included a reduction of class sizes for 5-7 year-olds (financed by withdrawal of the Assisted Places Scheme under which the state had paid for some children to go to private schools). They also involved a pledge to reduce NHS waiting lists using savings from reducing administrative costs by abandoning the "internal market" (which is proving more difficult to deliver as waiting lists have subsequently risen).

Against this disciplined background a centre-piece of the election campaign was a pledge for the whole term of office to raise neither the basic rate of income tax affecting most taxpayers from its level of 23 per cent nor the higher rate of 40 per cent. Underpinning this, the Chancellor Gordon Brown undertook to keep public spending in both 1997-98 and 1998-99 at the cash levels already set by the Conservatives. The latter was a tighter

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26 Heath, Jowell, and Curtice, 1994, p.292.

27 Heath and Curtice, 1998.

constraint than previous governments had set themselves, and possibly tighter than the Conservatives would have kept to, as the second year spending plans usually represented a starting point for later bargaining between spending departments and the Treasury, rather than this kind of rigid constraint. Analysts pointed out that the Conservative spending plans for the NHS, for instance, represented slower real growth than had actually been achieved in any year since 1979 (or for many years before), and sticking to them formed a kind of time bomb bequeathed to their successors. As far as social security spending is concerned, the existing plans were based on continued price-linking of benefits (which by implication therefore continue to fall in relation to other incomes), and on measures like the removal of special benefits for lone parents. Under these constraints and with the benefit of falling unemployment, overall government welfare spending fell by 0.8 per cent of GDP between 1996-97 and 1997-98, as shown in Figure 1.

It is here that New Labour can most clearly be seen as different from Old Labour – and where it is most clearly open to the accusation from the Left of being no different from the Conservatives, rather than representing a "turning point" in British politics. Such a conclusion does, however, have to be qualified. First, the biggest early initiative of the new Government was the "New Deal" for the unemployed. This involves additional spending equivalent to 0.65 per cent of annual national income spread over five years from 1997-98, financed by new taxation, albeit collected from an unpopular group of businesses rather than from individuals. Second, the 1997 and 1998 Labour Budgets *increased* spending above previous plans for both health and education, using corners of the overall budget like unallocated reserves, or under-spending elsewhere.

More generally, the Government would argue that the effects of changing priorities within its total spending of over £330 billion will be far greater than those of adding a billion or two pounds to the total from higher taxation. Its mechanism for this was the "Comprehensive Spending Review", the results of which were published in July 1998. Some of its key effects are shown in Table 2. In its presentation of this review the Government gave two messages, aimed at different audiences. The first, for financial markets, was that its plans for *overall* spending were very responsible. General government spending is planned to rise by

2.8 per cent a year in real terms in the three years for which new plans have been made (1998-99 to 2001-02), giving an annual average of 2.0 per cent over the period between 1997 and the likely date of the next election. This would leave total spending at 40.6 per cent of GDP in 2001-02, up from 39.6 per cent in 1997-98 (but below the 41.1 per cent in the Conservative's last year, 1996-97).[28] Within this total, net capital spending is planned to rise significantly as a share of GDP, but current spending to remain fixed.

Table 2: Growth in public spending and spending plans, 1993-94 to 2001-02

	Real annual growth rates			
	93-94 to 96-97	**96-97 to 98-99**	**98-99 to 01-02 (planned)**	**96-97 to 01-02 (planned)**
NHS (England)	2.1	2.3	4.7	3.7
Education (GB)	0.7	-0.3	5.1	2.9
General Government Expenditure	1.4	0.9	2.8	2.0
Social security (including Welfare to Work)	1.6	0.5	2.0	1.4
Defence	-4.3	-0.9	-1.4	-1.2
GDP	3.1	2.4	2.2	2.3

Source: HM Treasury (1998c), Tables A1, A2, A3 and A6.

