

WHY UNIVERSALISM MATTERS: WHAT BRITISH HISTORY TEACHES US ABOUT WELFARE STRATEGY*

by Sunder Katwala

Welfare states targeting resources on the poorest actually do less downward redistribution over time than those which do not target resources. As research clearly shows, this is because they end up being far less popular and therefore less generous. This is a phenomenon that Walter Korpi and Joakim Palme have nicknamed the “paradox of redistribution”. This essay explores this crucial strategic component to universalism in welfare policy. Often, the key is whether or not middle-class households are included in a particular type of programme, which will determine whether the programme is residualist or not. Ultimately, it is the inclusion or exclusion of the middle class that often determines which projects are truly politically possible.

I sistemi di welfare mirati ai ceti più poveri attualmente in realtà distribuiscono meno verso il basso rispetto a quelli universalistici. Come la ricerca dimostra, ciò è perché essi finiscono per essere assai meno popolari e meno generosi. Si tratta di un fenomeno che Walter Korpi e Joakim Palme hanno chiamato “il paradosso della redistribuzione”. Questo articolo analizza questo punto *strategico* cruciale nelle politiche di welfare a sostegno dell’universalismo. La chiave, spesso, sta nel fatto che le classi medie siano incluse nei benefici di welfare, fatto che determina se le politiche saranno universaliste o residualiste. In ultima analisi, l’inclusione o l’esclusione delle classi medie determina spesso quei progetti che sono davvero politicamente possibili.

1. THE PROGRESSIVE WELFARE CHALLENGE

The obituary of the European welfare states has been written many times. That the welfare model would prove unsustainable in an age of globalisation has been an article of faith of business journals and right-of-centre commentators for three decades. Conventional wisdom said that international economic competition and the possibilities for mobility and “capital flight” would force states to reduce their social expenditures and the taxation that made them possible.

This discourse remains popular, despite remaining stubbornly at odds with the facts. Most OECD countries have *increased* their overall welfare spending as a proportion of national income, and others have sustained it. «We can only conclude that the “race to the bottom” is a crisis myth rather than a crisis reality», surmised one recent overview (Castles, 2004). Why did welfare states survive? The answer is simple: citizens wanted them to. As Clem Brooks and Jeff Manza set out in *Why Welfare States Persist*, public attitudes have

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* This paper summarises the recent Fabian Society book *The solidarity society: Why we can afford to end poverty, and how to do it with public support*, by Tim Horton and James Gregory (su References).

often been the most important determinants of which countries spend more, or less, on welfare, and of which parts of the welfare state prove resistant to pressures for retrenchment and which were vulnerable (Brooks, Manza, 2007). As a thought experiment, Brooks and Manza use sophisticated modelling to explore what would happen to a country's welfare state if you magically gave its citizens the policy preferences of another country's population (while holding all other factors constant). For example, if, during the 1990s, Norwegians had miraculously developed the policy preferences of Americans, the result would have been a dramatic decline in welfare spending in Norway from 25 per cent of GDP to just 18 per cent of GDP – in other words, major retrenchment. Conversely, if Americans had developed Norwegian policy preferences the result would have been an increase in US welfare spending from 15 per cent to 21 per cent of GDP. As the authors conclude, «Future efforts to alter policy preferences among citizens could, if successful, readily induce a shift in overall welfare output within democracies». That public opinion matters is an important lesson. This should inform both defensive and proactive political strategies for egalitarians. With sharp fiscal pressures dominating policy and public debate everywhere, it is important to have a strong sense of which arguments for collective provision will prove effective. In the long-term, however, the primary strategic goal for egalitarians must be to shift public attitudes in a way that can build and entrench a public consensus for a generous «anti-poverty» welfare settlement.

This has been the focus of recent Fabian Society research, addressing the historic and contemporary challenges of tackling poverty and inequality in the United Kingdom – including new deliberative research interrogating public attitudes towards equality and fairness (including the tensions between them). This has led to an egalitarian strategy focused on the design of welfare programmes, reported in the recent Fabian Society book *The solidarity society*, which this paper summarises.

