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11. Britain's Social Model: Rapid Descent from 'Liberal Collectivism' to a 'Market Society'

Damian Grimshaw

1. INTRODUCTION

In common with other high income countries, Britain's social model – comprising welfare policy, employment policy and policies for civil society – faces the contradictory pressures of austerity, globalization and changing socio-economic needs. International financial markets penalize deficit-financed government spending, but they also punish low economic growth, as evidenced by the United Kingdom's loss of its AAA rating in early 2013. Changing demography means increased welfare services for an ageing population, but from a tax base reduced by a smaller working-age population. Also, the economic pressures of global competition demand investment in education and training and effective labour market institutions, but clash with a resurgent neoliberal agenda to promote economic growth through pro-capital, deregulatory state intervention.

Countries respond to such pressures in one of two ways: either by encouraging individual initiative through constructing the right set of incentives or by developing services and policies that can help individual and collective decisions and foster equality of opportunity (Taylor-Gooby 2011). The United Kingdom is closer to the former path of development. Indeed, in comparative perspective, Britain's social model has long been perceived to reside at the edge of Europe, closer to the United States in many respects. The undermining of welfare and employment rights during the 1980s and much of the 1990s certainly brought the United Kingdom closer to the United States and a similar policy now sharply defines post-2010 austerity. However, there are important differences that underpin Britain's idiosyncratic, path-dependent trajectory, particularly associated with its relatively generous welfare payments to assist with housing costs, a concerted effort during the 2000s to address child poverty and the adoption of several EU directives that have improved employment standards. Overall, it is fair to say that developments in UK social policy from the late 1990s tended to reflect both American and European influences (Annesley 2003: 144). But since 2010, following a change in government from 'New' Labour (centre-left) to a strongly ideological Conservative-led coalition (right) in a context of economic recession and sovereign debt crisis, the balance has clearly shifted. This chapter describes the reforms to each of the three pillars of Britain's social model, spanning welfare, employment (including social dialogue) and civil society. It assesses the significance of reforms since 2010 against the backdrop of an incremental building of a liberal collectivist social model during the 2000s (see Clarke 2004; Grimshaw and Rubery 2012). In light of a critical analysis of the social and economic effects of these combined reforms, especially for key measures of social cohesion and inequality, the chapter argues that the United Kingdom has once more veered off onto a developmental path that seeks mistakenly to embed social relations within the economic system rather than the other way round. As such, British policymakers have not heeded Polanyi's (1957) famous

warning about the dangers of a ‘market society’, particularly the risk that ideological faith in ‘self-regulating’ markets and the reshaping of a country’s social model according to market principles might lead to chaos.

2. MAPPING THE UK SOCIAL MODEL PRE-2010

From an international perspective, the UK social model is generally said to be underdeveloped; it consists of a residualist welfare policy, limited employment rights and an individualistic (and unequal) civil society. While Britain certainly lacks some of the core features of a European Social Model present in other European countries, and the 1980s underscored a deliberate undermining of social, employment and civic rights, there are nevertheless key features of Britain’s social model which, at least up to 2010, were preserved and in some cases reinforced and developed. Identifying these features underscores the significance of the current assault on the social model described in Section 3. Figure 11.1 summarizes the key features of the United Kingdom’s liberal collectivist social model *prior* to the introduction of austerity measures in 2010, organized around the three inter-locking areas of welfare, employment and civil society.

Figure 11.1: Characterising the UK social model, 2000–2009

2.1 Britain’s Legacy of an Underdeveloped Social Model

In all three spheres depicted in Figure 11.1, there is a great deal of evidence to suggest the United Kingdom has a relatively underdeveloped social model. It is usually described as liberal or residualist with strong resort to means-tested entitlement rules, commitment to individual incentives, low purchasing value of welfare transfers, heavy use of market mechanisms to deliver public services and a strong bias towards the traditional male breadwinner model (Lewis 1992). In employment policy, since the 1980s the United Kingdom has been broadly non-interventionist with a limited role for organized labour and a consensus among the leadership of opposing political parties that the country’s

competitive advantage is best served by a lightly regulated labour market.¹ Finally, policies for civil society are marked by their failure to address regional inequalities or to support local democratic government.

2.1.1 A Residualist rather than a Universal Welfare System

A key illustration of Britain's residualist, male breadwinner welfare model is the long-standing low level of unemployment benefits (defined since 1995 as the 'Job Seekers' Allowance'). It is paid at a flat rate for six months and was just £71 (83 euros) a week in 2012 (aged 25+). The gross replacement rate – percentage of previous wage 'replaced' by unemployment benefits – is estimated at only a little more than 10 per cent of average wage income and OECD data rank the UK twenty-third out of 29 countries (Figure 11.2).² Many women with a history of unstable, short-hours part-time work are not covered. For those unemployed for longer than six months, a second unemployment benefit applies, 'job seekers' allowance (income-based)'. It is paid out of general taxation, has unlimited duration and eligibility depends on a means-test of household income and savings.³

Figure 11.2 Gross replacement rates, UK and OECD countries, 2009

Note: Gross replacement rates refer to the OECD's summary measure defined as 'the average of the gross unemployment benefit replacement rates for two earnings levels, three family situations and three durations of unemployment'; net replacement rates refer to the situation for a single person, previously paid the average wage and with no children.

Source: OECD benefits and wages statistics, <http://www.oecd.org/els/benefitsandwagesstatistics.htm> (accessed 8 February 2013).

¹ See, for example, the foreword by Tony Blair to the 1998 White Paper 'Fairness at Work' (Department of Trade and Industry), produced at the beginning of the New Labour period of government.

² A lower amount is paid to persons aged 18–25 (£56.25 a week). The self-employed and anyone with a partner who works more than 24 hours are not entitled. All beneficiaries must be available to take up a full-time job (40 hours per week) and, importantly, must be able to demonstrate active job search. Individuals with a work history of very low pay or frequent interruptions are therefore not entitled. Rules in 2012–2013 require paid national insurance contributions on at least £2,782 (26 times the weekly lower earnings limit) in one of the preceding two tax years, paid employment of at least 26 weeks in one of the previous two years and paid or credited contributions (for example, while unemployed) of £5,350 in both years.

³ Also, if two adults in a household are unemployed, benefits are calculated at 160%, not 200%, of the individual benefit payment.

Other areas of Britain's welfare state are similarly residualist. Pension provision has primarily involved a flat-rate state pension (topped up by a means-tested pension credit), indexed to prices (1981-2011), although mid-level earners have traditionally relied on occupational or company pensions to provide earnings-related benefits. Again, expressed as a percentage of previous gross earnings, UK pensions are on average low – a 37 per cent replacement rate compared to an OECD (34-country) average of 61 per cent.⁴

Education provision is also marked by relatively weak intervention. The United Kingdom is only marginally above the OECD average in the share of the population with secondary school attainment and expenditure per student in compulsory schooling is below average on a 'purchasing power parity' basis of estimation. Moreover, schooling is fragmented and polarized. The elite and upper middle classes have long been serviced by expensive and exclusive private schools (around 7 per cent of all children in 2010). Overall, judging by Unicef's measures of child wellbeing, UK educational provision for children is poor; the United Kingdom ranks 24th out of 29 countries on a measure of education participation and achievement (Unicef 2013).

At the other end of cradle-to-grave welfare provision, social care provision for the elderly is underfunded and, since the 1980s, has been subcontracted to the private sector. Marketization is in keeping with many other areas of welfare services delivery where successive UK governments have strengthened market pressures, devolved budgetary responsibilities and expanded the role of the private, for-profit sector.

2.1.2 Minimalist Workers' Protection and Limited Social Dialogue

In its approach to employment, especially regarding transitions into paid employment, the duties and responsibilities of employers and provisions for collective worker representation, Britain has also tended to fall short of the standards associated with a European Social Model (CIPD 2012). The United Kingdom spends little, relative to other countries, on active labour market policy and instead relies on what Bonoli (2010) calls 'incentive reinforcement' through its extensive in-work system of tax credits and ad hoc activation. Since the 1990s it has incrementally developed a controversial 'Work First' approach to reducing numbers of welfare beneficiaries, involving a major effort to improve employment participation among families and lone parents with young children and among people with disabilities. Once in paid employment, workers enjoy limited protection. The United Kingdom ranks twenty-eighth out of 30 countries on the OECD's (2008) indicator of 'strictness of employment protection', with a particularly low score for protecting permanent workers against individual dismissal and regulations for temporary workers (Venn 2009).

Also, while the 1998 implementation of the EU Working Time Directive established the first statutory entitlement to paid holidays in the United Kingdom (20 days plus eight public holidays), to get around the 48 hours weekly limit (averaged over 17 weeks), UK law allows employers to ask individual workers if they wish to opt out. The share of workers working long hours has reduced since the mid-1990s but the United Kingdom still sits comfortably above the OECD average (OECD 2011), which suggests use of the 48-hour opt out is widespread.

While other European countries may benefit from supplementary protection negotiated by unions and employers in collective bargaining agreements (such as more generous severance pay or extended notice periods for dismissal), most UK workers are reliant on

⁴ OECD *Pensions at a Glance*, 2011 data, with reference to gross median earnings.

the low legal protection because of weak collective bargaining coverage, especially in the private sector where the pay of only 17 per cent of employees is regulated by collective agreement (Brownlie 2011: Table 2.4).

Indeed, social dialogue and workplace democracy in the United Kingdom are weak by any measure. Employers opted out of sector-wide associations long ago and union membership has been slowly declining over the past two decades, following a well-known precipitous drop in the 1980s and early 1990s. Estimates from the Labour Force Survey show a union density of 29 per cent among women and 23 per cent among men in 2011. The weakness of social dialogue at workplace, sectoral and national levels in the UK labour market means that there is very limited scope to match societal norms of fairness with employment practices. In the case of pay practices, for example, the United Kingdom has higher levels of wage inequality than might otherwise be anticipated, witnessed by a high incidence of low pay, a wide gender pay gap, a high concentration of women workers among the low paid and super-high and escalating rewards (pay, bonuses, share dividends) to executives (High Pay Centre 2012; Lloyd et al. 2009; Pennycook and Whitaker 2012; see Section 3).

2.1.3 Falling Short on Social Inclusion

These weaknesses in the employment sphere are matched by weak policy instruments for a more democratic and solidaristic civil society (see Janoski 1998: Table 2.2). Opportunities to participate in UK society depend in part on the distribution of economic resources across the regions. However, the United Kingdom has a poor record of regional economic investment and equalization programmes, resulting in a highly skewed distribution of GDP per capita and investment in the arts and culture centred in the South East/London area. These differentials worsened after the collapse of manufacturing in the 1980s: Martin's (2009) detailed empirical analysis of the period 1980–2007 shows that London and the South East pulled away from the rest of the country during both the boom under Thatcher and the first term of the New Labour government. By contrast the North West and North East fell away quite significantly. Inner London is in fact the richest region in the EU (with a GDP per capita more than triple the EU27 average). While there may be welcome agglomeration effects of having a strong London capital several reports identify a strong and persistent north/south geographical divide in health indicators educational performance and R&D spending, among other measures, all of which are positively associated with regional income levels (Adams et al. 2003; Ellis and Fry 2010). Local government provides an important potential mechanism for regional distribution of services and, critically, for matching provision of public services with citizens' socio-economic needs. However, again, Britain falls short. Compared with federal countries such as Germany and the United States, the sub-national level of spending in the United Kingdom is significantly lower than the OECD average, as is the share of total government revenue raised at sub-national level (OECD 2003: Table V.1). Tax and social security spending decisions are almost entirely the preserve of central government, such that devolved and local authorities enjoy limited control over their budgets (Adams et al. 2007).