The second message – for the public at large – was that its plans represented a huge increase in spending on the popular areas of the NHS and education. By comparing spending plans for future years in cash with those of the base year, and then adding the increases for three years together, the Government managed to generate headlines which talked about increases of more than £19 billion for education, and £20 billion for the NHS. The figures in Table 2 give a more realistic view of the reallocation of resources which has been achieved. Over the three year period, health spending (shown for England, but the rest of the UK moves in proportion) is planned to grow by 4.7 per cent per year in real terms, education spending by 5.1 per cent. Allowing for the

[28] HM Treasury, 1998c, Table A6.

austerity of the first two years, the average growth rate for the Parliament as a whole falls to 3.7 per cent for health and 2.9 per cent for education. In both cases these are faster than expected national income growth and than government spending as a whole. The overall effect – if things turn out as planned, which is often not the case – is that these two items grow from 22.4 per cent of government spending in 1996-97 to 23.9 per cent in 2001-02.

Put like this, the main achievement of the review sounds less than dramatic. However, the reallocation of resources involved implies spending on health and education running at a combined level more than £5 billion a year higher by the end of the period than they would have done if the distribution of government spending had remained unchanged. This is roughly equivalent to what would have been raised by putting up income tax rates by 2p in the pound. The Government can therefore claim that it has produced significant extra spending in popular areas without the kind of politically damaging tax increases which might have been expected as the way of paying for them under "Old Labour".

It has been able to do this for two reasons. The first is that other forms of taxation – for instance on petrol and tobacco, and on the investment income of pension funds – have been increased. The second is that other areas of spending have been squeezed. These include social security spending, which increased very slowly for the Government's first two years thanks to falling unemployment and the policy of sticking to price-linking benefits. In the next three, the Government says that total spending on social security will increase by 2 per cent, allowing for extra spending under its "welfare to work" plans, and selective benefit increases, including in Child Benefit, and Income Support (social assistance) for young children and pensioners. Part of the fiscal headroom for increased health and education spending and for its favoured welfare-to-work measures comes therefore from a continued fall in the relative value of many cash benefits. More of it comes from standstill or cuts in other items, notably defence, which falls in real terms over the period. This continues from even more rapid falls in real defence spending under the Major Government. A measure of the overall switch in spending allowed by the "peace dividend" after the end of the Cold War is that in 1993-94 defence spending was £25 billion, compared to NHS spending (in England) of £32 billion. By 2001-02, defence spending is planned to be £21 billion, but health spending to be nearly twice as much, £41 billion (all figures at 1997-98 prices).[29] This kind of switch from defence to social spending would have been associated with proposals from the Left of the Labour Party in the 1980s and early 1990s, not with those of the Conservatives or New Labour.

B. New Labour and work

If one is searching for a linking theme across Labour's welfare policies within its first year it might be found in its promotion of work and the work ethic. Tony Blair's famous three priorities of "education, education and education" flow explicitly from an analysis that both low productivity and growing inequality have roots in a workforce which is ill-equipped for the contemporary global economy. The major new programme, the New Deal, is all about moving people from social security benefits into work, as were many of the measures in the 1998 Budget. New resources are available for training, subsidies are available for employers taking on young people out of work for over six months (or older people out of work over two years), and for the young there is "no fifth option" of continued life on benefits after six months, a major change in the principles of the British social security safety net. Much of the official discussion around these measures borrows from the US "welfare to work" agenda, in the process beginning to change the way the word "welfare" is used in Britain towards meaning cash benefits for the poorest as in the US, rather than the much wider concept generally used in British debates over the "welfare state".

As another example, the then Social Security Secretary Harriet Harman originally defended the controversial cuts to cash benefits for lone parents on the grounds that the assistance for finding work under the "New Deal for Lone Parents" represented similar resources used in a way which would be more productive for them in the long run. This argument which was not very convincing in respect of lone parents with younger children to whom the new measures did not apply, and for whom taking paid work is more difficult, but significant new resources are going into improving formal childcare provision (and to help with its costs through the Working Families Tax Credit). The Government appears to accept the implication that being paid to look after

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29 HM Treasury, 1998c, Table A3.

other people's children is to be positively encouraged, while staying at home to look after one's own is not. More generally, the Government has started using language borrowed from Continental Europe of "social exclusion" and "social inclusion", but much of the way in which it uses it implies that the main way in which inclusion is achieved is through paid work, rather than other activities. Its Green Paper on welfare reform, has for instance been criticised by social policy academics for ignoring "other forms of work, most notably care work undertaken in the home, still mainly by women ... [this] has left the impression that the Government does not value care work as an expression of citizenship responsibility".[30]