2. LESSONS FROM BRITISH WELFARE HISTORY

The Fabian research took a “long view” of British welfare history across the 20th Century, dating back to the pre-welfare-state “Poor Law”, whereby paupers were separated from the rest of society to earn subsistence through workhouse labour. The first significant challenge to this welfare model came with Beatrice Webb's minority report to the Royal Commission on the Poor Law in 1909, which first made a public argument for both the general philosophy and also many of the policy reforms underpinning the post-war British welfare state after 1945.

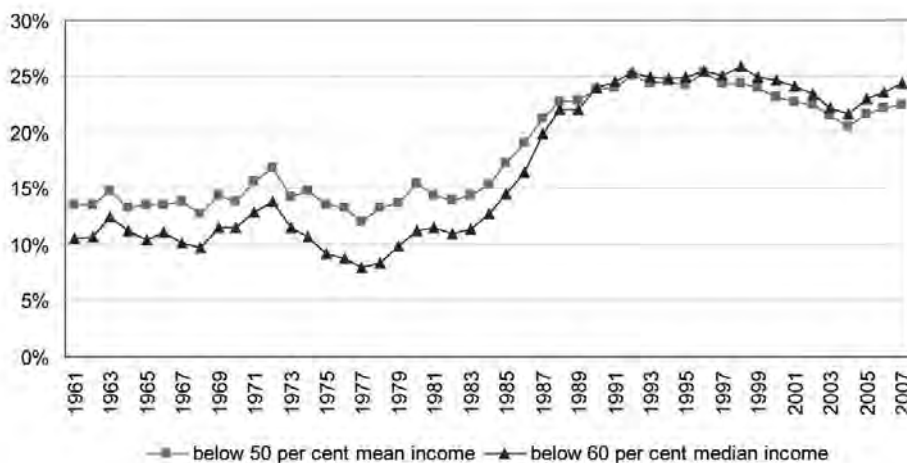
That century-long perspective makes it striking just how much outcomes, policy and attitudes can shift. There have been two significant revolutions in British welfare policy in the last 100 years that transformed the politics of poverty entirely. The first was the Beveridge post-war settlement, developed in the late 1940s and at its height between 1945 and 1975, which included: the abolition of the Poor Law and a new system of social insurance; the expansion of schooling and a commitment to full employment; and a more universalist approach to welfare that found its fullest expression in the National Health Service and universal family allowances. The second was the Thatcherite counter-reaction which led to a new political economy over the two decades after 1979. Here, significant reforms included the scaling back of social insurance and a greater reliance on means-tested benefits; the de-coupling of the value of benefits from average earnings, linking them

only to inflation; a dramatic shift in the burden of taxation from direct taxes (progressive) to indirect taxes (regressive); and measures to encourage middle-income households to exit from a reliance on public provision, most notably in housing (with subsidies to buy your own home, and social housing increasingly focussed on the poorest) and pensions (with tax relief and other incentives for taking up private pensions, coupled with a scaling back of supplementary state pensions). In both cases, these were periods of reform that made fundamental changes to a whole set of welfare institutions and, with it, changed the underlying culture of the welfare state.

Among other things, these “welfare revolutions” help to explain why poverty in Britain has fluctuated more than in any other advanced industrial economy in recent decades. Relative poverty fell by around 60 per cent between the pre-war and postwar years, and then doubled again in the 1980s. Using measures similar to today’s international standards, Britain went from being a country with approximately 20-25 per cent relative poverty in the first half of the 20th Century, to having just 10-15 per cent poverty from the 1950s to the 1970s, and then back to 20-25 per cent levels again at the end of the century.

The graph below shows the latter of these two shifts – the huge increase in poverty that took place during the 1980s and early 1990s, an episode of central concern for anyone interested in poverty prevention. According to several measures, the proportion of households in relative low income more than doubled during this time.

Figure 1. Relative poverty levels in the UK, 1961-2007



Source: Institute for Fiscal Studies.

So these mid-1940s and mid-1970s settlements were seminal events that shifted us from a (relatively) “high-poverty equilibrium” to a “low-poverty equilibrium”, and then back again. Between these moments of radical change there are some important fluctuations, but in the context of the whole century these nevertheless seem like periods of relative stability.