Table 11.1 Summary of the three key dimensions of the UK social model, 2000–2010

Key features*	Character Issues
1. Welfare	<i>Mainly liberal/ residualist/ for-profit</i>
Social protection for unemployed	• low expenditure, low value unemployment benefits, limited entitlement penalizes female workers (minimum hours/earnings)
Housing	• relatively high level, significant supplement to low unemployment benefits to reduce poverty
Pensions	• low state pension, majority of employees without workplace pension, inequalities between public/private sectors, high-/low-wage earners, full-time/ part-time workers
Education	• privatized, high cost childcare (partially subsidized), free provision 3–4 year olds (part-time), mainly state school sector (elite expensive private sector) and mass high education financed by student debt
Childcare	• moderate-level state interventions include free part-time provision (3–4 year olds), tax credits and centres for low-income communities; problems of very high cost private sector
Health care	• mainly publicly financed from general taxation and publicly provided (free at the point of use), although significant transfers to private, for profit sector to manage and deliver services; 15% of population have private medical insurance
Elderly care	• means-tested state funding with care delivered mainly by private, for-profit sector with private top-up fees, plus a small private paying market
2. Employment	<i>Under-regulated, employer-led flexibility with basic minimum standards</i>
Active labour market policy	• low-level spending and weakly interventionist, although ad hoc significant measures for lone parents, disabled and older workers and, temporarily, for young people
Employment rights	• weak interventionist approach – weak employment protection rights but improved minimum floors for working-time rights, work/family balance (maternity and paternity leave, flexible working rights), part-time and temporary agency work
Equal opportunities and anti-discrimination	• equal treatment legislation for full range of protected characteristics (sex, age, race, religion and so on), equalities for users of public services
Social dialogue	• low union membership and limited engagement in collective bargaining in the private sector; effective model of national and local social dialogue in the public sector
Fair wages	• high incidence of low-wage employment in a context of -medium level statutory national minimum wage, weak collective bargaining and falling wage share; living wage campaigns; escalation of high pay and bonuses
3. Civil society	<i>Weak solidarity, regional inequality, weak local government</i>
Regional economic cohesion	• high regional inequality with strong London and South East concentration of resources (for example, R&D spending, GDP per capita)
Local government	• centralized governance with limited tax and spending powers at local or regional government levels
Tax policy	• progressive income tax, relatively low corporation tax and medium level consumption (value-added) tax relative to OECD levels
Rights of migrants and asylum seekers	• increased visibility of problems faced by migrant workers and campaigns to raise awareness of rights and improve regulations

Note: * Adapted from Vaughan-Whitehead (2003: 6–10).

2.2 More Developed Features of Britain's Social Model

Several features of Britain's social model do not fit neatly with the above portrait and deserve emphasis, especially in the current context of neoliberal policy reforms that seek to erode the last vestiges of collectivist principles in the spheres of welfare, employment and civil society: increased public spending, decent housing benefits and the NHS

Welfare policy under New Labour (1997–2010) was distinguished by provision of a low level minimum floor and reliance on means testing for most benefits, but also complemented by an explicit (and new) policy focus on reducing poverty, especially among children. Analysis by the Institute for Fiscal Studies suggests during the 1997–2010 period, welfare benefits increased closely in line with rising GDP, which was far more generous than the preceding period when benefits increased only in line with inflation (Adam and Browne 2010). Overall, public expenditure was raised from 35 per cent of GDP to 47 per cent during 1999–2000 to 2009–2010.⁵ Selecting the components of spending associated with welfare reforms considered here (health, education, social protection and housing and community services), spending increased from 24 per cent of GDP to 32 per cent.

It is also significant that the United Kingdom has for many years provided relatively generous financial assistance to cover housing costs for low-income households. Housing benefits are available for both unemployed persons and low-wage workers as a means-tested contribution towards rental costs (not mortgage payments). These benefits have therefore traditionally distinguished the United Kingdom from the liberal welfare state regime of the United States and improved its position in international country rankings of social protection for the unemployed (Priemus et al. 2010). Post-2010 policies that aim to degrade the provision of housing benefits are therefore especially significant (Section 5). A further determinedly collectivist pillar of Britain's welfare state is the National Health Service, which, unlike social care, is financed by general taxation, provided free at the point of use and delivered mainly by public sector organizations; fewer than one in five people (16 per cent in 2009) have private medical insurance (OFT 2011).

2.2.1 Increasing Workers' Rights and Better Support for Working Mothers

The United Kingdom's liberal market economy approach to employment standards was adapted to some extent during the 13 years of New Labour government (1997–2010) through the introduction of stronger minimum floors and improved basic employment rights (Grimshaw and Rubery 2012; McCann 2008). Employment rights for working time, maternity leave, parental leave and provision of equal rights for part-time and temporary workers were all strengthened as a direct result of the United Kingdom's decision in 1997 to end its opt-out from the EU Social Chapter (albeit with the retention of the employer's prerogative where possible).

Rights for part-time workers were introduced in 2000,⁶ providing equality of pay, holidays, pension schemes, family leave and training access, among other conditions. In 2002, rights for workers on fixed-term, temporary contracts were brought in line with those on permanent contracts, providing equal pay and benefits, as well as the right to an open-ended contract after four years of continuous employment.⁷ Subsequently, new rights for agency workers provided equal rights to pay and other terms and conditions.⁸

5 'Total managed expenditures' from 'Historical series of fiscal aggregates', available at the OBR website, <http://budgetresponsibility.independent.gov.uk/category/topics/public-finance-forecasts-topics/> (accessed February 2013).

6 Implementation in 2000 of the 1997 EU Directive Part-Time Workers (Prevention of Less Favourable Treatment) Regulations.

7 Implementation in 2002 of the 1999 EU Directive The Fixed Term Employees (Prevention of Less Favourable Treatment) Regulations.

8 Implementation of the 2008 EU Agency Workers Directive.

Employment rights also evolved in response to the reality of a growing share of dual-earner households and problems of work-life balance, albeit with overall weak employment support for working mothers compared with other countries, such as Sweden (OECD 2011). Reforms included a significant lengthening of paid maternity leave from just 14 weeks prior to 1999 legislation⁹ up to the present 39 weeks. However, pay is low – 90 per cent of earnings are only paid for the first six weeks, followed by a fixed £137 per week (or 90 per cent of earnings if this is lower) for the remaining 33 weeks.¹⁰ In an international review of paid leave policies in 27 countries, the United Kingdom provides the fewest number of weeks of ‘well paid’ maternity leave (defined as above two-thirds of earnings; Moss 2013); also, only one in four working mothers receive supplementary maternity pay from their employer. Fathers are entitled to two weeks paid paternity leave (at the minimum statutory level) and may benefit from further leave where mothers transfer part of their paid and unpaid leave (after 20 weeks and before the child is 12 months old, up to a total of 26 weeks).

2.2.2 A Decent Wage Floor and Sustaining Effective Public Sector Industrial Relations

The introduction of a statutory national minimum wage in 1999 has generally been perceived as an institutional success story, in terms of both the functioning of the tripartite governance arrangement (the Low Pay Commission) and labour market outcomes. Also, worker representation was sustained throughout the 2000s at a relatively high level in the public sector. In 2011, while nine out of ten private sector workplaces had no recognized trade union, in the public sector nine out of ten workplaces did have recognized unions (van Wanrooy 2013). Collective voice in the public sector has proven resilient, albeit with a shift from traditional collective bargaining to independent pay review bodies for most public sector workers.¹¹

2.2.3 Other Steps Forward for a More Progressive Society

With regard to policies for civil society, the United Kingdom has retained its progressive income tax structure, including the temporary addition of a 50 per cent rate in 2010–2011. Social security contributions are by contrast regressive since employees pay 12 per cent on earnings within a defined minimum-maximum range and 2 per cent on earnings above the maximum threshold.¹² A second notable feature concerns the abandonment of what had been for many years a dangerously laissez faire approach to the organisation of employment for low-skill migrant workers. Fair treatment of migrant workers was a major campaigning theme of the Trades Union Congress (the peak organization of UK unions) in the 2000s in response to research reports documenting illegal payment of sub-minimum wages, long working hours, dangerous working conditions, abusive management

9 The Maternity and Parental Leave Regulations 1999 (with effect from 2000) extended the period of paid leave to 18 weeks with unpaid leave of a further 11 weeks.

10 The weekly amount of £137 (April 2013) is equivalent to £3.43 per hour, which is around half the minimum wage of £6.19 and just 27% of full-time employees’ median weekly gross pay.

11 Pay Review Bodies differ from collective bargaining: members are appointed by government, they make recommendations on the size of pay settlements (on the basis of evidence presented by government, the unions and the local employer) and government reserves the right of veto. Since 1971 the United Kingdom has seen a growing share of public sector workers having their pay and conditions recommended through Pay Review Bodies. The trend began with senior civil servants, judges and senior military and over the 1980s–1990s review bodies were extended separately to doctors and dentists, nurses and midwives, school teachers. Most recently, in 2004 and 2007, the nurses’ review body was extended to all healthcare professionals and all administrative and ancillary workers.

12 In 2011–12, the min-max range was £7,228–£42,484. Social security contributions (called National Insurance contributions) are needed to claim a state pension, contribution-based Job Seekers’ Allowance, bereavement allowance and contribution-based Employment and Support Allowance.

and poor housing (Ruhs and Anderson 2010). The deaths of 23 Chinese cockle-pickers in 2004 led to new legislation to regulate the agencies ('gangmasters') responsible for the sourcing and deployment of migrant workers in the agricultural and food-related industries. Ongoing problems concern treatment of migrant domestic workers in minimum wage legislation, unauthorised employer deductions from wages and lack of information about employment rights (Low Pay Commission 2011 and 2012).

3. OUT WITH THE COLLECTIVE, IN WITH THE MARKET SOCIETY: AN ANATOMY OF POST-2010 REFORMS

A change of government in 2010 marked a tipping point, in the contradictory development of the UK social model described above. While many of the under-developed features of Britain's social model remain, those features in which a degree of collectivist ethos could be detected are being targeted for reform. Taylor-Gooby, the United Kingdom's pre-eminent scholar of social policy, is clear on the radical, ideological nature of post-2010 reforms:

The objective [of the coalition government] is to set the UK on a trajectory of permanently lower spending, lower debt and market-led growth. Future pressures on the state will be contained through a shift of responsibility in many areas from state to private providers, citizens or the community. Market principles will permeate social life to a greater extent than at any time since the inception of the modern welfare state. (Taylor-Gooby 2012: 62)

3.1 Welfare Policy: Shrinking Entitlements, Cutting Benefits, Abandoning Poverty Targets and Privatizing Services

3.1.1 Reducing the Scope of Entitlements

Reforms since 2010 by the Conservative-led coalition government have questioned the utility of poverty targets, lowered the value of benefits with a new less generous uprating index, reduced the scope of entitlements and introduced a maximum welfare benefits cap (associated with a delayed rollout of an integrated benefits and in-work tax credits payment). Also, as a clear signal of its pro-capital, anti-collectivist approach the government has accelerated privatization and has signalled a new 'presumption' that all public services ought to be open to private sector provision. Overall, the government intends to reinforce neoliberal principles and has abandoned the pre-2010 policy commitments to improved minimum benefit levels and increased resources for children in low-income families. Table 11.2 summarizes the main welfare policy reforms and the character of change.

Table 11.2 Welfare policy reforms, United Kingdom, 2000–10 and post-2010

Key features	2000–2010 reforms	Main changes post-2010	
Social protection:			
Unemployment benefits	– stricter work tests	Intensification	reduced value of annual uprating index, stricter work tests, tougher sanctions
Working tax credits	– increased expenditures; key pillar of New Labour approach to address poverty	Reversal	basic element frozen value for 3 years, reduced entitlement (higher weekly hours threshold), reduced value of annual uprating index
Child benefits	– expanded raft of benefits (child tax credits) guided by policy goal to reduce child poverty	Reversal	cuts in entitlement, some benefits abolished, overall tax credit value reduced
Lone parent benefits	– ‘Work First’ approach increased value of benefits and increased pressures to find work by reducing eligibility for income support	Intensification	reduced real value of benefits; intensified pressure on lone parents to find work by reducing eligibility for income support
Disability benefits	– controversial health test for means-tested benefit	Intensification	abolished mobility allowance payment, stringent application of health tests
Housing benefits	– no significant reforms	Reversal	new cap at 30th percentile of local rents; new time-based reductions in benefits; reduced value of annual uprating index; raised age threshold for shared accommodation
State pension	– no change in pension age (65 men, 60 women) but initiated plans for reforms	Intensification	accelerated changes, to 65 (women by 2018), 66 (men and women 2020), 67 (2026); plans to link retirement age to life expectancy
Education:			
Schools	– major increase in spending, including capital investment programme	Reversal:	real trend decline, abolition of school building programme, removal of increasing number of schools from local education authority governance
Higher education	– introduced student fees, policies to improve equality of access	Intensification	tripled maximum fees, reduced expenditures
Care services:			
Childcare	– expanded and improved provision (subsidies, SureStart centres in low-income areas)	Reversal	reduced provision (many SureStart centres closed, reduced subsidies), no policy to contain rising childcare fees
Elderly care	– more privatization and restrictive funding	Intensification	– spending cuts (decisions delegated to local authorities)
Health care:			
(National Health Service)	– much higher spending, controversial privatized hospital building programme (PFI), minor use of private health-care provision	Reversal/ intensification	– reduced real spending, wholesale liberalization of services provision from 2013

3.1.2 Cuts, Cuts, Cuts

The government commitment to a rising real level of social expenditure was rejected in 2010. The coalition government has cut spending and, moreover, in successive budgets has lengthened the projected period of austerity in response to a mismatch between economic performance and actual reductions in debt and deficit levels. Continued cuts ignores warnings from the IMF and the UK government's independent Office for Budget Responsibility (OBR) that spending reductions have contributed to GDP falls and are restraining the pace of recovery). Total public spending contracted sharply from 47 per cent of GDP in 2009–2010 to 43 per cent in 2012–2013 (especially significant given the flat GDP), representing a real terms reduction of £41 billion (from £716 billion to £675 billion) over just three years. Moreover, the official forecast (OBR, 2012) projects public spending to fall below 40 per cent by 2017–2018. Figure 11.3 shows the changing trend to date in two areas that were erroneously claimed by coalition government politicians to be 'ringfenced' from cuts, namely health care and education. Adjusting total spending by per capita provides a better picture of how these pillars of the social model are experienced by a growing population (from around 62 million to almost 64 million during 2010–2013). Education spending has fallen by 8 per cent but by more than 10 per cent when adjusted for population size, and health spending has fallen by 2 per cent per capita.