Another borrowing is the new Working Families Tax Credit, partly based on the US Earned Income Tax Credit. This is intended to increase differentials between incomes in and out of work. Not only is it more generous than the Family Credit it replaces, but it is intended to be paid by employers through the wage packet with the intended psychological effect of linking the benefits paid to the work carried out. This has been done despite some opposition on the grounds that it represents a shift "from purse to wallet", as Family Credit is mainly received by women, while for couples the new tax credit will mostly be paid to men. Given that who receives income can affect income distribution within the family,[31] the initial proposal that it should *only* be paid with wages was withdrawn, leaving an option for payment in the same way as now if the couple want it. For sensible administrative reasons, the WFTC will, in fact, be calculated by a special office in much the same way as Family Credit already is (but now under the tax authorities, not the social security administration), rather than calculated by employers as would happen with full tax-benefit integration (as in a "Negative Income Tax"). This has led some to point out that it really amounts only to a "rebranding" of Family Credit, with the extra generosity equally achievable within the old system. This is countered by the Government on the grounds that, "by linking support more closely to the pay packet, [it] will demonstrate the rewards of work as well as removing the stigma

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30 Open letter from Professor Peter Alcock and others to the new Secretary of State for Social Security, Alistair Darling, published in the *Guardian*, 29 July 1998.

31 Goode, Callendar and Lister (1998).

that is sometimes associated with claiming benefit".[32] One might also add the presentational advantage that part of the cost of the new tax credit will appear in the public accounts as lower taxation rather than as higher public spending (an advantage which was not lost on the Clinton government either).

Interestingly, the "making work pay" agenda appears to rank higher than the Government's commitment to preserving "flexible" and lightly regulated labour markets, in that a minimum wage will be introduced. It will be set at a level (£3.60 per hour, or £3 for 18-21 year-olds) where risks to employment are minimised, but it nevertheless represents a clear break with part of the Thatcherite agenda.

In the most comprehensive statement of its views on welfare reform published so far, the March 1998 Green Paper, the first of the eight principles which its sets out as underlying reform is that, "The new welfare state should help and encourage people of working age to work where they are capable of doing so", and the relevant chapter entitled "The importance of work" starts with the statement that, "The Government's aim is to rebuild the welfare state around work".[33] Indeed the central slogan of the Green Paper in Tony Blair's introduction is that,

> "We want to rebuild the system around work and security. Work for those who can; security for those who cannot."[34]

Not, it should be noted "security for all", which might have been the slogan for the post war system established by Beveridge (and it is hard to imagine that this is an accidental slip given how high a profile this statement has). Here one can begin to see a tension within the emerging policies of the Government. On the one hand, it would like to re-inforce the connection between work and welfare. On the other, it does not want to offer too easy a safety net even for those who are currently working.

Similarly, it shows little sign of strengthening the national insurance system which embodies one form of such a connection. This was despite the fact that the Minister for Welfare Reform in whose name the Green Paper was issued had argued before

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32 DSS (1998b, p.29).

33 DSS (1998b, p.23).

34 DSS (1998b, p.iii).

appointment in favour of social insurance-based systems, albeit run by an arms-length National Insurance Corporation or in some cases by mutual organisations rather than the state.[35] One of the reported disputes which led to his resignation was opposition from the Treasury on cost grounds to his ideas for strengthened social insurance in order to reduce reliance on means-testing.

Again, some relative priorities can be deduced from the reforms to National Insurance Contributions for employees proposed in the 1998 Budget, where it is suggested that the threshold for contributions should be raised, but there should still be a way of "crediting in" entitlement for national insurance benefits like the state pension for those who earn between what is now the threshold for contributions and the new one. This will have positive distributional effects, but will further weaken the already tenuous links between the work-based contributions people pay and their benefit entitlements. The judgement is clearly that such links are so obscure that social insurance has little positive role to play within the agenda for promoting work. Rather it is to be reformed to remove disincentives caused by the structure of contributions, and the administration of contributions is to be moved from the Department of Social Security to the Inland Revenue (which runs income tax); it may only be a matter of time before contributions and income tax are merged.

