’Ways of extending the welfare state to the poor’

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Introduction

The Chancellor of the Exchequer recently declared that Britain can no longer afford the cost of the welfare state and has promised to make it fairer for those who need it, as well as for those who pay for it. As the 2015 general election approaches, differences between the main political parties on the issue of what used to be called ‘social security’ mainly amount to how much to cut and when. Long-term economic security and the end of a something for nothing culture are the order of the day with ‘scrounger-phobia’ (Deacon, 1978: 124) making an unwelcome return. The idea of a more expansive system of protection for people at the margins of our society does not attract much discussion at present. And yet, some parts of the welfare state are actually becoming more inclusive and relaxed. Policies such as a reduction in the highest rate of income tax, increased childcare allowances, a proposal to cut inheritance tax and the development of ‘social investment bonds’ represent a more inclusive approach to welfare provision, especially for higher earners. This article argues that, far from being too generous to people reliant on benefits for their income, the welfare system, understood in a broad sense, does not adequately include or protect them and suggests that as well as ‘defending’ welfare, we should be exploring ‘ways of extending the welfare state to the poor’ (Titmuss, 1965: 20).

Excluded from state support?

The Coalition Government have made no secret of their desire to reform the welfare state. The introduction of Universal Credit, for example, has been a central part of these reforms, although the results to date have not matched the rhetoric with only very small numbers of people claiming Universal Credit. Much has also been made of increases in the threshold at which people start paying tax, although announce-ments about low-paid people being ‘taken out of the tax system altogether’ unfortunately ignores the role of VAT and doesn’t do a great deal to help those people who are not in work, for whatever reason.

Part of the reason for these reforms is the return of what has previously been called ‘scrounger-phobia’ – the fear that there are people ‘milking the state’ for as much as they can and choosing to live on benefits as part of a lifestyle choice. Politicians of all colours have sought to pit ‘hard-working families’ against ‘troubled families’, the Chancellor has talked of people on benefits sleeping in behind ‘closed curtains’, whilst Iain Duncan Smith has expressed fears that there are ‘entire communities’ where no one has worked. This desire to end a ‘something for nothing culture’ (which has never been proven to exist), coupled with the ‘need’ to cut the deficit, has led to a number of welfare reforms targeting some of the poorest people in our society.

The unprecedented rise in the numbers of people using food banks has been linked to the increased use of sanctions and delays in the processing of benefits. The child benefit rate has risen by around just 20p per child in the last four years and there has been recent discussion about capping child benefit at two children, even though families with three or more children are at greater risk of poverty than smaller families. Large families have been hit particularly badly by the Coalition’s tax and welfare reforms although it is lone parents who have fared worst (De Agostini et al., 2014).

A strong political and media focus on stopping benefit fraud unfortunately disguises the fact that large numbers of benefits go unclaimed by people who are perfectly entitled to receive them. Recent analysis of labour market figures suggest that around 50% of unemployed peo-
ple are not claiming Jobseekers Allowance (JSA) (CESI, 2014). The figure for young unemployed people not claiming JSA has risen by more than 20 percentage points since October 2012, when the current JSA sanctions regime began. The last release of information about non take-up of benefits suggested that in 2009-10, between £7.52 billion and £12.31 billion was left unclaimed (DWP, 2012). In comparison, the latest fraud estimates for the benefits system suggest that around £1.2 billion was lost to fraud in 2013-14, lower still than the amount underpaid as a result of administrative errors (DWP, 2014). A recent prepaid card pilot was announced, which will restrict where people out of work can spend their benefits and what they can buy with them. The increased stigma attached to being reliant upon benefits as a result of the reforms and accompanying rhetoric, is hardly likely to encourage more people to claim state support that they are entitled to.

The examples above – and there are many more which can't be covered here – suggest that state support for many people who lead precarious lives on low and/or insecure incomes is becoming either increasingly difficult to obtain or people do not believe it is worth the hassle associated with applying for it. When support is secured, it is often insufficient to enable them to achieve an adequate standard of living.

A more inclusive approach ...

State support in relation to higher earners generally receives less attention, but when we do look upwards, we can see that the state is becoming more inclusive and benevolent to certain groups of people. By way of example, in the 2012 Budget, George Osborne announced that he was cutting the tax rate for higher earners from 50% to 45%. At the same time, he announced an extension of a planned cut in corporation tax, from 26% to 22% over a three-year period and there is now an increasing awareness of the extent of a wider ‘corporate welfare state’ in the UK, which has been estimated to be worth around £85 billion (Chakrabortty, 2014).

A recent report found that ‘Two-earner households, and those with elderly members, were the most favourably treated’ group by the current government’s tax and benefit policies (De Agostini et al., 2014: 23). One such policy aimed directly at this group came in the 2014 Budget, when nearly two million families where both parents work became eligible for up to £2,000 per child towards childcare costs. Families where both parents are in work are one of the population groups least likely to be living in poverty. The same report noted that pensioners, another group with relatively low levels of poverty when compared to the wider population, also did comparatively well from the government’s fiscal policies. The ‘triple lock’ that applies to pensions has seen pensioner’s incomes rise much faster than earnings, at a time of wage stagnation and changes to the way benefits are uprated annually.

The government’s Help to Buy scheme provides another example of how the state is intervening to support people who are often excluded from discussions about the welfare state. The scheme offers interest free loans of up to £120,000 for five years for anyone purchasing newly built homes. This is at a time when, as well as the introduction of the infamous ‘bedroom tax’, the number of people identified as homeless is rising and increasing numbers of people, including families with children, are being placed in temporary bed and breakfast accommodation due to housing shortages.

Changes to the way public services are being delivered also offer opportunities for private sector organisations and ‘high-net worth individuals’ to benefit from the ‘welfare state’. The introduction of market mechanism into the NHS, mirroring the situation in education and ‘welfare-to-work’ programmes, has seen an increase in private, profit-making healthcare companies providing services for the NHS. The introduction of social investment bonds means that people or organisations are able to invest in new models of public services aimed at some of the most disadvantaged members of our society. Iain Duncan Smith hopes that ‘new investors – private sector companies, high-net individuals, and venture capitalists … groups who might never before have seen themselves as part of the solution for change’ will be attracted by a Social Investment Tax Relief which will help the...
‘growing social investment market’ and ‘incentivise anyone with savings to put their money into social investment’ (Duncan Smith, 2013).

Conclusion

There are, of course, more reforms which are affecting more – and different – groups of people, but it is not possible to cover them all here. The intention is to highlight that the dominant portrayal of the current ‘welfare state’ as being too generous and encouraging welfare dependency is wholly inaccurate. The reality for those on the lowest and most precarious incomes in the UK is that the current system of state support often falls short of helping them and does not go far enough. Increased conditionality, tougher sanctions and unhelpful political and media rhetoric do not suggest an inclusive approach to supporting people experiencing disadvantages. If, however one takes an alternative and expanded view of the welfare state and examines welfare reforms for those on higher incomes, it is difficult to view them as anything other than increasingly generous. John Hills recently remarked in his book *Good Times and Bad Times*, in relation to welfare spending in the UK, that ‘If anyone has got too expensive, it has, in fact, been the rich’ (Hills, 2014: 45). It is in this context, then, that, as well as defending welfare, we should be arguing, as Richard Titmuss did fifty years ago, for the extension of the welfare state to support the poorest and most marginalised people in our society. A system of social security which appeared designed to support, rather than punish, poor people would be a good place to start.

References