While the New Labour government did not proactively intervene to improve the benefits for the unemployed during the initial 2008–2009 recession, the coalition government has gone one step further by reducing the value of the annual uprating index and delaying payments (a new 'upfront work search', which imposes a seven-day wait for Job Seekers'

Figure 11.3 Real trends in total and per capita education and health expenditures, United Kingdom, 2000–2013

Source: ONS Public spending by function, own compilation (PESA 2013).

Allowance). Housing benefits are another key area of benefit cuts, which we consider in the form of a case study in section 4. Since April 2011 unemployment benefits have increased in line with the Consumer Price Index instead of the Retail Price Index, which includes housing costs and tends to be one or two percentage points higher. The Treasury (finance ministry) expected significant aggregate savings: the June 2010 budget, which set out the initial austerity plan, estimated that the downgraded index would save £5.8 billion over four years, which amounted to more than half the total projected £11 billion cut in welfare spending.¹³ However, the government's failure to bring unemployment down below 2.5 million, where it has hovered since mid-2009, means these projections do not hold; unemployment expenditures continued to rise during 2010–2013.¹⁴

3.1.3 Downgrading Working Tax Credits

Working tax credits (WTC) are a fiscal instrument used to great effect by the previous New Labour government for whom it was politically convenient to re-badge welfare benefits as income tax cuts (Brewer et al. 2002). Working tax credits consist of several components tailored to individual and family circumstances¹⁵ and have very extensive coverage; close to six million families, involving more than nine million children, received tax credits in late 2011. The coalition government plans to replace the current system of tax credits and other means-tested benefits by a single 'universal credit' payment for people of working age (during 2013–2017). Until then, however, it has been very active in restricting entitlement rules and reducing their real value (Box 11.1). Examples of new restrictions include requiring couples with children to work 24 hours per week between

Box 11.1 Illustrating the effects of the post-2010 reduction in the value of working tax credits, United Kingdom

In the simplest scenario of a single adult working either 30 or 40 hours per week, we find that the three-year freeze of the basic and 30-hour elements have reduced the real value of the total hypothetical maximum entitlement by 14 per cent from £2,710 in 2010–2011 to £2,343 in 2013–2014. However, this value is not attainable in legal employment paid at the statutory minimum wage. The maximum actual entitlement for a single adult claimant working 30 hours in 2013–2014 is in fact just £1,306 – £300 less than the entitlement in 2010–2011, and, after adjusting for inflation, almost £500 less (or 30 per cent). For a full-time worker (40 hours per week) paid the minimum wage the effect of the freezing of WTC and the maximum earnings threshold has been to remove entitlement altogether from April 2013. For single adults, therefore, WTC are now a subsidy designed only for part-time jobs. This must be one factor behind the recent rise in male part-time employment since employers can no longer rely on wage top-ups from the government for recruiting people into minimum wage full-time jobs.

13 Results derive from forecast planned spending levels over the 2010/11–2014/15 period (HM Treasury 2010: table 2.1).⁶ The marginal tax was reduced from 75 per cent to 51 per cent (See Agell et al. 1996).

14 Adjusted to 2012–13 prices, a rise from £5.4 to £5.9 billion (2010–13) (PESA 2013: table 5.2).

15 In addition to a basic element, claimants may be entitled to other credits associated with working 30 hours or more per week, making a joint claim with a working partner, the number of dependent children, the status of disability or lone parent, severe disability of a non-working partner or children and childcare.

Table 11.3 Reducing the value of working tax credits: example of a single adult claimant working 30 and 40 hours per week, United Kingdom, 2010–2014

	2010-11	2011-12	2012-13	2013-14
Maximum earnings threshold for 100% entitlement (<i>real earnings threshold adjusted for annual RPI</i>)	£6,420	£6,420 (£6,125)	£6,420 (£5,775)	£6,420 (£5,549)
Withdrawal rate (on earnings above threshold)	39%	41%	41%	41%
Basic element (<i>real, RPI adjusted</i>)	£1,920	£1,920 (£1,832)	£1,920 (£1,727)	£1,920 (£1,660)
30-hour element (<i>real, RPI adjusted</i>)	£790	£790 (£754)	£790 (£711)	£790 (£683)
Total hypothetical WTC entitlement (<i>real, RPI adjusted</i>)	£2,710	£2,710 (£2,586)	£2,710 (£2,438)	£2,710 (£2,343)
Minimum possible gross earnings for employment of 30 hours per week paid the adult minimum wage (<i>RPI adjusted</i>)	£9,251	£9,485 (£9,049)	£9,656 (£8,687)	£9,844 (£8,509)
Maximum possible claim for working 30 hours per week compliant with minimum wage legislation (<i>RPI adjusted</i>)	£1,606	£1,453 (£1,386)	£1,383 (£1,244)	£1,306 (£1,129)
Actual WTC entitlement for single adult, 40 hours per week, paid the minimum wage (<i>RPI adjusted</i>)	£404	£157 (£150)	£63 (£57)	£0 (£0)

Source: Author's calculations using data for various years from HM Treasury websites (PESA 2013).

them, up from 16, in order to qualify. One example of extended eligibility includes older workers (over 60 years) who are eligible from 2011 if they work at least 16 hours per week, down from 30 hours previously. There were problems with Labour's WTC policy, especially in the way it acted as a partial substitute for positive opportunities to improve wage income in many low wage jobs. However, the downgrading of working tax credit, in the absence of encouraging collective bargaining, skill development or simply better pay practices, is undoubtedly a poverty-inducing strategy.

3.1.4 'We're All in This Together': especially Children, Families and Vulnerable Groups

The coalition government clearly believes that its slogan 'we're all in this together' also extends to children. First, its reform of child benefits has ended one of the few remaining universal welfare entitlements in the United Kingdom. From 2013, households with one or more earners in the 40 per cent tax bracket (over £41,451 in 2013–2014) lose their entitlement.¹⁶ As the original architects of Britain's welfare state recognized in the 1940s, social provision only for the poor is likely to become poor social provision. It is no surprise therefore that, at the same time, the government has implemented a three-year freeze in child benefits. Second, the government has cut the child, family and childcare elements of tax credits, and thereby reduced income transfers to low-income families (table 4). It also abolished the Child Trust Fund, which paid £250 to all families at the birth of a baby and £250 on the child's seventh birthday.

The one element that has been protected is the tax credit for children ('child element') for which additional spending was agreed in the 2010 budget four-year plan.¹⁷ Overall, it

¹⁶ The withdrawal is on a sliding scale over an additional £10,000 gross earnings. From 2012 to 2014 the annual value amounts to £1,056 for one child and an additional £697 for each additional child.

¹⁷ See HM Treasury (2010: table 2.1).

is significant that the only component of social protection expenditures that has actually fallen in nominal terms since 2010 is the item listed for family and children: from £29.6 billion to £26.5 billion (adjusted for inflation equivalent to a 16 per cent cut (2009/10 to 2012/13)).

Table 11.4 Child tax credits: Reducing eligibility and value of credits to low-income families and their children, United Kingdom, 2009–2014

	2009–2010	2013–2014
<i>Income thresholds</i>	First income threshold: £16,040 Second income threshold: £50,000 Withdrawal rate: 6.67%	First threshold: £15,910 Second threshold: abolished Withdrawal rate: 41%
<i>Family element</i>	Maximum: £545 pa	Maximum: £545 pa (£510, price adjusted)
<i>Couples with children</i>	Eligibility: at least 16 hours paid work combined	Eligibility: at least 24 hours (one person at least 16 hours) (except those claiming disability element, carer's allowance, 60+ element)
<i>Child/young person element</i>	Maximum: £2,235 per child	Maximum: £2,720 per child
<i>Disabled child element</i>	Maximum: £4,905 per child (£5,980 severely disabled)	Maximum: £5,735 per child (£6,995 if severely disabled)
<i>Baby element</i>	Maximum: £545 pa Eligibility: families with child aged 0–1 year	Abolished
<i>Childcare element of WTC</i>	Maximum: £7,280 pa or £12,480 (2+ children) (that is, a threshold of £175 per week at 80% or £300 per week at 80% for 2 or more children)	Maximum: £6,370 pa (£5,963 price adjusted) or £10,920 (2+ children) (that is, £175 per week at 70% or £300 per week at 70% for 2 or more children)

Source: Author's compilation of information derived from HM Treasury websites and the Low Incomes Tax Reform Group, www.litr.org.uk/ (accessed June 2013).

The coalition government has also extended its 'we're all in it together' approach to the most vulnerable groups with specific needs, namely, lone parents and people with physical disabilities or mental health problems. These groups have suffered reduced benefits because of the new uprating index and eligibility restrictions. Lone parents (the majority of whom are women) with children as young as five years and over are no longer entitled to means-tested income support and must therefore join the ranks of the unemployed. The policy reform was initiated under New Labour,¹⁸ but arguably ought to have been halted as economic conditions deteriorated post-2010. People with disabilities out of work had their mobility allowance cut, described by one respected social policy commentator, David Brindle, as 'the meanest cut of all'.¹⁹ Moreover, the coalition government has also

¹⁸ Under the New Labour government, exclusion from income support for lone parents was extended to those for whom the age of youngest child was 12 years old, down from 16, in 2008 and further to 10 years old in 2009. The policy continued under the coalition government, with the age of youngest child reduced to 7 years old in 2010 and 5 years old in 2012.

¹⁹ *The Guardian* newspaper (12/01/2011).

proceeded vigorously with its policy to reduce the number of disabled people reliant on income support and move them into the labour market.

The approach to pension policy by both the pre-2010 and post-2010 governments has been to increase the retirement age for the state pension and harmonize for men and women (see Table 11.2). Following the initial downgrading of the index for the annual upgrading of the state pension (as with benefits and tax credits), one subsequent positive development under the coalition government has been the restoring of the link between the state pension and average earnings²⁰ from 2012. A second development, with mixed consequences, is the merging of the two state pensions to form a flat-rate pension from 2016. While future low-income pensioners will benefit, many who would have claimed the second state pension will lose; overall, the budget has made no additional funding necessary, nor will existing pensioners be eligible for the new flat-rate payment, which will create inequality (see Section 4).

3.1.5 More State Power with Fewer Responsibilities in Education and Health Care

As well as cutting education spending, the coalition government has incentivised schools to adopt 'academy' status, which ties them to central government as part of an ambition to strip local education authorities of their responsibility for the coordination and provision of local schools. It abolished the Education Maintenance Allowance in England, designed to encourage school-leavers from low-income households to pursue further education (£30 per week). Also, despite high private debt, the government raised liabilities for UK students by tripling the maximum university undergraduate fee to £9,000 in 2012–2013; there are estimates that student debt will double to £53,000 for 2012 entrants.²¹

Care services, a key pillar of a country's social model, have suffered under austerity. Moderate, piecemeal improvements under New Labour (Penn 2007) have been partially reversed post 2010. Four developments are notable:

- (i) Since the late 1990s, policy in England has facilitated part-time childcare places for 3 and 4 year olds, and parents benefit from 15 hours per week (over 38 weeks) of free nursery education. The coalition government extended this policy to the whole of the United Kingdom from September 2013.
- (ii) The coalition government cut funding for 'SureStart centres', developed in low-income neighbourhoods under the New Labour government, leading some closures and, reductions in staffing and services.²²
- (iii) Cuts to childcare tax credits (see above),
- (iv) No policy reforms to address the very high costs of childcare (estimated at 27 per cent of net family income, relative to an OECD average of 12 per cent).

Elderly care continues to be underfunded and has entered into a potential crisis during austerity. Most care is financed by public spending, although the bulk of it is provided by private-sector (and some voluntary) organizations. Despite demographic pressures, central government reduced funding to local authorities from £3.5 billion to £3.2 billion in 2012–2013.²³

20 In fact the policy change guarantees a rise equivalent to the larger of average earnings growth, the consumer price index or 2.5 per cent (referred to as the 'triple lock').