3. HOW ATTITUDES CHANGED

Shifts in public attitudes towards welfare were crucial in making these different policy regimes possible. A groundswell of wartime support for widespread social provision enabled the Labour Party to run on a platform to create a modern welfare state, winning an unanticipated electoral landslide. Similarly, a deterioration in public support for important aspects of the welfare state made the 1970s New Right ascendancy possible.

Yet the classic “welfare backlash” thesis – that some time around the mid-1970s the British public turned decisively against the welfare state – requires qualification. Evidence suggests that in the late 1970s the public were not falling out of love with the welfare state *per se*, but rather with particular bits of it. Reviewing opinion surveys from the 1970s, Taylor-Gooby showed that support for the welfare state’s underlying principles and many of its institutions remained as strong as ever, but the picture was different in attitudes to areas like “welfare benefits” (Taylor-Gooby, 1985). Whereas in 1974, for example, 67 per cent had thought “social services and benefits” should stay as they are or be increased (with 33 per cent thinking they should be cut back), by 1979 only 46 per cent thought this (with 49 per cent now in favour of cuts).

What, in turn, drove changes in public attitudes to welfare? Again, the evidence suggests that it was not that people’s underlying sense of fairness changed. Rather, strong support for the underlying principles of the welfare state was combined with concern at its practice. A survey conducted in 1981 found 93 per cent agreeing that the welfare state “is good in principle, but needs reform”. In particular, people seemed to have increasingly negative views of those claiming out-of-work benefits – that they were “scrounging” off society – which in turn was a strong driver of antagonism towards these areas of welfare policy. Large numbers of studies during the 1970s and 1980s identify this phenomenon of “scrounger-phobia” as the key driver of antagonism towards welfare¹.

And this challenge has recurred time and again in welfare history: strong support for the principles of welfare policy, but opposition to policy itself, arising from the view that, in practice, those benefiting are somehow unworthy of it.

To summarise: what drove the attitudinal changes described here were changes in the quality of social relations in Britain – particularly relations between poor and non-poor. How people tend to view those in poverty is crucial here. Are they deserving or not? Are they to blame or not? Are they my responsibility or not? The answers to these questions depend, as well as on rational evaluations of welfare recipients’ behaviour, on factors like the perceived social identity of those in poverty and the perceived social distance between those in poverty and everyone else (in other words: Are they like me or not?) (van Oorschot, 2000). As we will discuss below, these group relations are central to the success or failure of anti-poverty strategy.

4. HOW WELFARE INSTITUTIONS SHAPE SOCIAL RELATIONS

It is perhaps obvious that welfare institutions will evolve to reflect the nature and strength of social relations within a country or community. But the key insight for welfare strategy is that the changes in British welfare policy across the century didn’t simply

¹ See, for example, Deacon (1978); Golding, Middleton (1982).

reflect underlying attitudes and prevailing social relations; they *shaped and reinforced* them too – particularly how far these relations were solidaristic or individualistic. In the early 20th Century, public discussion was not about “poverty” but “pauperism”: a condition of the individual (including a failing of “character”) for which they were squarely to blame. Coupled with this moral distancing, those unable to be self-sufficient were also spatially separated from the rest of society in the workhouse. In this sense, the predominant welfare institution of the time – the Poor Law – was explicitly intended to be a mechanism of segregation, using stigma as a policy tool to deter potential claimants. Indeed, beyond the physical separation of inmates the rest of society and the labelling the recipients of assistance as the “undeserving poor”, those who did enter the workhouse had their citizenship status literally revoked, losing their liberty and the right to vote.

The attitudes that this type of welfare system created were striking. This literal separation of “poor” and “non-poor” reinforced a Victorian view of those in poverty as alien, undeserving “others”, generating all of the popular fears and suspicions that are so common today. In 1905, in a media report that echoes many today, the “Daily Mail” lamented the existence of a “Workhouse de Luxe” – a “poverty palace” in Camberwell – complaining that inmates were given quality bread and were allowed to venture out in the day².