C. New Labour and inequality

In terms of rhetoric, the new government has been clear about its intention to reverse some of the growth of inequality seen in the 1980s. Interviewed in 1996, Tony Blair had stated that, "I believe in greater equality. If the next Labour Government has not raised the living standards of the poorest by the end of its term in office, it will have failed."[36] Speaking in December 1997 launching the Cabinet Office's new Social Exclusion Unit he argued that the central theme of the Government's work was national renewal, "In which we make it, once more, our national purpose to tackle social division and inequality".[37]

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35 Field, 1995.

36 Interviewed by the *Independent* newspaper and quoted by Oppenheim (1997).

37 Speech at Stockwell Park School, 8 December 1997.

The Government's actual commitment to such objectives has, however, come under some assault, particularly as a result of its policies towards public spending, the cuts in benefits for lone parents, concerns that benefits for the disabled are under threat, and its refusal to increase the general levels of social security benefits.[38] By way of riposte, the Government argued in its first "Annual Report" that it is,

> "... developing a new approach, moving beyond the old debate between those who say the answer is to increase the level of benefits and those who say the answer is to cut benefits. We believe that the key test of most benefits is whether they are helping people to be independent."[39]

It can also point to an increasingly comprehensive list of measures as being intended to reduce inequality and relative poverty:

- ♦ The priority (including extra spending) given to education in general and training for the unemployed in particular as measures intended to address fundamental reasons for unemployment and low pay.
- ♦ Introduction of a national minimum wage.
- ♦ Subsidies to employers to take on the young and long-term unemployed, and other elements of the New Deal.
- ♦ The Working Families Tax Credit, which will be more generous to low paid workers with children than the existing Family Credit.
- ♦ Increases in the universal Child Benefit and in the allowances for younger children in Income Support.
- ♦ Proposed reforms to the Child Support Agency which will allow lone parents on benefit to keep some of the maintenance paid to them.
- ♦ Reforms to National Insurance Contributions which reduce taxes on the low paid and their employers.
- ♦ A new campaign to try to ensure that more of the poorest pensioners claim the benefits to which they are entitled, and a real increase in the level of Income Support for pensioners

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38 See, for instance, a letter to the *Financial Times* signed by 54 Professors of Social Policy and Sociology in October 1998.

39 Prime Minister, 1998, p.50.

(together rather grandly labelled a "new pensioners' guarantee").

- ♦ Special help for low income neighbourhoods through health, education and employment action zones, and the "New Deal for Communities".
- ♦ Particular measures recommended by the Social Exclusion Unit to tackle school exclusions and truancy, street homelessness and the poorest areas of social housing.
- ♦ Commitment to produce an annual report on "poverty in Britain and the success we are having in alleviating it".[40]

While the Chancellor carefully avoided stressing the redistributive effects of the 1998 Budget, the balance of changes it involved clearly did redistribute income to those with relatively low incomes (via the WFTC, increases in Child Benefit and Income Support, and the reforms of national insurance) and away from those with higher incomes (through reductions in various tax allowances and increases in taxes on motor fuel, many of which had been already announced). As the record of the Thatcher years shows, substantial redistribution can be achieved not only through major system changes like the Poll Tax, but also through a series of incremental changes to the tax and benefit system which point in the same direction and have a much greater cumulative impact. It remains, of course, to be seen whether subsequent reforms will follow the same balance as the 1998 Budget,

Never the less, conflict remains with decisions for the real level of benefits in the long term. In the short term the Government's priorities are for putting resources into initiatives like the New Deal and improved childcare, not into social security payments in general. However, even the most optimistic assessments of the potential effect of such schemes suggest that a substantial proportion of benefit recipients - pensioners, lone parents with pre-school children, and some of the long-term sick and disabled - will continue to have their living standards determined by benefit levels, however successful other measures are. Where these continue to be linked to prices, those dependent on them will continue to fall behind the rest of the population. In terms of the numbers living with low incomes relative to the average, it has been suggested that this effect could swamp all of

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40 Prime Minister, 1998, p.57.

the positive effects of the other initiatives.[41] What we may see is a race between the positive effects of measures to increase incomes from work at the bottom, including lower unemployment, and of benefit increases for selected groups on the one hand, compared to the negative effects of falling relative incomes for other groups remaining largely dependent on benefits on the other.