21 Sourced from BBC news 12/08/2011, available at www.bbc.co.uk/news/education-14488312.

22 Sourced from *The Guardian* (07/08/2012).

23 Sourced from Health Investor magazine, www.healthinvestor.co.uk/ShowArticleNews.aspx?ID=2449&AspxAutoDetectCookieSupport=1 (accessed June 2013).

In health care, spending cuts are causing ongoing operational problems, but the more radical change is in the governance of health care from 2013. The NHS is being opened up to competition from the for-profit private sector. Government documents repeat the mantra that choice and competition are needed to meet efficiency and equity goals. New Labour extended the role of the private sector with Independent Sector Treatment Centres and the signing of hundreds of PFI hospital building programmes. Post-2010 reforms are going further and faster. They devolve responsibility for commissioning of an estimated £60 billion of health services to consortia of general practitioners (or subcontracted to private sector business services firms) that will have the task of making available to patients a choice of ‘any qualified provider’ from the private and public health services sectors.

3.2 Employment Policy: Reinforcing Flexibility on Employers’ Terms

While the employment policy approach of New Labour combined laissez-faire with proactive extensions of the floor of basic minimum rights, the coalition government has shifted quite clearly to a reasserted neoliberalism involving the withdrawal of state activity from active labour market policy, an ideological campaign to diminish worker rights, a confrontation with public sector professionals and the overseeing of a continued rise of wage inequality (Table 11.5).

Table 11.5 Employment policy reforms, United Kingdom, 2000–2010 and post-2010

	2000–2010 reforms	Main changes post-2010	
Active labour market policy			
Job subsidies	Recession interventions included the ‘Future Jobs Fund’ (employer subsidy to recruit youth unemployed); Return to Work Credits (lone parents and aged 50+)	Reversal	Abolished Young Persons’ Guarantee and Future Jobs Fund (>£1 billion) (partial replacement £180m ‘apprenticeships’), abolished Return to Work Credit for aged 50+
Job search	Increased funding for public sector job centres; New Deal programme targeted job search for key groups and in key geographical zones	Reversal	Reduced funding for public job centres
	Commissioned report on privatization of job search services	Intensification	Partial privatization of job search services (‘Work Programme’), promotion of unpaid work
Worker rights			
Exchange rights	n.a.	Reversal	‘Shares for rights’ scheme enables employers to offer company shares to employees in exchange for renouncing workers’ rights
Job security	Enhanced protection including for workers on fixed-term and agency contracts; increased eligibility for unfair dismissal	Reversal	Reduced employment protection (eligibility for unfair dismissal restricted to 24+ months tenure; consultation period for collective redundancies halved to 45 days)
Outsourcing protection	New Two-Tier Code to complement TUPE protection for outsourced workers	Reversal	Abolished Two-Tier Code; proposal to ‘simplify’ TUPE

Table 11.5 Employment policy reforms, United Kingdom, 2000–2010 and post-2010 (cont.)

	2000–2010 reforms	Main changes post-2010	
Working time	Implemented EU Working Time Directive (but with opt out from 48-hour limit); equal rights for part-time workers; parents' right to request flexible working hours	Intensification	Plan to retain opt outs, proposed extending of flexible working to all employees but replacing statutory provision with code of practice; rise of zero-hour contracts
Maternity and paternity leave	Significant lengthening of maternity leave and improved pay; 2 weeks paternity leave;	Intensification	Consultation to allow parents to share leave but very low (statutory) pay for fathers
Equalities	Strengthened rights; 2010 Equality Act, includes Public Sector Equality Duty	Reversal	Some strengthening but also limiting of employment tribunals' powers in prosecuting employers
Social dialogue			
Union-government relations	Some fostering of union–employer partnership deals	Reversal	Ending of cooperative relationships, especially with public sector unions and professional associations
Collective bargaining	No policies to slow the downwards trend in private sector coverage levels; policy support for Pay Review Bodies	Intensification	Continued fall in private sector coverage
Fair wages			
Low wage protection	Policy support for national minimum wage	Intensification	Policy support for national minimum wage but abolition of agricultural sector minimum wage (last sector Wages Council)
High pay flexibility	Limited (and ineffective) policy actions to restrain high pay awards include new shareholder powers to vote on wage proposals	Intensification	Opposed to proposed EU rules to cap bankers' bonuses (at 100%/200% of salary)

3.2.1 Active Labour Market Policies: cuts and privatisation

While generally characterized by a comparatively weak level of intervention in active labour market policy (Section 2), during the 2008–2009 recession the New Labour government did introduce new job activation programmes, which represented a significant shift away from its 'light touch' approach. These included a new entitlement for young people to some form of labour market placement ('Young Persons' Guarantee') supported by a £1 billion 'Future Jobs Fund (Table 11.5). The programme focused in particular on supporting the long-term unemployed in areas of high unemployment. However, the coalition government abolished this programme despite evidence of its effectiveness (HC 2010).²⁴ Interventions under New Labour also included new return-to-work tax credits for low-wage, disabled, lone parents and older workers moving off benefits (for the first 12 months of paid employment).²⁵ The coalition abolished all credits, new and existing, for older people returning to work.

²⁴ The programme created 92,000 subsidised job starts during the period October 2009 to January 2011 (sourced from <http://research/dwp.gov.uk>).

²⁵ Only payable to persons in jobs with gross annual earnings less than £15,000 (which was a little above the 30th percentile in the wage distribution in 2008, ASHE earnings data).

A further reversal of approach involves the funding for public sector job centres ('Job Centre Plus'), which register all unemployed persons, provide advice, assist with job search and administer payments (and sanctions). The New Labour government increased funding to Job Centre Plus by £1.3 billion in late 2008 and a further £1.7 billion in 2009 in response to increasing demand during the recession, as well as to fund additional long-term employment programmes.²⁶ By contrast, the coalition government cut funding and planned job cuts from job centres of around 2,400 people.²⁷

Two other initiatives have proved even more controversial and, to date, ineffective in improving job chances for the unemployed and inactive. The first is the Work Programme. Introduced in 2011, the government claimed it would be a superior mechanism for incentivising job creation (DWP 2010), but it is perhaps better described as a poorly designed privatization of job search services, accompanied by 'draconian controls' over claimants in and out of work (Greer and Symon 2013). Activities formerly undertaken by the public sector job centres have been outsourced in the form of 40 contracts (£10–50 million each) to 'prime contractors'. The programme pays job search organizations three tiers of tariffs for successful job placements and sustained employment, (Grimshaw 2013). However, evaluations suggest it has failed. Contractors are incentivized to 'park and cream' job seekers in order to win payments for easy-to-place applicants and not waste time and resources on more difficult cases (DWP 2012).²⁸ One respected commentator on UK social policy describes the Work Programme as 'the most clanging failure in the history of this country's welfare market'. The second initiative is the forcing of unemployed job-seekers to take unpaid work (30 hours per week) or lose benefits. Many major employers participated in the scheme but then withdrew amidst negative press coverage that an unpaid job filling shelves in shops was unlikely to improve employment chances of job-seekers and more likely to reduce opportunities for paid work. In early 2013, the policy was declared illegal, leading to rebates of benefits to many unemployed who had been sanctioned. Subsequently, however, the government passed emergency legislation to 'protect the national economy' from a £130 million payout to penalized jobseekers.

3.2.2 Commodification at Work: Giving Up Basic Rights and Downgrading Employment Protection

The government's approach to workers' rights is ideological, divisive and, for the most part, incompetent. The 2013 policy to exchange workers' rights for company shares is illustrative. It encourages employees to negotiate company shares in exchange for giving up their employment rights (including rights to claim unfair dismissal, redundancy compensation, maternity leave and so on). The government argues it will stimulate a wave of business start-ups. However, in the public consultation, only five of the 209 organizations supported the idea.²⁹ Importantly, while touted as a voluntary initiative, it remains unclear to what extent job applicants will be able to refuse employer offers of 'employee shareholding'.

In the areas of job security and protection for outsourced workers, the previous government reduced the period of continuous employment that applied to workers wishing

26 Sourced from *Hansard* (20 July 2009), www.publications.parliament.uk/pa/cm200809/cmhansrd/cm090720/text/90720w0029.htm.

27 *The Guardian* 24/05/2011 (www.guardian.co.uk/politics/2011/may/12/job-centre-posts-cut-2400).

28 In its evaluation of the first 12 months of operation the government includes the remark that 'Some of the reported experiences of participants and providers suggest, at face value, a degree of creaming and parking; for example, many providers openly reported seeing their most job-ready participants more frequently than those with more severe barriers to work' (DWP 2012).

29 *The Guardian* (04/12/2012), www.guardian.co.uk/politics/2012/dec/04/employers-reject-shares-for-employment-rights.

to claim unfair dismissal from 24 to 12 months. This latter policy reform was quickly reversed by the coalition government, with the argument that reduced employment protection encourages employers to hire without the risk of costly tribunal cases. In 2013, the government also reduced the minimum consultation period for collective redundancies from 90 to 45 days for large-scale redundancies³⁰ and excluded workers on fixed-term contracts from consideration.

Staff transferred as part of outsourcing contracts have enjoyed protection of basic terms and conditions at the point of transfer under TUPE legislation.³¹ Shortly before the recession, the New Labour government supplemented this basic protection through 'Two-Tier Code' agreements with unions in the public health sector and local authorities designed to extend employment conditions and pensions agreed in public sector collective agreements to private sector contractors. The Code had a significant impact by raising pay and conditions for low-wage workers, but it was abolished with effect from 2011; with an Orwellian twist, the government argued it 'did little to protect staff'.³²

Working time rights improved significantly pre-2010 (Section 2) and have remained broadly unchanged (so far) under the coalition government, primarily because they are based on European law. However, working time practices have deteriorated significantly in the post-2010 climate of a laissez faire labour market. Employers in many sectors (especially social care, retail and hospitality) employ staff on 'zero-hour contracts' in order to dictate different hours required on a daily or weekly basis. Estimated to affect up to 1 million people,³³ people have to promise flexibility but cannot be legally required to undertake the work. This means that in many cases, the absence of 'mutual obligation' renders the zero-hours individual a worker rather than an employee and reduces the available rights (for example, maternity leave, redundancy rights).

One positive change to working time practices in UK organizations concerns the expansion of 'flexible working' legislation, which was originally designed to strengthen employer support for working mothers. Introduced in 2003, it grants parents the right to ask employers to allow them to work flexibly. While this falls short of a legal entitlement to adapt working hours, it has enabled more women to stay in the same job over the period of childbirth and child-rearing (Waldfoegel 2011); the data suggest only a fraction of requests are refused.³⁴ The current government has proposed to extend the right to all employees. However, it also proposes to replace current statutory provision with a 'code of practice' which is likely to make implementation more difficult for employers and reduce its effectiveness (Keter and Jarrett 2011, IER website).³⁵

3.2.3 Equality of Treatment: Positive and Negative Revisions

Employment legislation protects equality of treatment on the basis of age, sex, race, disability, religion or belief, marriage or civil partnership, gender reassignment, sexual orientation, pregnancy and maternity. The Equality Act 2010 has extended coverage of

30 A collective redundancy applies where 20 or more workers in a single establishment are to be dismissed over a 90-day period. 90 days of consultation were previously required where 100 or more redundancies are proposed, 30 days for 20–99 redundancies.

31 The Transfer of Undertakings Protection of Employment legislation, implemented in the United Kingdom as part of the EU Acquired Rights directive (revised in 2006).

32 Statement by Francis Maude, Minister for the Cabinet Office, cited from the Cabinet Office website, www.cabinetoffice.gov.uk/news/two-tier-code-withdrawn.

33 *Financial Times* 05/08/2013 (<http://www.ft.com/cms/s/0/33526d68-fd9f-11e2-8785-00144feabdc0.html#axzz2l0VX2Qsh>).

34 The third Work-Life Balance Survey conducted in 2006 reported 13 per cent of requests by mothers refused and 23 per cent of requests by fathers (Keter and Jarrett 2011).

35 Institute of Employment Rights, www.ier.org.uk/news/shared-parental-leave-and-flexible-working-open-first-ever-public-reading (accessed 26/02/2013).

groups who are protected from discrimination by association, indirect discrimination and discrimination by perception. It also allows a protected characteristic to be positively valued in recruiting or promoting someone when compared with another candidate of equal merit.