By contrast, the experience of the Second World War created a stronger sense of collective identity and solidarity. With the 1930s depression still fresh in the memory, there was a much greater awareness of the structural causes of poverty, shifting away from the concept of “pauperism”. The category of “deserving” citizens expanded rapidly, with the suffering of many (not least those returning from the Front) clearly attributable to forces beyond their control. Once again, the predominant welfare reforms of the time did not just reflect, but also reinforced this solidarity. A genuine institutionally-driven trend away from the segregation and social distancing of those in poverty could be seen in postwar Labour minister Nye Bevan’s vision of the “living tapestry of the mixed community”, in which the doctor was to live side by side with the labourer, and in the creation of the National Health Service, providing universal healthcare free at the point of need, which remains a powerful force of social integration and mix today.

However, by the 1970s weaker social bonds, growing individualism and geographical mobility, and a decline in participation in collective institutions provided the backdrop for a deterioration in support for key aspects of welfare once again. The 1960s and 1970s had seen an increasing shift away from insurance benefits for the unemployed towards means-tested ones, and this created rising anxiety about welfare and more judgemental perceptions of those out of work, culminating in an explosion of “scrounger-phobia” in the media in the summer of 1976. The concepts of the “undeserving poor” and “welfare dependency” were eagerly revived – notably by American commentators such as Charles Murray (1984). Examples such as this remind us that there is an important “feedback loop” in welfare dynamics – between how our institutions structure our society, and the sort of institutions that our society will permit. The design of welfare institutions has immense power to help or harm public support for welfare policy and those receiving support. This is because welfare institutions themselves shape the social context in which attitudes of support or opposition to welfare are formed. In the next section we look at the dynamics of this process in more detail.

² “Daily Mail”, 12 April 1905.

5. THE SIGNIFICANCE OF INSTITUTIONAL COVERAGE

A crucial aspect of anti-poverty policy, therefore, is understanding how the design of welfare programmes interacts with and influences public attitudes and underlying social relations. The ways in which welfare institutions allocate resources can powerfully shape public attitudes to welfare – and with it, willingness to contribute to those policies through taxation.

One example concerns the *distributive principle* underpinning the allocation of resources. Are resources allocated on the basis of need? Or past contributions? Or citizenship? Different answers to these questions will have radically different consequences for how the recipients of welfare are perceived, and whether or not the policy itself is judged to be fair.

Here we examine another important aspect of how welfare institutions allocate resources: the *coverage* of welfare programmes – the question of who receives support and who doesn't. The coverage of programmes is highly significant as it marks out different groups within a society, determining group membership and group relations.

Briefly, there are three main ways in which the coverage of welfare programmes interacts with and influences public attitudes to welfare by structuring group relations: via self-interest; via judgements about fairness; and via the imposition of social identities.

1. *Self-interest*. Determining the coverage of welfare policy – whether broad or narrow – gives policymakers an opportunity to align or counterpose the interests of different groups within society. From the perspective of self-interest, those who do not benefit as recipients of a policy will presumably support it less than those who do (Brook, 1998). This will have obvious political consequences. Poverty policies which help only the poorest cannot secure self-interested support of key middle-class constituencies, and must instead rely on “fairness motivations” to achieve majority public support. Of course, some targeted policies of this type *do* enjoy widespread public backing for non-self-interested reasons (such as support for disability benefits). Yet targeted policies (like social assistance) tend to be much more politically vulnerable to retrenchment, and have suffered historically from lower investment (failing to achieve sufficient generosity or keep pace with rising living standards). By contrast, policies with wider coverage actively recruit “the sharp elbows of the middle class” to defend and protect the provision the poorest rely on. When Margaret Thatcher froze universal Child Benefit in 1987, the ensuing uproar ensured it was un-frozen again by 1990. The declining value of means-tested income support since the 1980s has been met with no such clamour, however (Goodin, Le Grand, 1987).

Policies that fail to recruit middle-class self interest to defend welfare provision therefore miss an important strategic opportunity. But more pernicious than such missed opportunities are policies that actively *counterpose* the interests of the middle class against those in poverty, so that majoritarian sentiment becomes a driver of retrenchment. For example, relying on tax reliefs to channel support to middle-income households (in contrast to a system of cash benefits for low-income households) creates political pressure for more generous reliefs, reducing tax revenues and welfare spending on other social groups. Such policies *increase* the vulnerability of low-income households and create socioeconomic cleavages, generating conflict likely to damage underlying social relations.

