

The main features of welfare reform from 1979 to the present day essay sample



The welfare state is a system in which the state takes responsibility for providing at least the minimum conditions of social and economic security by providing public services such as housing, healthcare, sickness, unemployment benefits and pensions. The welfare state in Britain was largely a result of the Liberal reforms of 1906 and the Beveridge plan of 1944, which itself was accepted by the Labour government under Atlee in 1945.

Beveridge saw a system of social insurance, paid for directly through insurance contributions and indirectly through taxation, as a means of abolishing the five evils ' want, disease, ignorance, squalor and idleness'. Beyond the safety net, Beveridge also saw the elimination of poverty requiring the provision of health, education, culture and labour policies providing full employment. In terms of social policy, the historical position of the main parties differ somewhat. The Lib Dems, favour a self-funding welfare state system, which is non-judgemental and open ended.

The Labour party favour a welfare state system that ensures that those who need assistance should and could get it. There would therefore be some level of assessment as to need and eligibility. The Conservatives traditionally favour self-responsibility, they believe the state should not provide. When the Thatcher administration came to power in 1979 it was known that the prime minister, like many of her supporters, was opposed to the universal, tax funded social welfare system.

She was largely in favour of an insurance style approach to welfare provision but according to her, that insurance should be privately funded as far as

possible rather than represent a charge on the Treasury. The first Thatcher government moved immediately to cut certain provisions on social security. The link between the annual raising of benefit levels and average earnings was cut, the level by which benefit would be raised was determined by the rise in the retail price index. Benefits were cut for certain classes the government could categorise as 'undeserving' such as strikers.

Also, child benefit was frozen. The freezing of child benefit was part of a long-term strategy because if a benefit is frozen until it loses its value it can be abolished without anyone noticing. A death grant of £30 fixed in the 1940s when it would just about pay for a simple funeral, and a maternity grant of £25 to help with the costs of baby clothes and expenses, were neither of them increases and, by the 1980s were laughably inadequate for their stated purpose. They were such a minor consideration that no one even thought to protest when they were abolished in 1984.

Also in 1984, supplementary benefits became income support, and sick pay was funded by the state for the first three days. Also, one off payments from the social fund were scrapped and replaced with repayable loans. The changes of 1984 merely represented the start of a steady programme of cuts which stressed the importance placed by the Treasury on the need for cuts in public spending. The process accelerated after 1987 when Thatcher, having won her third successive election, decided that it was time to 'dismantle the dependency culture'.

Throughout the 1980s the government's definition of unemployment was changed at least 19 times and the rules for claiming unemployment benefit

were also changed in line with the new definitions. The contribution of John Moore was to withdraw the right to Income support from 16 and 17 year olds. He claimed that it was not necessary since all school leavers were guaranteed either a job or a training scheme. There was some merit in his arguments but they failed to take account of teenagers who had run away from home and those who had failed, for good or bad reasons, to get or keep a job or training place.

Whatever the government might argue, the public perception was that Moore's alterations were the start of youngsters sleeping in cardboard boxes on the streets and the cause of increasing numbers of beggars in our major cities. The Thatcherite approach to poverty had avoided direct help to the poor. Instead the free market ideology had claimed that tax cuts and other help given to the entrepreneurial classes would create growth which would, in turn, mean that a share of the new wealth would 'trickle down' to benefit all groups in society.

The number of people living below the poverty line rose from 5 million in 1979 to 14.1 million in 1993. There was a time when people believed that John Major would look more favourably on the social security system than his predecessor. However, the recession into which the country was plunged ensured that the government continued to look for reform of social security in order to cut public spending. Under John Major the Department of Social Security got two of the most right-wing Secretaries of State since John Moore, Michael Portillo and Peter Lillley.

Michael Portillo was prepared to dispose of unemployment benefit, replacing it with what was known as the Job Seekers Allowance in order to stress that benefit would not be paid unless the recipient signed an agreement stating that work was actively being sought. Labour perceived the problems in the social security system to be as follows; there was a serious poverty trap, which prevented progress in attacking unemployment and poverty. The system was, as Conservatives had also suggested, encouraging groups to remain dependant rather than becoming independent.

Also the growing 'underclass' of poor and unemployed was creating a whole series of related burdens on other state services. A programme of radical reforms was, therefore developed. Stakeholder pensions were introduced, this is a system whereby every worker is entitled to a secondary pension to which they can contribute. Private companies run these pensions, but the state will guarantee them for all. In addition, pensioners were guaranteed a minimum income, starting at £ 5 per week. The rules on benefits to the unemployed were further tightened. Job seekers were forced to attend interviews for jobs to secure benefit, and all were forced to prove their availability for work. Also, employers were offered a weekly subsidy to take on young unemployed people. The working family tax credit scheme was introduced, to eliminate the poverty trap. All families with at least one working member were guaranteed a minimum income, depending on circumstances.

This was pitched at a high enough level to create an incentive to work.