Positive amendments to the equality legislation under the coalition government include the addition of caste as an aspect of race discrimination and new statutory powers for employment tribunals to require employers to conduct an equal pay audit if found guilty of pay discrimination. Negative revisions include the repeal of third party harassment of employees (by someone other than a colleague or employer) and restrictions to legal procedures in employment tribunals that previously allowed for greater questioning of employers. Most controversially, despite the introduction of a new ‘public sector equality duty’ largely in response to findings of ‘institutional racism’ in London’s Metropolitan Police Force, the Prime Minister argued in late 2012 that statutory regulation is unnecessary: ‘We have smart people in Whitehall who consider equalities issues while they’re making the policy. We don’t need all this extra tick-box stuff’.³⁶

3.2.4 Unions’ Implicit Derecognition

The continuing decline of unions is said to be the result of ‘implicit derecognition’: new workplaces tend not to recognize unions, unions sometimes fail to extend recognition among ageing and expanding workplaces and the range of issues for discussion has narrowed (Brown et al. 2009). Moreover, despite the spread of an often superficial, or overly cooperative model of union–employer partnerships during the early 2000s, private sector employers continued to withdraw from collective bargaining; the proportion of employees in the private sector whose pay is set through collective bargaining was estimated at just 16 per cent in 2011 (van Wanrooy et al. 2013). Overall decline masks disparate trends among men and women in employment: female density levels have held steady at around 29–30 per cent for nearly two decades, while men’s have declined rapidly (Figure 11.4). This is in part a public sector effect because women’s public sector union membership outnumbers men’s by two to one (2 million and 1.1 million, respectively, in 2012). However, recent years have also seen women sustain density levels in the private sector (at 12–13 per cent since 2004), while men’s have dropped (from 21 per cent to 16 per cent).

One of the related problems of low union presence in private sector workplaces is persistent low pay (Section 3). The high incidence of low-wage employment has given rise to a living wage campaign, which has expanded through a series of voluntary wage agreements during post-2010 austerity. While pay at the bottom of the wage hierarchy has been firmly held down and represents a key marker of UK employment organization (Lloyd et al. 2009), at the other end of the wage hierarchy pay and bonuses have soared. In line with studies of the shift to shareholder-value models of corporate governance in the United States, the United Kingdom has clearly adopted a model of remuneration that rewards high-level managers at the expense of pay rises for employees and job security. Policies for a fairer distribution of wage income (for example, a role for workers’ representatives to negotiate pay awards in all workplaces) have played no part in the post-2010 government’s reform agenda. We substantiate this claim in the second case study presented in Section 5.2.

³⁶ Source <http://touchstoneblog.org.uk/2013/02/is-the-public-sector-equality-duty-safe-in-the-coalitions-hands> (accessed June 2013).

Figure 11.4 The trend in union density by sex, United Kingdom, 1989–2012

Source: Labour Force Survey data, compiled by the Office for National Statistics and Department for Business, Innovation and Skills (www.gov.uk/government/publications/trade-union-statistics-2012, accessed June 2013).

3.3 Civil Society: Weakening Solidarity and Diminishing Democratic Rights

The coalition government was elected against a background of much rhetoric about building a ‘big society’ of citizens willing and able to deliver voluntary services to the public, or to set up small non-profit organizations that could take over parts of local government services. However, post-2010 reforms have undermined the pillars of civil society: in key areas of regional economic cohesion, local government, tax policy and the rights of migrants (Table 11.6).

3.3.1 Regional Inequalities Increasing Further

A major potential drag on citizens’ economic participation in the United Kingdom, as well as their access to social and cultural resources, is the high level of regional inequality.

A major cause of these inequalities are the very different forms of economic activity underpinning regions: London and the South East depend strongly on financial and business services, northern regions rely more on public services. Indeed, the apparent greater reliance on public sector employment in northern regions, Wales and Northern Ireland was said to be a key factor shaping the coalition government’s new agenda to rid these local economies of the public sector monopoly and ‘rebalance’ the economy to encourage private sector investment.

However, the ability of government to reshape regional economies was undermined by its own centralising drive. Prior to 2010, the United Kingdom had various bodies to monitor and direct regional economic strategy, including regional assemblies, nine regional development agencies and regional ministers. The coalition government abolished

all regional bodies as part of its political goal to eliminate ‘the entire bureaucratic and undemocratic’ tier of regional planning.³⁷ The OECD expressed surprise in response to this policy reform in its 2010 analysis of the UK economy:

It is clear that some form of regional policy is still warranted. ... there is the risk that poorer areas will continue to fall behind, causing potentially costly drags on national economic performance and potentially exacerbating tensions generated by cuts in public services. As such, retaining some mechanism for implementing strategic investment in lagging regions is probably sensible. (OECD 2010: 28)

Table 11.6 Civil society policy reforms, United Kingdom, 2000–2010 and post-2010

Key features	2000–2010 changes	Main changes post-2010	
Regional economic cohesion			
Regional inequality	Continued differentiation of regional economic fortunes until mid-2000s, especially between London and South East versus North East	Intensification	Policy to reduce perceived dependence of some regions on public sector employment but made jobs recovery more difficult
Regional investment	Investment in regional bodies to improve political representation at central level and guide economic development	Reversal	Abolished virtually the entire tier of regional government
Local government			
Revenues from central government	Strong reliance on central government; steady upward trend in spending	Reversal	Strengthened reliance on central government; spending cuts larger in local government than in any other area of the public sector (both resource and capital spending)
Capacity to meet socio-economic need	Incremental increase in capacities	Reversal	Reduction: high correlation between size of spending cut and level of local income deprivation puts severe limits on local authority capacity to meet low-income and vulnerable citizens' needs
Workforce	Rising workforce numbers then stable during 2004–2009	Reversal	Downsizing: affects mainly women's jobs and full-time jobs; especially problematic in low-income areas
Tax policy			
Income tax	Abolished married couple's income tax allowance; reduced marginal rates and introduced new higher rate, but misjudged abolition of lowest 10% rate	Reversal	Substantial raising of personal income tax allowance; regressive changes by reducing highest tax rate and lowering income thresholds for each tax band, reintroduced marriage tax allowance

37 Conservative Party Manifesto for the 2010 election (cited in Sandford 2013: 3). The problem is that there is no new model for coordinating regional strategies, with the notable exception of London and total funding has been downsized by an estimated 75% (Sandford 2013).

Table 11.6 Civil society policy reforms, United Kingdom, 2000–2010 and post-2010 (cont.)

Key features	2000–2010 changes	Main changes post-2010	
Corporation tax	Minor changes in tax levels (30 to 28% for large companies, 20 to 22% for small companies)	Intensification	Radical cut in corporation tax (28% to 20% by 2015, 20% for small companies)
Value-added consumer tax	Temporary reduction (to 15% and returned to 17.5%, 2008–10)	Reversal	Increase (17.5 to 20% in 2011)
Rights of migrants and asylum seekers			
Welfare rights	No significant reforms	Reversal	Restricted access to social housing; proposal for payments for health services (temporary migrants); private landlords to vet tenants for legal status
Immigration rules	Abolished rule barring entry rights of spouses of UK citizens; EU free mobility rules extended to accession countries; introduced points based immigration system (5 tiers)	Partial reversal	Political aim to reduce migration; revisions to points-based system favouring high earners and graduate occupations; new minimum salary requirement for non-EU applicants including non-EU spouses of Britons (2012); tougher visa rules for non-EU students

3.3.2 Local Government Targeted for Public Spending Cuts

According to the political rhetoric of the coalition government, abolition of regional government was intended to enable the flourishing of a more independent and active local government, less hindered by the command and control tendencies of UK central government. This has not happened in practice. More than any other area of the public sector, local government has been targeted for spending cuts and already by mid-2013 is a much diminished force in shaping and supporting Britain's social model. Local government resource spending since 2009–2010 is projected to be cut by nearly one-third (30 per cent) by 2014–2015. Local government capital spending is also planned to be cut, by 79 per cent in real terms over the five-year period.³⁸

Described as 'unprecedented in modern times' (Hastings et al. 2012: 13), central government has not adjusted the scale of cuts to local government services in light of the increasing risk of bankruptcy of local authorities³⁹ and formal warnings from the Audit Commission, the local government employers' association, many Council leaders and trade unions. The rhetoric of 'localism' is therefore clearly not accompanied by any real expectation in central government that local authorities can develop a strengthened, more autonomous role in shaping local economies. Stoker (2011) calls it 'an anti-state vision of localism' and Martin (2011: 80) argues, 'Prime Minister Cameron is offering local government freedom from central controls in return for doing the dirty work of cutting services'. Apparently this was part of an explicit political plan – at the 2009 Conserva-

38 HM Treasury (tables 1.4 and 1.7), available at www.gov.uk/government/publications/public-expenditure-statistical-analyses-2012 (accessed June 2013).

39 A National Audit Office report found almost one in eight councils risk being unable to balance their budgets (The Guardian, 07-06-13, p16).

tive Party conference at a meeting on localism Conservative politicians laughed as they agreed the plan was ‘to devolve the axe’.⁴⁰

3.3.3 Welfare Restrictions for Migrants

The position of migrants and migrant workers in the United Kingdom and their entitlements to rights and protections offered as part of the country’s social model has been a major point of debate during the ongoing austerity period, fuelled by poor economic conditions, a longstanding campaign in the United Kingdom’s right-wing media and the rising popularity of a far-right political party, UKIP. Welfare restrictions include restricted access to social housing, payments for most hospital services by temporary migrants and new obligations on private landlords to vet tenants for legal status. The coalition government has also introduced new rules to limit migration with the dual aim of bringing net migration down to ‘the tens of thousands’ and seeking to attract relatively more high-income migrants. These include:⁴¹

- A new income threshold of £18,600 for UK citizens wishing to ‘sponsor’ a non-EU spouse or child at each stage of application (rising to £22,400 for a family with one child). It is estimated to exclude 47 per cent of the UK population from sponsoring a non-EU applicant (Migration Observatory 2012).
- All applicants for UK settlement to be required to take a ‘life in the UK’ test and an English language test.
- More restrictive points-based system applied to non-EEA applicants, including a cap on tier 2 migrants (including general shortage occupation routes but excluding intra-company transfers).

4. SOCIAL AND ECONOMIC EFFECTS

The raft of reforms implemented by the coalition government since 2010 is already having multiple, cumulative and possibly long-lasting effects on many of the key indicators of social and economic life in Britain. This section reviews some of the major pieces of evidence. Section 5 provides more specific detail in the form of case studies.

4.1 Rise in Poverty

A recent analysis by the Institute for Fiscal Studies suggests that relative poverty (defined as below 60 per cent of median income) will rise among children, working-age parents and working-age non-parents over the decade 2011–2020 as a result of post-2010 government reforms to tax and benefit policies (Browne et al. 2013). The projected rises include a 6 percentage-point (or 1.1 million) rise in relative poverty among children, close to a 4-point rise among working-age parents and a 2-point rise among working-age non-parents (Figure 11.5). The rise in relative poverty is all the more striking given the projected fall in real median income over the period.

40 According to the columnist Polly Toynbee (*The Guardian*, 26-03-13, p. 33).

41 Information referenced from Migration Advisory Committee reports (www.ukba.homeoffice.gov.uk/aboutus/workingwithus/in-bodies/mac/) and Migrants’ Rights Network briefing papers (available at www.migrantsrights.org.uk/publications/briefing-papers, accessed June 2013).

Figure 11.5 Projection of relative income poverty for different population groups, United Kingdom, 2011–2020

Source: Adapted from Table A.1 in Browne et al. (2013), which draws on Family Resources Survey data for 2010–2011 and specific assumptions to underpin the projections.

In some cases, the direct impact of policy measures is obvious. Housing benefit cuts are already causing increased immiseration among low-income families. The cap introduced in April 2011 was greeted with dismay among many commentators who pointed to the likely ‘social cleansing’ of many affluent neighbourhoods, along with a rise in homelessness. Similarly, it is anticipated that cuts to child tax credits will reverse the 2000s trend decline in child poverty; 27 per cent of children lived in households whose income was less than 60 per cent of the national median in 1997, down to 18 per cent by 2010. One forecast from the Children’s Commissioner for England suggests the number of children living in poverty will rise from 2.3 million to 3 million in 2015, as Figure 11.5 shows, sustained rises are projected for 2016–2020.

Moreover, there is a pernicious interaction between the government’s welfare reforms and its abandonment of redistributive regional economic policy. Pessoa and Van Reenen (2012) show that for several different measures of inequality, the United Kingdom is one of the more regionally unequal countries in Europe: in terms of value-added per person, for example the top 10 per cent of UK regions measure at least 50 per cent higher than the bottom 10 per cent of regions (op. cit.). Another study finds corresponding regional inequalities in measures of poverty, ranging from 22 per cent in three regions (West Midlands, Northern Ireland and the North East) to 13 per cent in the South East (Jin et al. 2011).