2. *Judgements about fairness*. The coverage of welfare policy can obviously be influential in determining perceptions of how fair the underlying policy is. When there are unmet needs

across a large proportion of the population, arguments to direct resources more heavily towards those with greatest needs may be accepted, but it may legitimately be regarded as unfair to allocate resources such that many of those with smaller unmet needs get nothing at all (Miller, 1999). Whatever threshold is drawn for entitlement may itself seem morally arbitrary – the idea that someone with £ (n) of household income is entitled to help, but someone with £ ($n + 1$) is not.

3. *The imposition of social identities.* A deeper impact of welfare coverage on fairness perceptions arises from the way in which dividing the population into groups imposes different social identities on these different groups. If salient, these different social identities can create *social distance* between individuals, in turn undermining social relations between citizens, and potentially weakening feelings of interdependence and solidarity. For example, in the UK, people might ask: Are you a “Free School Meals” child? Are you a pupil getting Educational Maintenance Allowances? Are you a social housing tenant? Are you a pensioner getting Pension Credit? The process by which group categorisation influences group relations has been well studied in social psychology (Tajfel, Turner, 1986). Specifically, categorising people into groups with a salient social identity tends to stimulate a desire for positive group distinctiveness. This leads people to look for dimensions on which their own “in-group” differs from the “out-group” – and to place greater emphasis on these dimensions. We have seen this time and again throughout welfare history, with narrow targeting leading to the “othering” of welfare recipients, resulting in judgemental attitudes towards them.

Increased social distance between recipients and non-recipients tends to affect individuals’ evaluations of fairness in welfare, including the “deservingness” of welfare recipients (van Oorschot, 2000). Over time, this weakening of social relations and increased social distance can therefore result in reduced public willingness to redistribute to the disadvantaged group (and to contribute through taxation to the policy in question). In extreme cases, sharp group divisions can generate “moral exclusion” for out-groups, where people simply do not see the disadvantaged as part of their “community of responsibility” (Opotow, 1990).

The important claim here, then, is that how *policy* itself divides up a population can actually constitute and shape the social relationships between individuals. Of course, pre-existing social cleavages (defined by class, geographical and other boundaries) can give rise to policy structures that are aligned with these cleavages. The claim here is that the causality can work the other way around too: that choices about coverage actually create groups within society with their own social identity.

By contrast, policies with universal coverage automatically define recipients of welfare as part of the same group as everyone else, thereby reducing social distance, and potentially enhancing willingness to redistribute. No-one suffers stigma for using universal institutions and increased spending on universal institutions is usually quite popular. And – as Christian Larsen points out in *The Institutional Logic of Welfare Attitudes* – whereas selectivity in policy “opens up” a range of questions about who benefits from welfare policy and how deserving they are, universalism tends to “close them down” (Larsen, 2006). That’s why the British press frequently write about “benefits scroungers”, but never “NHS scroungers”.

What is clear is that those designing welfare policy have it within their grasp to influence considerably the way in which welfare institutions and their clientele are viewed by the public – and the consequent popularity and unpopularity of those policies.

6. THE EVOLUTION OF WELFARE STATES OVER TIME

So welfare institutions influence public attitudes and social relations, which in turn determine the future state of welfare institutions, which in turn further influence public attitudes and social relations, and so on. The political scientist Paul Pierson has analysed the evolutionary trajectories of welfare institutions in terms of “path dependency”, whereby a system’s previous states, through feedback, influence the direction in which its subsequent states evolve (Pierson, 2000).

And there are several examples of “positive feedback” within this causal chain: welfare institutions, public attitudes and social relations all influence each other in ways that reinforce the original dynamic, setting off a train of evolutionary processes that produce increasing returns.