4. Welfare Reform and the "Third Way"

In brief, this survey of New Labour's welfare policies in its first year suggests the following:

- As far as public spending is concerned, it has made great efforts to shed Labour's "tax and spend" image, and embraced tight public spending limits for its first two years, as set by its Conservative predecessor. In this sense its policies mark little change from before. However, there is some additional tax-financed spending under the "New Deal", and spending priorities for the next three years were changed significantly as a result of the Comprehensive Spending Review, allowing significant real increases in health and education spending. Notably, the effect of the CSR is that public spending is now intended to grow slightly in relation to GDP, whereas a fall would have been more likely under the Conservatives.
- A major new theme has been the importance of promoting work, both for economic reasons and as part of its vision of an inclusive society. This theme links most of the practical measures which have been taken so far.
- In principle, the new government is more clearly committed to reducing inequality than its predecessor, and many of its measures (and others under review) are consistent with this aim. On the other hand, its intention that social security spending should fall in relation to national income constrains what it is likely to do for most benefit levels, determining the living standards of many of the poorest.
- The dominance of the Treasury in making welfare and social policy is new and striking. Not only have most of the

41 Piachaud (1998).

significant developments been made as part of its Budget and spending announcements, but the tax system is also being used as an explicit instrument of social policy. It has also greatly increased its power by making *any* additional spending by departments in *cash* terms over the next few years conditional on convincing the Treasury that agreed reforms have taken place.

In trying to emphasise simultaneously its break with "Old Labour" and its distinctiveness from Thatcherism, the new Government has encouraged talk that it is following what it describes as a "third way". In its welfare reform Green Paper this is explicit:

> "The welfare state now faces a choice of futures. A privatised future, with the welfare state becoming a residual safety net for the poorest and most marginalised; the *status quo*, but with more generous benefits; or the Government's third way – promoting opportunity instead of dependence, with a welfare state providing for the mass of the people, but in new ways to fit the modern world."[42]

This is all very well, but careful reading suggests that the Government has in fact left its options very wide, without giving many clues as to where the "third way" will actually take us beyond ruling out two polar extremes. Its commitment to universal and strengthened health and education provision does rule out a retreat to a privatised safety net. On the other hand in the field of pensions it is clearly hoping for greater private provision (and might even make greater self-provision compulsory for those who can afford it). It would also like to see private insurance take a greater role in covering some risks previously covered by social security, notwithstanding the difficulties for private insurance with many of these areas.[43] Similarly, it has ruled out benefit increases without any reform of the structure, but this does not prevent selective increases in some benefits – as with those already made for children, and for low income pensioners.

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[42] DSS (1998b), p.19.

[43] Burchardt and Hills (1997).

It is still hard to establish precisely what New Labour actually means by its "third way". Indeed, it will probably only know itself what it means when it gets there. Speculating, it seems likely that the result will in fact be a series of different routes for different parts of the welfare state, using a wider variety of instruments than traditional public "tax and spend", although health and school education will continue in this way with increased resources. Changes already include new roles for the tax system, hitherto seen mainly as a revenue-raising device, rather than as an instrument of welfare policy *per se*. It also includes new forms of taxation – or at least of compulsory income-related contributions – as with the reforms to student finance. More of this may follow if the Royal Commission backs proposals for some form of compulsory collective insurance for long-term care (similar to the German "fifth pillar" of social insurance, but carried out at arms-length from the state),[44] and if the effective level of compulsory earnings-related pension contributions is raised. There may be further shifts towards more social housing being provided by non-profit social landlords rather than it being owned directly by local authorities.

Such moves would undoubtedly change the UK's welfare system. Whether they would constitute a "break with the past" is less clear. As Table 1 showed, the UK welfare system already involved a wide range of roles for public and private sectors in 1979, and gradually evolved towards more diversity under the Conservatives. Many of the likely reforms which may be visible by the end of New Labour's second year in office will continue this kind of evolution.

Much media hype surrounded the reviews of the welfare system when they were established, with Frank Field in particular reportedly charged by Tony Blair with "thinking the unthinkable" about welfare reform. Looking at what has emerged as policy, the result is – like the Titanic, but with a lisp – all too easily thinkable. In terms of practical policies which affect the lives and security of most of the population, for many this will come as a relief.

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[44] See Joseph Rowntree Foundation (1996) for proposals of this kind.

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