4.2 Redistribution from Labour to Capital

While returns to both labour and capital fell during the 2008–2009 recession, the sluggish recovery has to date been characterized by continued losses for labour and a remarkable

Figure 11.6 Trends in real wages for private sector workers, United Kingdom (male, female, full-time and part-time), 2002–2012

Source: Author's compilation from ASHE data and CPI index (relative to 2012 prices) (Office of National Statistics).

resurgence for capital. Real wages have fallen steeply for male and female workers in the private sector (Figure 11.6). Male full-timers experienced the steepest falls during 2009–2012 (by almost 10 per cent) and the other groups experienced a fall of between 6 per cent and 7 per cent. The government has been keen to extend these cuts to the public sector workforce through the imposition of a two-year pay freeze (2011–2013) followed by a 1 per cent pay cap; this quickly reduced real pay by 5 per cent during the 2010–2012 period. The institutional conditions for real wage improvements have been absent. The national minimum wage fell by 6 per cent during 2010–2012. Union membership continues to fall. Unemployment benefits and income support are being cut, thereby diminishing people's reservation wage. And there remains insufficient will, as well as incentives, for private sector employers to invest in worthwhile programmes of training and skill development. These trends highlight the collapse in standards of living among low and middle income workers across the United Kingdom, exacerbated by rising food and energy prices after the crisis. The fall in real wages, combined with cuts to state income transfers (tax credits and so on) mean the 'typical low to middle income household' will be no better off in 2017–18 than it was in 1997–1998 (Resolution Foundation 2013).

By contrast, the institutional conditions have enabled capital to resume healthy returns to investment. One factor is the use during 2009–2013 of so-called quantitative easing (QE), some £375 billion designed to inject money into financial markets following the credit crunch by purchasing gilts held by pension funds and insurance companies, as well as some high street banks. As in the United States, the UK central bank has fielded various criticisms about its QE policy. In particular, while QE is estimated to have boosted overall wealth held by UK households by some 16 per cent, it is now clear that the addi-

tional money supply has had a direct, regressive effect on wealth distribution. The Bank of England states quite transparently:

By pushing up a range of asset prices, asset purchases [as a consequence of QE] have boosted the value of households' financial wealth held outside pension funds, although holdings are heavily skewed with the top 5% of households holding 40% of these assets. (Bank of England 2012: 21)

There are signs of labour conflict, but mainly from public sector workers, reflecting the relative strength of unions; in 2011, more than 90 per cent of the 1.4 million days lost in stoppages were in the public sector (ONS 2012: table 10). Post-2010, recession and austerity appear to have had the effect of boosting private sector membership levels although offset by falling membership in the public sector, presumably due to downsizing; the number of private sector union members increased from 2.47 million to 2.57 million during 2010–2012, while in the public sector membership dropped from 4.06 to 3.88 million.⁴²

4.3 A Recovering Labour Market? Not for the unemployed and involuntary part-timers

The sluggish recovery of GDP is matched by the slow recovery of the male employment rate, still 3 percentage points down by mid-2013 on its pre-crisis peak of 79 per cent, although not the female employment rate, which on a headcount basis had recovered to its pre-crisis peak of 67 per cent. The verdict on employment participation is therefore mixed. The unemployment record, on the other hand, is decidedly downbeat: government policies have done very little in the five years since the onset of the crisis to bring the rate of unemployment down to levels enjoyed during the 2000–2008 period, namely below 6 per cent for men and below 5 per cent for women. In 2008–2013, male unemployment has fluctuated between 8.5 per cent and 9 per cent and female unemployment between 7 per cent and 8 per cent (Figure 11.7).

The failure of the male employment rate to regain its former level is due largely to the loss of some 700,000 full-time jobs (peak to trough, 2008–2010) and the slow recovery, which had added only around 300,000 jobs by mid-2013. By contrast, the recovery has boosted part-time jobs among men, by around 200,000 since the pre-recession peak, as well as part-time work among self-employed men by more than 100,000; overall, the share of male full-time employees in the total workforce (including self-employment) dropped from 40 per cent to 38 per cent. Women's employment rate, by contrast, has recovered to pre-recession levels. For both men and women, the share of part-time workers who report not being able to find a full-time job has increased. Figure 11.8 depicts a doubling of male part-time workers, from 16 per cent to 32 per cent wanting full-time employment, and a near doubling among women, from 7 per cent to 13 per cent.

Behind these significant changes in the character of employment are the changes to the wider social model described above. One is the high risk strategy of cutting public sector jobs in the hope that the private sector will invest in job creation. If we consider one regional example, namely the North East of England, we find that loss of public sector jobs has been compensated by net gains in the private sector in 2010–2013 but the high level

42 Office for National Statistics and Department for Business, Innovation and Skills (www.gov.uk/government/publications/trade-union-statistics-2012, accessed June 2013).

Figure 11.7 Trends in the employment and unemployment rates for men and women, United Kingdom, 1990–2012

Source: Author's compilation from ONS data.

Figure 11.8 Percentage of part-time workers who could not find full-time employment, United Kingdom, 2000–2013

Source: ONS data, author's compilation.

of unemployment at 10 per cent has persisted since early 2010.⁴³ The explanation is that public spending cuts and downsizing of public sector jobs has contributed to continued high unemployment. There is no evidence (apart from the direct outsourcing of public sector jobs to the private sector) that spending cuts have improved incentives to invest in private sector economic activity in the North East. Another reform with a direct effect is the policy to shift people, particularly lone parents (mothers) and the disabled, out of inactivity status into job-seeking unemployment status in a bid to reduce numbers claiming means-tested income support.

4.4 Rebranding the Popular Conception of Welfare

There has been a radical rewriting of what is conventionally meant by welfare services in Britain post-2010 largely thanks to regular government sound-bites and a compliant right-wing press. The idea is to rebrand welfare services as services for an undeserving poor, including unemployment benefits, housing benefits and disability payments. In reality of course welfare services encapsulate a far wider raft of services, many of which were improved considerably during the pre-crisis 2000s but now face reduced funding and in some cases termination.

Health care has to date been protected from the worst of public spending cuts but the future looks bleak. Liberalization of the National Health Service was implemented in 2013, despite opposition by unions and the professions who argue it will lead to profits being prioritised over care. Cuts to local government have already worsened services: a 2013 survey of local authorities finds spending cuts have restricted access to services (30 per cent), reduced personal budgets (29 per cent), increased pressure on the NHS (28 per cent), reduced quality of care (5 per cent) and caused financial difficulties among contractor companies (48 per cent).⁴⁴

Moreover, the deterioration in services is worse in poorer areas of the country. This is because the main sources of local government spending on welfare services (excluding education) are the central government 'formula grant', specific grants that target socio-economic needs of the local population and various locally collected revenues, such as local property taxes, income from planning fees, car parking and commercial rents. Because central government funding is designed to reflect differences in local needs and because wealthier areas are more able to raise local sources of revenue, poorer areas are more dependent on central government funding and therefore harder hit by cuts (see Audit Commission 2011: 14). Also, because local government is a major employer in many localities, this means poorer areas are hit harder by job cuts than wealthier areas. Across the country, the local government workforce has been downsized by around 15 per cent (second quarter of 2010 to the third quarter of 2013) and, significantly, two in three jobs lost were held by women. The Audit Commission made an astute early warning about the adverse impact on women's jobs in poorer localities: 'The map .. shows the areas where women are most dependent on local public service jobs. Public sector job losses here may have a significant impact on the economy of the areas. At worst, they might contribute to lowering consumer confidence, further accelerating localised downward economic spirals' (2010: 55).

43 ONS regional economic activity data, up to Q4 2012 for public sector regional data (www.ons.gov.uk/ons/rel/pse/public-sector-employment/q4-2012/stb-pse-2012q4.html) and Q1 2013 for employment and unemployment data (www.ons.gov.uk/ons/taxonomy/index.html?nscl=Unemployment+by+Region) (accessed June 2013).

44 Survey undertaken by the Association of Directors of Adult Social Services, 'ADASS Budget Survey 2013', available at www.adass.org.uk/.

4.5 Pensions: Older People Falling into Poverty

The improved basic state pension (see above) is still too low to cover basic needs. The General Secretary of the National Pensioners' Convention released the following in response to the reforms: 'Setting the state pension at £144 is ... at least £30 less than the official poverty level and will do very little to stop future generations of older people falling into poverty. What the government is trying to sell is a plan for people to pay in for 35 years, get £144 a week and have to wait at least until 68 before they can collect it. No-one should be taken in by what is little more than a con trick'.⁴⁵

The problem is accentuated by the fact that a majority of employees do not contribute to a supplementary workplace pension (52 per cent of employees in 2011, up to 54 per cent in 2012).⁴⁶ Moreover, there are major discrepancies among certain workforce groups. Low-wage workers in the private sector rarely make supplementary contributions to top up the meagre state pension (less than 10 per cent of workers earning less than £200 per week have workplace pensions – Figure 11.9). This is where we see the very strong gender equality benefits of public sector employment; more than 70 per cent of female part-time workers in the public sector have workplace pensions (primarily defined benefit occupational schemes), but only 17 per cent in the private sector. Moreover, contributions by employers to pensions have traditionally been far more generous in the public sector; while more than 90 per cent of public sector employers make contributions upwards of 12 per cent of earnings, in the private sector half of employers (49 per cent) pay less than 8 per cent in contributions (ONS 2011).

Figure 11.9 Share of full-time employees with workplace pensions: by public-private sector and level of gross weekly pay, United Kingdom, 2011

Source: Reproduced from ONS 2011 Statistical Bulletin, 'Summary of pension results', www.ons.gov.uk/ons/dcp171778_256109.pdf.

⁴⁵ See: <http://npcuk.org/1221>

⁴⁶ Figures cited in *The Guardian* (23/02/2013, page 33).

5. TWO CASE STUDIES OF BRITAIN'S DOWNGRADED SOCIAL MODEL DURING AUSTERITY

This section presents two case studies with the aim of illustrating areas in which there is an ongoing and possibly irreversible erosion in key pillars of the United Kingdom's social model as a direct result of post-2010 policy reforms.

Table 11.7 Summary of two case studies, United Kingdom, 2013

Dimension of social model and specific focus	Post-2010 policy reforms	Effects
<i>Welfare policy</i>		
<i>Housing benefits</i>	<ul style="list-style-type: none"> – new cap at 30th percentile of local rents – new time-based reductions in benefits (explicit mimicry of US policy) – reduced value of annual uprating index – raised age threshold for shared accommodation – 'bedroom tax' on unoccupied rooms 	<p>Massive outcry from hundreds of charitable organizations:</p> <ul style="list-style-type: none"> – increased immiseration among low-income families – 'social cleansing' of high-income neighbourhoods (especially London and large families) – expected rise in homelessness and evictions – growing number of food banks for hungry families – forecast rise in child poverty (reversing previous trend) – documented rise in families moved into expensive temporary accommodation
<i>Employment policy</i>		
<i>Unfair pay</i>	<ul style="list-style-type: none"> – below-inflation rises in the minimum wage – no restraint on massive executive pay deals – reliance of low paid (and low-paying employers) on tax credits but reduced entitlements and real value – no reforms to improve protection offered by trade unions – but informal policy support for voluntary agreed living wages 	<ul style="list-style-type: none"> – rising wage inequality – persistent large share of low paid – biased impact on female workers – separation of fortunes of highest paid from the low and middle classes – weakened ability of public sector to provide shelter for lowest paid

5.1 Case Study 1: Withdrawing State Benefits for Housing

One of the paradoxes of the coalition government's approach to welfare reform has been its determination to cut financial assistance towards housing costs despite the fact that the financial crisis was caused by an overheated housing market that continues to see rising rental costs. Housing benefits have been targeted for cuts because, as we argued in Section 1, they have long provided an important supplement to unemployment benefits in the United Kingdom and are a distinctive collectivist feature of its welfare state (Bradshaw et al. 2008; Priemus et al. 2010), a principle that conflicts with the government's agenda. As such this case study provides a valuable illustration of the ideological battle being fought against Britain's social model. Importantly, the reforms are driven by ideological ambi-

tion but undermined by incompetence: we show in this case study that the reforms are causing immiseration among low income families, but will not necessarily generate savings for government because of a policy failure to address spiralling prices in the private sector market for rental accommodation.

5.1.1 Housing Benefits Pre-2010: Incremental Reforms to Address Poverty

Until its forthcoming integration within the new Universal Credit (Section 3.1), housing benefit has operated as a means-tested benefit, calculated separately from other benefits and designed to assist low income families with the costs of their rent, whether in the private or social rented sectors. It is administered by local authorities (although many outsource services to private sector call centre firms) and paid to people in work and out of work, of working age and pensioners. Pre-2010, the New Labour government had already implemented reforms and issued consultation documents to combat problems with the policy. Issues identified for policy action include: the rapid shift of claimants from the social to the private rental sector (and associated rise in costs); difficulties in calculating a fair median rental price in a local area because of distortions of very expensive properties (especially in London areas where mixed neighbourhoods include private and social rented accommodation alongside very expensive rental properties); the need to cap the maximum number of bedrooms; perverse incentives for landlords to push up private rental prices; the need to align housing benefit rules with those of other welfare benefits; and questions over the entitlement to separate bedrooms (DWP 2009).