For example, these causal links can set a welfare state or programme on an ever-intensifying path of retrenchment. Cutting the coverage of an existing welfare benefit (say, for cost reasons) may lead people to perceive it as unfair, and also to regard recipients as different from them in an important way; the resulting unpopularity may then produce pressure towards further cuts in expenditure, met by narrowing the coverage still further, which, in turn, amplifies the social distancing of recipients, and so on. Alternatively, wide coverage could create an “expansion dynamic”: spending more on a benefit or service by increasing its coverage may well increase its popularity, producing pressures for further increases in investment and extensions of coverage, and so on.

So different sets of attitudes and different institutional designs will take you to different possible welfare futures. Indeed, the hypothesis that increasing economic and political integration will bring *convergence* between welfare states (for example, Kosenen, 1995; Tsoukalis, Rhodes, 1997) has not been borne out. Apparent convergence between countries is in fact because social-democratic welfare states like Sweden, Finland and Norway have come to resemble each other more over time; as have Christian-democratic welfare states; and so on. But *countries with different types of welfare state have become less similar from one another*. So the difference, say, between the Scandinavian social-democratic welfare states and the Anglo-American “liberal” welfare states has actually become greater. The trend has been divergence between different institutional types, not convergence³. This analysis is not a deterministic account of welfare state development. Sudden institutional or attitudinal changes can happen that alter a policy’s evolutionary path or disturb an existing equilibrium (which is what happened in the UK in 1940-45 and 1974-79). But it does mean that, if things are left undisturbed, then – all things being equal – institutions (and the associated public attitudes and social relations) will tend to evolve in a particular direction or remain at particular equilibrium. The retrenchment dynamic described above, for example, would keep reinforcing itself and then ultimately stabilise at a low-expenditure, residualised policy structure; the expansion dynamic would stabilise at a higher-expenditure, more universal policy structure.

Indeed, we can see these evolutionary dynamics in practice in British postwar welfare history by looking at the contrasting fates of social housing and the NHS. In 1945, the promise of social housing was as important a part of the “New Jerusalem” as free healthcare. Yet

³ As Castles puts it: «There is no sign here that Western welfare states are marching in tune to the beat of a single drummer. [...] Indeed, the story is one of a slight accentuation of existing welfare regime biases» (Castels, 2004, p. 57 and p. 70).

its subsequent trajectory was very different. While the universal NHS remains as popular as ever (its approval ratings have rarely fallen below 80 per cent, Lowe, 1999), council housing has become for many a byword for exclusion and individual failure, as it has become ever more narrowly targeted on the most “needy”.

The creation of the NHS is perhaps best associated with the emancipation of huge numbers of people from the kind of pain that required the simplest of treatments, but which they were unable to afford (in the first weeks of service queues for dentures and spectacles could stretch for miles). But it was also supported very strongly by the middle classes, who had grown increasingly concerned at the rising cost of private health insurance. From the start, broad public majorities saw the NHS as “for them” – and not “for the poor”. And over subsequent decades this middle-class support has proven the key source of the NHS resilience, especially when this model of provision came under attack from the Thatcher governments of the 1980s. When the recent Labour Government increased tax contributions in order to increase investment in the NHS in the 2002 Budget, it was the most popular budget since 1978.

The recent fate of social housing, by contrast, has been a “case study” in residualisation, a process that has been both economic and spatial and which has reflected shifting attitudes (first amongst political elites, and then the wider public) about the virtues of public and private housing. A Conservative vision of a “property owning democracy”, developed from the 1950s, led to Thatcher’s promotion of the “right to buy” council homes for aspirational tenants. “Freedom from the state” through ownership was presented not just as an opportunity but also a moral duty – the virtue of “the good citizen”, in contrast to the “dependent” and “feckless” poor. The policy had popular resonance, but led to the loss of the best council stock – without allowing councils to keep sales receipts in order to replenish it. A shrinking supply, combined with statutory obligations from the 1970s to house the homeless, meant that social housing became ever more narrowly targeted on households at the bottom of the income spectrum. At the same time, social housing has become widely associated with mono-tenure high-rise estates of poor design quality, often physically separated from communities and labour markets.