5.1.2 A Radical Downsizing Approach

With incremental reforms administered as part of an over-riding anti-poverty strategy, housing benefits remained critical to sustaining a level of decent household income and spending power. In 2010, as a proportion of net median household income, payment of housing benefits to low-income households significantly raised their income: OECD data suggest that income increased from 20 per cent to 58 per cent of median household income for a single-person household, from 35 per cent to 62 per cent for a lone parent household with two children and from 36 per cent to 59 per cent for a married couple plus two children household. The simulated position of the United Kingdom in the OECD ranking of income levels rises from the bottom third of countries to the top fifth of countries for the different household types (see Table 11.8).

5.1.3 Post-2010 Ideological Downgrading

Contrary to New Labour's incrementalist anti-poverty approach, the coalition government has instead implemented a downgrading approach framed against an ideological ambition to reduce the welfare safety net. The positive effect of housing benefits in raising household income to a decent basic standard has been diminished by the post-2010 reforms. These include a range of restrictions on entitlement and cuts in the real value of benefits:

- uprating of housing benefit for the private sector based on inflation (CPI) rather than local rents;
- maximum benefit at the 30th percentile of local private rents (reduced from the 50th percentile);

Table 11.8 The contribution of housing benefits to net household income as a percentage of median household income, United Kingdom, 2010 (simulated model)

(a) Single person, no children			(b) Lone parent, 2 children			(c) Married couple, 2 children			Married couple, no children		
Country	With cash housing assistance	No housing assistance	Country	With cash housing assistance	No housing assistance	Country	With cash housing assistance	No housing assistance	Country	With cash housing assistance	No housing assistance
Greece	0	0	Italy	0	0	Italy	0	0	Greece	0	0
Italy	0	0	Turkey**	0	0	Turkey**	0	0	Italy	0	0
Turkey**	0	0	Greece	6	6	Greece	2	2	Turkey**	0	0
United States	8	8	United States	24	21	Spain	23	23	United States	10	10
Slovak Republic	21	11	Estonia	25	16	Hungary	25	24	Hungary	18	17
Canada	23	21	Spain	27	27	United States	26	23	Estonia	25	14
Portugal	25	25	Slovak Republic	28	25	Estonia	26	18	Slovak Republic	25	14
Slovenia	25	20	Hungary	30	29	Slovak Republic	28	20	Poland	27	18
Estonia	26	11	Poland	33	30	Poland	30	17	Spain	27	27
Hungary	26	24	Iceland	33	27	Israel*	34	27	Canada	27	26
Poland	27	26	Portugal	36	36	Canada	36	36	Israel*	28	28
Korea	28	22	Korea	37	30	France	36	28	Slovenia	30	23
Israel*	28	28	Czech Republic	37	21	Belgium	37	37	Korea	33	26
Spain	30	30	France	37	28	Korea	37	30	Portugal	35	35
Australia	35	28	Canada	39	38	Switzerland	38	24	France	37	29
Iceland	36	31	Norway	40	21	Slovenia	39	33	Belgium	38	38
France	39	27	Slovenia	40	34	Czech Republic	40	26	Australia	41	36
New Zealand	39	29	Switzerland	41	24	New Zealand	40	36	Norway	41	23
Norway	39	20	Austria	42	33	Iceland	40	34	Czech Republic	42	22
Belgium	40	40	Sweden	43	23	Norway	41	25	Austria	42	32
Czech Republic	44	18	New Zealand	43	37	Portugal	43	43	New Zealand	42	35
Austria	44	30	Luxembourg	44	42	Sweden	44	27	Iceland	44	41
Germany	46	22	Australia	45	40	Austria	44	36	Switzerland	45	24
Luxembourg	46	43	Belgium	45	45	Australia	45	41	Sweden	47	23
Switzerland	51	22	Israel*	45	37	Finland	48	31	Germany	48	28
Finland	52	22	Finland	47	27	Luxembourg	49	47	Luxembourg	48	45
Sweden	54	20	Germany	54	34	Netherlands	50	42	United Kingdom	49	22
United Kingdom	58	20	Netherlands	54	45	Germany	54	35	Finland	50	26
Denmark	64	43	Ireland	55	42	United Kingdom	59	36	Netherlands	60	50
Japan	65	40	Denmark	61	51	Ireland	62	51	Japan	64	42
Ireland	65	43	United Kingdom	62	35	Japan	67	51	Denmark	66	61
Netherlands	68	50	Japan	74	56	Denmark	67	61	Ireland	66	51

Source: Reproduced from OECD statistics 'Income levels provided by cash minimum-income benefits', <http://www.oecd.org/els/benefitsandwagesstatistics.htm> (accessed February 2013).

- new time-based reductions in benefits mean a 10 per cent cut each year the claimant is without work;
- raised age threshold for shared accommodation (from 24 to 34);
- reduced benefits for social housing tenants with more bedrooms than needed;
- overall benefit cap for working-age claimants (as part of universal credit reforms, 2013–2017) to be managed by reducing housing benefit payments.

5.1.4 Pernicious Effects on Vulnerable Families

The government's blunderbuss approach to housing benefit reform is having an unusually pernicious impact on the lives and wellbeing of low-income, vulnerable families and individuals. Capping maximum benefit payments to the 30th percentile of local rents (in the private rental market) instead of the median rent has motivated local authorities in relatively expensive rental areas (such as London) to rent properties in cheaper regions and to organize resettlement schemes. A 2010 freedom of information request revealed that more than 20 London local authorities had rented properties as far away as the North West and North East of England in order to transfer low-income families out of London. One municipality leader was reported as describing the new measures as 'a fundamental removal of the safety net of the state'.⁴⁷ The situation is expected to worsen once the

47 Claire Kober, Labour leader of Haringey council, reported in *The Guardian* (04/12/2012, page 10).

universal credit reform rolls out in 2013–2017 because it will impose an overall benefit cap which is to be met by reducing housing benefit payments.⁴⁸ For 2013–2014 the cap is set at £350 per week for single claimants and £500 for lone parents and couples – flat rates across the United Kingdom with no variation for size of family or regional housing costs. The social policy commentator Polly Toynbee claims that ‘Ministers know what will happen, since the housing minister has set aside £10 million to £12 million for “transition costs” – the cost of removing families and their belongings from London boroughs to places like Hastings or Shoeburyness. London councils told the work and pensions committee that they are already block-booking bed and breakfast and cheap properties in faraway places’ (25/10/2010, *The Guardian*).

The ‘bedroom tax’ is intended to recoup a proportion of housing benefit from working age claimants living in under-occupied social housing accommodation – estimated by the government at an average of £700 per annum per claimant. While the benefit cap hits claimants in the South East, this reform is most felt in the North where cheaper land means social housing contains more bedrooms. The government estimated the measure would affect around 660,000 claimants (one-third of social housing claimants) and generate savings of £480 million in its first year of operation (2013–2014).⁴⁹ However, as many commentators and leaders of relevant charities and NGOs have pointed out,⁵⁰ the savings assume, first, that all claimants will be willing to move to smaller sized accommodation and second that if claimants (and their families) do move then the new accommodation will be in a lower band of benefits. Neither assumption is correct. First, many claimants wish to move to avoid the bedroom tax but face restricted choice because of insufficient homes with fewer bedrooms; a survey of 107 municipalities found 86,000 households were looking for a one-bedroom house but only 33,000 were available.⁵¹ Second, most moves are to private rental accommodation which is covered by different benefit rules that are likely to push up the costs of housing benefits. As with other areas of welfare reform, the ideological zeal is not matched by an understanding of the real world impact.

5.1.5 Homelessness and Poverty

The two risks of these reforms are increased homelessness and increased poverty. Housing benefits are a critical factor that can make or break the link between homelessness and job loss or persistent low income (Fitzgerald et al. 2012). The government is well aware of these risks. In 2011 the media reported a leaked letter from the office of the local government minister to the Prime Minister warning that housing benefit reforms and the new benefit cap were expected to make 40,000 families homeless.⁵² Evidence to date certainly points to a significant rise post reforms. The best available source for numbers of rough sleepers in London identifies a steady rise since 2007 and a marked rise in the last year for which data are available by 43 per cent overall (Figure 11.10); the large rise in flow of rough sleepers (registered in 2011–2012 for the first time) suggests that 2013 may witness a very large rise in the overall number of rough sleepers. Alternative data on the number defined as statutory homeless (assessed by local authorities) have also increased in recent years; the number of assessment decisions increased by 22 per cent in the two years

48 See advice issued by the charity Shelter on their website, http://shop.shelter.org.uk/files/guide-13-14_chapt-23.pdf (accessed June 2013).

49 DWP Impact Assessment, June 2012, available at www.gov.uk/government/uploads/system/uploads/attachmentatachment/131111/20120601_dwp_impact_assessment.pdf (accessed June 2013)

50 See, for example, media columnist Polly Toynbee (*The Guardian*, 15/03/2013), David Orr, chief executive of the National Housing Federation (cited in *The Guardian*, 27/05/2013) and Leslie Morphy chief executive of Crisis.

51 Survey reported by the organisation False Economy, cited in *The Guardian* (27/05/2013).

52 *The Guardian*, 02/07/2013.

Figure 11.10 The rise in rough sleepers in London (by stock, flow and returner), United Kingdom, 2007–2012

Source: Adapted from Fitzpatrick et al. (2012: table 5.2a).

after 2009–2010 following almost a decade of decline (Fitzpatrick et al. 2012: 69–70). Moreover, ‘hidden homelessness’ is also rising, in the form of overcrowded and shared accommodation (op. cit.). In concluding their authoritative study, Fitzpatrick and colleagues observe:

While transitional arrangements have thus far helped to mitigate the impacts of lowered LHA rates, deepening benefit cuts are likely to have a much more dramatic impact on homelessness levels going forward. In particular national benefit caps on LHA rates and on out-of-work (working age) households will increasingly restrict access to housing for low-income households in central London, with the latter measure also impacting on larger families elsewhere. It is difficult to envisage how a consequent escalation of family homelessness is to be avoided. (2012: 95)

Instability and immiseration are a second risk of the government’s drive to cut the housing benefit bill. There are reports of lone parent families having to move from their local area rather than pay the bedroom tax.⁵³ There is, however, some evidence of resistance. For example, the families of 10 disabled and vulnerable children issued legal proceedings against the government’s bedroom tax reform in 2013, arguing that it ‘failed to take proper account of the needs of vulnerable children’ because they need the extra rooms, for example, to store wheelchairs and other equipment.⁵⁴

While laudable, these successes are very unlikely to slow the immiserising effects of housing benefit reforms nor to motivate a rethink among coalition government politicians about the dangers of their policy agenda for social cohesion and stability. This case study thus illustrates both the government’s frontal attack on the poor and most vulnerable members of British society and its political ambition to recast welfare as nothing more

⁵³ Cited in *The Guardian* (09/03/2013, Amelia Gentleman, p. 24).

⁵⁴ BBC News (15/05/2013).

than a residualist prop rather than a collectivist pillar of Britain's social model that can ease and distribute the well-known risks of labour market commodification with benefits for economy and society.

5.2 Case Study 2: Different Worlds of the Low Paid and the Very High Paid

Since the financial crisis of 2008–2009 more and more media commentaries, current affairs programmes and policy reports have focused on the inequities of reward in the UK labour market – especially between the lowest paid and the super-high paid and between those in front-line, real-economy service sector jobs and those in the financial sphere of casino capitalism. It is well known that the United Kingdom witnessed a rising trend of wage inequality during the 1980s and 1990s (Machin 2010) to levels beyond those found elsewhere in western Europe. The 2000s saw a slowing of the trend rise in wage inequality, helped at the bottom by the introduction of a national minimum wage. But what appears to have sparked a potential tipping point in the British public's deference to high levels of wage inequality is the escalating position of the very high paid thanks to increased bonuses and the fact that the size and distribution of bonuses bears little relation to individual or company contributions to economic value-added.

5.2.1 Increase in Wage Inequality among Men

The pay data show a general rise in wage inequality among men during 2000–2012 (albeit with a drop in 2011–2012) and a fluctuating trend decline among women (Figure 11.11). The reason for the different trends is that while both men and women experienced a rise

Figure 11.11 Inter-decile, upper tail and lower tail wage inequality, men and women (using male full-time pay as 50th percentile comparator), United Kingdom, 1997–2012

Source: Author's compilation, ASHE data, overtime included, gross hourly pay (Office for National Statistics).

in upper tail wages, men saw a drop in the lower tail while women experienced a rise – identifiable in the figure as slow convergence of men's and women's bottom decile pay relative to a standardised benchmark.

5.2.2 Bonus Payments Generate Even Higher Inequalities

A major criticism of the official earnings data is that while they include overtime payments, they do not capture bonus pay, of the sort described in media commentaries about bankers and company CEOs in other sectors during the crisis. Average remuneration of CEOs of the top FTSE-100 companies has quadrupled since 1998 (Figure 11.12) in a context of fluctuating share prices; the average executive salary in 2011 was 185 times average full-time earnings (High Pay Centre 2012). Using annual ASHE wage data and National Accounts wage income data, Bell and Van Reenan (2010) show that bonuses have helped the richest wage earners to increase their share of total income from employment; in 1998, 26.5 per cent of all wage income went to the top decile of employees and by 2008 it had increased to 29.6 per cent. The financial sector plays a strong role in their story: 'All the gains for the top 5% of workers since 1998 have been as a result of substantial increases in bonus pay and again these accrued substantially to workers in the financial sector. Thus, about 60% of the increase in extreme wage inequality is due to the financial sector' (op. cit.: 16).

Despite the evidence of an accelerated redistribution of wage income to the very highest paid, the coalition government has sought only piecemeal reform. It opposed (without success) proposals from the European Parliament to limit bankers' bonuses to 100 per cent of their salary (or 200 per cent if approved by a 'supermajority' of shareholders). On the other hand, it strengthened the role of shareholders in agreeing company directors' remuneration policy by changing it from an 'advisory role' (as set out in the 2006 Companies Act) to a binding vote to be offered at least every three years (from October 2013). Moreover, any company change to its remuneration policy for directors must be put to a

Figure 11.12 Growth in remuneration of FTSE-100 Chief Executives, United Kingdom, 1998–2010

Source: Manifest and MMandK Total Remuneration Survey (copied from <http://fullfact.org/factchecks/>).

shareholder vote at a general meeting (BIS 2013). But the reform is limited and unlikely to restrain high pay deals for several reasons: foreign shareholders, who are increasing in number, often take less interest in the socio-economic circumstances of the host country; the average length of shareholding is just seven months, which may inhibit the desire to scrutinize long-term company strategy; and shareholders are often represented by fund-holders, who typically have a similar world view to company executives (High Pay Centre 2013; Simms and Boyle 2012).

Alternative policies, considered in other European countries (Switzerland, Germany, France), have not been introduced in the United Kingdom, such as a maximum pay ratio within companies, a pay cap for part-nationalised banks or a role for employees to vote on executive remuneration policy.

5.2.3 The Stubborn Persistence of Low-wage Employment

At the other end of the wage distribution, Britain has sustained a persistent high share of low-wage employment. The incidence of low pay increased in the 1980s and early 1990s from less than 15 per cent to over 20 per cent at a time of restricted trade union actions, falling collective bargaining coverage and abolition of most Wages Councils, which used to provide sectoral minimum wage protection (Pennycook and Whittaker 2012: figure 6). For the past decade it has remained at around 21–22 per cent. This very high share of low-wage work has a strong gender bias; 27 per cent of women are low paid compared to 16 per cent of men (2011 data, *op. cit.*).

The resilience of Britain's high share of low-wage employment is somewhat surprising in light of the proactive minimum wage policy in the mid-2000s that deliberately lifted the wage floor both in real terms and relative to median earnings. Then, since the recession of 2008, minimum wage rises have been restrained below inflation but because real wages for most workers have fallen since 2008, the minimum wage has in fact improved slightly relative to median pay, reaching almost 55 per cent by 2012 (a 10 percentage point rise since 2001).

Figure 11.13 shows what has happened over a 15-year period to the real wage distribution for male and female workers. We can see the significant positive effect of the statutory national minimum wage in ridding the labour market of exploitative pay. In 1997, prior to the introduction of the minimum wage, almost 20 per cent of female workers earned less than £4.00 per hour and more than one in three less than £5.00 (in 2012 prices). By 2012 with the legal hourly minimum set at over £6.00 the large segment of women paid exploitative wages has been eliminated (aside problems of compliance that are not picked up in the official earnings data).

However, accompanying the welcome truncation of the left-hand side of the wage distribution, we also see what statisticians refer to as an increased skewness such that the previously rounded form of the distribution appears as if it has been squeezed with the peak (or mode) positioned at the wage floor. The skewed distribution has occurred for both women and men but it is particularly extreme for women. What this shows is that as the minimum wage has risen relative to median earnings (both during periods of real wage rises and real wage falls) it has caught up with an increasing proportion of male and especially female workers. In 2012, almost one quarter of female adult employees earned no more than 20 per cent above the minimum wage and more than two-fifths earned no more than the minimum wage plus 50 per cent).

Figure 11.13 The changing real wage distribution for male and female employees, United Kingdom, 1997–2012 (adjusted for 2012 prices)

Note: Wages adjusted to 2012 prices using the annual retail price index; earnings refer to gross hourly pay, excluding overtime, for full-time and part-time employees; percentage distribution of employees classified into 50 pence bands.

Source: Specially commissioned pay data from the Office for National Statistics; author's compilation.

5.2.4 The Limits of Minimum Wage Policy in a Neoliberal Country Model

An explanation of this radical shifting of the wage distribution is multi-layered. First, persistent weakness of collective bargaining in the private sector combined with government policy that favours private sector job growth during austerity means that trade unions have very little scope to negotiate pay deals that can build on minimum wage rises and extend 'ripple effects' further up the wage distribution (Grimshaw et al. 2013). Acting alone, a statutory minimum wage is ill equipped to limit increased wage inequalities

unless combined with other elements of a social model, such as collective bargaining. Second, company pay practices in many low-wage private sectors rely predominantly on a single rate of pay for the job and make little allowance for differences in skill, qualification, experience, unsocial hours or performance. Consideration of the range of pay in a selection of low-wage private sector occupations is illustrative (Table 11.9). The pay range of sales assistants, a job that accounts for more than 1.1 million workers, is limited to a min-max range of 45 per cent–72 per cent relative to the median wage of all male full-time employees; among female part-time workers the pay range at the top is even more restricted, up to just 63 per cent of the male full-time median. Similarly, that of care assistants and home carers is restricted to a 45 per cent–75 per cent pay range. The rationale for such compressed ranges of pay needs questioning, as does the associated gender bias whereby employers undervalue key segments of jobs where women are over-represented. We know that many workers remain in these low-wage jobs for long periods (Hebson et al. 2013). These high levels of retention suggest there is scope to modernize pay practices to provide a fairer wage return for invested years of experience and accumulated skill. Improved pay systems might also be considered a constituent element of a social model that strengthens gender equity in the workplace through better human resource management.

Table 11.9 Characteristics of pay in selected low-wage private sector occupations, United Kingdom, 2011

		Number of	Median	Percentiles as a percentage of all male full-time employees' median pay:								
	SOC code	jobs ('000s)	pay	10	20	30	40	50	60	70	80	90
All employees												
Care assistants and home carers	6115	440	7.06	45.0%	46.5%	48.8%	51.0%	53.4%	56.3%	60.2%	65.5%	74.9%
Childcare and Related Personal Services	612	121	6.50	44.7%	45.2%	46.0%	47.5%	49.1%	52.2%	55.6%	60.8%	73.2%
Sales and retail assistants	7111	1,158	6.58	44.8%	45.2%	46.3%	48.1%	49.7%	52.0%	55.3%	61.3%	71.6%
Elementary Security Occupations	924	125	7.90	46.7%	49.8%	52.9%	56.1%	59.7%	63.7%	69.2%	76.3%	94.5%
Female part-time employees												
Care assistants and home carers	6115	187	7.05	44.8%	46.2%	48.7%	51.0%	53.3%	56.2%	60.5%	65.8%	74.5%
Childcare and Related Personal Services	612	57	6.50	44.8%	45.4%	46.0%	47.5%	49.1%	52.0%	55.0%	60.5%	--
Sales and retail assistants	7111	542	6.37	44.7%	44.8%	45.4%	46.3%	48.1%	49.3%	51.6%	54.9%	63.3%

Note: Gross hourly earnings for all employees on adult rates; median pay for all male full-time employees is £13.23; grey shaded figures should be treated with caution since the coefficient of variation of these estimates is between 5% and 10%.

Source: Specially commissioned ASHE occupational wage data split by public and private sectors; author's compilation.

Third, cuts to welfare benefits paid to the inactive and unemployed have reduced the 'reservation wage' and enabled employers to tap into a pool of available labour without having to raise levels of pay. This is a key factor explaining why so many employers use the statutory minimum wage as the going rate for the particular job rather than either matching pay to the experience and skill of the employee or redesigning jobs to make them more attractive, at higher rates of pay, to potential recruits.

A fourth reason is the associated welfare policy of topping up low pay with working tax credits. While an important plank of New Labour's anti-poverty strategy, the long-term reliance on in-work tax credits is flawed: it diminishes the accountability of the employer for setting a level of pay that covers the social costs of maintaining and reproducing their workforce; it tends to discriminate against women by targeting the principal

breadwinner and it reduces incentives for low-wage employees to bargain for higher pay due to the very high effective marginal tax rates (see Figart et al. 2002; Rubery and Rake 2000). When combined, these factors appear to have generated a perverse dynamic in the UK labour market which has witnessed a strong segmentation between jobs paid at a 'minimum wage contour' and those above and beyond this contour.

6. CONCLUSION

As in other European countries, the twentieth century heralded the fundamental development of collectivist norms of citizenship in Britain, with the development of a social model that combined rights-based social insurance and employment protection, increased trade union membership and tax-based redistributive policies (Deakin and Wilkinson 2005). Today these developments are often caricatured as lying at one end of a continuum described by state versus market, liberal versus coordinated or, in legal terms, status versus contract. Polanyi's classic analysis of early industrialization in the United Kingdom demonstrates instead the rather more ambiguous interrelationship between collectivist and regulatory principles, on one hand, and 'self-regulating' market principles, on the other. Markets for all commodities, not only labour, but also land and, as the recent financial crisis has shown, money, require appropriate regulations in order to be sheltered from the destructive effects of an unregulated market. The problem Britain now faces is that the current government appears never to have learned this rudimentary history lesson and is hell-bent on imposing market principles and undermining collectivist principles, whatever the short-term cost.

The review of reforms in this chapter shows that the traditional goals of a European Social Model (Vaughan-Whitehead 2003) – including security against social and economic risks and the promotion of equality in society through better and fairer opportunities (Taylor-Gooby 2011) – have suffered a major setback in the United Kingdom since 2010.

While the United Kingdom was never a fully paid up member of the European Social Model – Thatcher's neoliberal agenda limited development significantly – it had developed certain strong elements including universal health care, decent housing benefits, an anti-poverty approach, a raft of EU employment directives, equality rights, a minimum wage and active public sector industrial relations. However, it has moved very quickly since 2010 in charting a course towards a model of residualist social policy and neoliberal employment relations.

Certain policy reforms may be reversible. For example, changes to employment protection, tax policy and regional governance are elements of Britain's social model that often change with government and therefore hold out the hope of reconstruction. It is more difficult to say whether or not the draconian public spending cuts are reversible. The Labour Party has officially committed itself to the coalition government's spending targets for fear of being perceived as the tax and spend party, despite good macroeconomic arguments supporting the raising of public investment and social justice arguments supporting the raising of welfare spending. Moreover, now that the economic recovery appears to have stabilised, the coalition government has signalled that it aims to retain the low level of government spending for the long term; the cuts might have been motivated by a desire to reduce the deficit but also conveniently fit with the Conservatives' vision of a pro-capital and residualist welfare society.

Examples of policy reforms that are likely to be difficult to reverse, mainly because of their complexity and far-reaching impact, include the liberalization of health services, the

decimation of local government services through targeted spending cuts, the privatization of job search services for the unemployed and the immiseration of low-income households resulting from welfare benefit cuts. This suggests a medium-to-long-term transformation of Britain's social model. There is little evidence the coalition government will alter course; it continues to ignore the adverse effects on living standards – felt most immediately among the poorest of British society but also among middle socio-economic layers – and is blind to the damage to the economy caused by the subsiding foundations of the social model. A renewed policy agenda is therefore needed that recognizes the productive effects of a collectivist social model for economy and society drawing on the lessons from the once respected principles of the European social model. Improved welfare services can benefit workplace performance, strengthened employment rights can be beneficial for social cohesion and revitalized norms of citizenship can encourage productive participation in work, employment and society.

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