This residualisation has proved to be self-reinforcing. Narrow targeting has fostered feelings of resentment towards recipients, especially when others who need support miss out. And as the association between unemployment and social tenancy has grown (given the increasingly targeted nature of social housing), so has the stigmatization of social tenants. The resulting sense of “them and us” is deeply corrosive, making it so much harder to generate resources to tackle the underlying problems of inadequate supply and social segregation. So housing policy in Britain developed into a vicious cycle, in large part because it shifted away from its original vision of encompassing all social groups.

7. EXPLAINING THE PARADOX OF REDISTRIBUTION

The analysis above provides an important insight about welfare design: there is both a “distributional” and a “relational” aspect to how welfare institutions allocate resources. And, over time, how welfare institutions shape the social relations between individuals and groups in society can matter as much as how they distribute resources.

Why welfare policy can be politically difficult is that these distributional and relational

aspects of policy can conflict with one another. Indeed, the tension between universalism and targeting in welfare policy is perhaps the seminal example of this.

The pro-equality rationale for targeting is simple: it gets you maximum redistribution per pound spent. But how much redistribution a welfare state does in practice is not only determined by the “vertical gradient” of its distributional profile (targeted, flat-rate, earnings-related, etc.), but by the volume of finance flowing through it. And electorates are often less willing to contribute significant resources to more targeted welfare systems.

Indeed, international comparative evidence suggests that the lack of redistributive efficiency of universal benefits is massively outweighed by the increased generosity that results from their greater popularity. As the comparison of the pre- and post-tax-and-transfer poverty rates in the table 1 shows, welfare states that target resources on the poorest actually do *less* redistribution to the poorest, over time, than those which do not target resources. As the final column shows, this is because they end up being far less generous. This is the phenomenon that Walter Korpi and Joakim Palme nicknamed the “paradox of redistribution”: «the more we target benefits at the poor only, the less likely we are to reduce poverty and inequality» (Korpi, Palme, 1998).

Table 1. Welfare state performance from the early 1970s to the late 1990s. Figures refer to averages over the period and are taken from. A consistent definition of poverty is used across all countries

	Degree of targeting (proportion of transfers that are means-tested)	Pre-tax & transfer poverty	Post-tax & transfer poverty	% reduction in poverty due to taxes and transfers	Measure of welfare generosity (taxes and transfers as a proportion of GDP)
<i>Social democratic welfare states</i>					
Sweden	Low	14,8	4,8	64,5	1,61
Norway	Low	12,4	4	67,2	0,96
Denmark	Low	17,2	4,8	71,5	2,17
Finland	Low	12,1	3,4	69,1	1,35
<i>Liberal welfare states</i>					
Australia	High	16,2	9,2	42,2	-1,97
Canada	High	17,1	11,9	29,9	-1,22
United Kingdom	High	16,4	8,2	48,7	-1,52
United States	High	17,2	15,1	12,1	-2,21

Source: Moller *et al.* (2003).

This explains why those welfare states, like the United States, that tend to target welfare narrowly on the poorest often do really badly at tackling poverty, while more universal welfare states, like the Scandanavian ones, which provide benefits and services to all, tend to do much better. Similarly, it also explains why welfare states whose main objective is *tackling poverty* have, ironically, always done much worse at tackling poverty than those

welfare states whose main objective is *wage replacement*. The historical failure of the UK in tackling poverty when compared with its European counterparts is partly because British programmes of income support compare very poorly with continental social insurance. For the result of pursuing a strategy of wage replacement is that benefits are paid out at levels that are genuinely attractive to middle-income households, with a sustained willingness to pay into such welfare states⁴.

8. THE STRATEGY OF WELFARE DESIGN: CURRENT DEBATES WITHIN THE UK

So universalism matters for a successful and sustainable welfare state. Of course, those who advocate universalism do so for many reasons. For egalitarians, there is a deeply normative component to this: universal institutions embody the social equality of citizens. For many on both left and right, there are a range of practical advantages to universalism, such as the absence of the complexity and cost of means testing, or the avoidance of the disincentives created by the withdrawal of benefits and services as income increases.

What the analysis here reminds us, however, is that there is also a crucial *strategic* component to universalism in welfare policy. Often, the key is whether or not middle-class households are included in a particular type of programme, which will determine whether the programme is majoritarian or residualist. Ultimately, it is the inclusion or exclusion of the middle class often determines what is truly politically possible.

There are two political challenges here for progressives. The immediate challenge is whether this lesson can be applied in a time of severe fiscal pressure and retrenchment. The longer-term challenge is how to apply these insights over a number of years to build and entrench a public consensus for a better and more generous welfare state. To finish, we briefly look at each in turn.

8.1. *First, make an explicit defence of universalism*

In current UK debate, there is enormous “common sense” pressure to target universal benefits and services in order to save money, while “protecting those in need”. A major political and policy challenge must be to resist such pressure. If progressives do not challenge those attacking universal provision as unaffordable in current circumstances, they will concede (by default) a battle likely to shape welfare policy for decades to come. Welfare history shows that choices made at times of social crisis – the second world war and after the 1970s oil shocks – can shape politics for many years.

Certainly, deficits in the public finances will require some spending cuts. But nothing could be worse for the long-term interests of the poorest in society than cutting those on middle incomes out of state welfare. This would profoundly change the nature of welfare provision in a way which is likely to prove very difficult to reverse – making it less popular and much less likely to expand in future, just as encouraging middle-class exit from social housing has done over the last thirty years.

It is also important to show why such choices will create their own longer-term fiscal pressures – because it will be much harder to mobilise consent for taxation from relatively

⁴ As well as being instrumentally useful for poverty prevention, wage replacement actually addresses a separate welfare “function”, namely consumption smoothing, see, for example, Barr (2001). We do not discuss this function further here.

affluent groups in future. Indeed, there are some on the ideological right who see the current situation in equally strategic terms: as an important opportunity to shrink the size of the state by residualising key areas of universal provision. The main areas currently under threat here are universal (or near-universal) cash transfers, such as the Child Tax Credit and Child Benefit for families or Winter Fuel Payments for pensioners, and also important services such as universal childcare programmes (Sure Start). Thankfully, the popularity of these programmes amongst middle-class households is currently providing an important source of political pressure against retrenchment.

8.2. Second, think long-term

Secondly, the left needs to demonstrate how an alternative strategy of welfare inclusion can respond better to social needs and fiscal pressures over the long term.

In the UK, the political right have usually been better at strategic institutional restructuring than the left – from encouraging middle-class exit from the welfare state via subsidies and incentives to sweetening the pill of privatisation by selling cheap shares. For many on the right, the political prize has always been to try and unite the interests of middle and top outside state welfare. But there are important opportunities for the left to counter this by constructing a majoritarian case for welfare, especially in a less stable and secure economic climate where middle-income families want and need state support.

Crucially, while fiscal pressures are real and universal welfare is expensive, initial steps for a renewed universalist strategy do not cost anything. Key here is the re-alignment of low- and middle-income households' interests within institutions. The obvious example in the UK is the need to shift away from using conventional tax reliefs and allowances for welfare purposes, which are not only regressive (effectively providing double the support to higher-rate payers as to basic-rate payers), but exclude the poorest altogether. Many tax allowances and reliefs could be replaced with direct payments to households of the same value, but as part of programmes that also encompass those not earning enough to pay tax. For example, pensions tax relief (heavily concentrated at the top of the income range) should be replaced by flat-rate matched contributions for saving, providing the same rewards and incentives to save for everyone, regardless of how much they earn. Similarly, we should shift away from using two different systems to provide financial support for childcare, whereby payable tax credits are provided for low-income families and tax relief on vouchers is provided for middle-income families, instead bringing both groups into the same system.

Such moves would bring about no net redistribution of resources in "year 1". But it would mean that in ten or even five years' time, the politics of these areas of welfare would be transformed. More broadly, an egalitarian strategy – in both institutional design and public messaging – should be very wary of championing policies and arguments which have the effect of increasing the social distance between people. Heart-tugging appeals for more support can "other" the poor or disadvantaged, especially when they are based on emphasising how particular groups are exceptional. By contrast, a successful pro-equality strategy would aim to *narrow* the social distance between the disadvantaged and the rest of society, championing protection and support for us all, on the basis of what we share in common, not our differences. That is how public consent for welfare institutions was first won. It is also an important way to ensure that it can be maintained.

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