Labour also introduced a new lower level tax band at 10%. Single parents

opting for work were guaranteed to minimum income and childcare was to <https://assignbuster.com/the-main-features-of-welfare-reform-from-1979-to-the-present-day-essay-sample/>

be subsidised, also the real value of child benefit was increased substantially. The disabled were also encouraged to seek work with a minimum income. These reforms, combined with a number of minor modifications to the social security system, were all designed to make a fundamental change in the role of welfare.

It was now directed at providing incentives and opportunities rather than disincentives. However, the price was that welfare benefits for most groups have become more difficult to obtain and the means and needs tests involved have become much more stringent. The Conservatives, under Thatcher, naturally were driven towards individual as opposed to collective responsibility and this meant an increase in private healthcare. It also meant that the government was able to pursue policies, which encouraged economic efficiencies.

This meant to all intents and purposes, cuts in the health service, the introduction of GP funding and the internal market squeeze, private finance initiatives were also encouraged in the building of new hospitals, in order to take away the burden of cost in the short term from the tax payer. The arrival of the internal market meant that hospitals, the providers of the most expensive and greatest variety of services, would have to compete with each other in order to get referrals from GPs.

The consequence of marketisation meant a fundamental reorganisation of the NHS, internal management accountancy became far more important than pure financial accounting it was necessary to manage resources in order to get the maximum output with the minimum cost. This displaced the

role of the doctor and therefore it began to alienate a large group of supporters of the traditional Conservative vote. The long-term effect of the internal market meant that service became concentrated in what the liberals called factory hospitals.

In addition to the internal market following a comprehensive spending review the Conservatives put a cap on health authority budgets. Once again the idea being to provide a more efficient and cost effective service. This further increased the distance between healthcare providers and healthcare consumers. There were three fundamental changes in the NHS under Thatcher. First related to rationing. Up until 1986 the medical profession had always controlled rationing. With the introduction of the internal market, control shifted to managers and the public and therefore went into a demand led direction.

Rationing by definition depends on the availability of resources i. e. supply led. The Conservative policies therefore led to a significant change in direction and lack of control in the making of choices. Secondly, a fundamental principle of the NHS was fairness, equality of treatment and the availability of treatment, because of the internal markets creating competition there began to appear what was known as a postcode lottery in NHS care. The disparity in services is more significant in less serious matters, emergency services, cancer care and maternity care tend to satisfy equity far more than optical treatment and dental care.

Thirdly, power. In the last 20 years the NHS has undergone radical changes in organisation and structure. This has been imposed by the state and there

is no clear settled authority or indeed direction for the NHS. Labour came to power in 1997 with two main policies on health. One was to abolish the internal market and simplify the system of funding and management. The other was to increase expenditure on health in general. The first commitment was carried out immediately. Many of the NHS trusts were retained, but not as competitive sellers of health services. Instead they became one level of management that would determine local priorities.

However, Labour's hopes that it could reduce levels of management in the service and divert the resources to direct health care proved more difficult to fulfil. The issue of health spending remained a problem. The new government had committed itself to following the three-year spending plans of its Conservative predecessor. This made it difficult to increase expenditure on health. In 1999, a five-year programme of growing expenditure, of 6% per annum, was at last announced. A major change in the issue of social housing came after Thatcher came to power in 1979.

With the joint aims of reducing local government influence and spreading even wider the idea of a property owning democracy, the Thatcher government began the sale of council homes to anyone who wanted to buy them. It was a very popular policy and 500,000 houses had been sold by 1983, while sales had topped 1.5 million by 1990. The policy did, however, produce a long list of problems. The houses sold were all the better quality council houses in good repair. Those left in council hands for renting were the houses no one really wanted so that the less-advantaged members of society were forced into deteriorating housing.

Since councils were not allowed to spend the money they had gained from council house sales, any new building of council property declined until there were virtually no council houses at all being built in the 1990s. Without their own houses, councils found it very difficult to meet their statutory requirements to house the homeless, having to use private housing associations or bed and breakfast accommodation, both of the solutions, ironically, being more expensive than actually building houses.

The voluntary housing associations, which took over from the councils as the main providers of social housing were welcomed at first by government, and were well endowed with government money in the same way as the government welcomed hospital trusts and opted-out schools. When Ken Clarke became Chancellor however, the government proceeded to reduce the money given to housing associations despite the fact that they had become the main agent of government housing policy. Under Labour in the 1970s there had been a great expansion in higher education.

Many new universities were coming into existence and the post 16 sector of education was also growing. It was a clear policy that as large a number of 16 year olds should stay in education as possible. The Conservatives continued this process of expansion. However, under pressure to reduce public expenditure, successive Conservative education ministers reduced the real value of student grants and eventually introduced student loans, repayable after graduation, to replace outright grants for all but the poorest families. The Conservative Party's attitude to comprehensive education has been mixed in the modern era.

The party has recognised the popularity of comprehensives, but also remains committed to providing choice in educational provision. During the 1980s, therefore, relatively little action was taken to disturb the new balance in education. The abolition of grammar schools all but ceased, but very few new grammars were created. The problem for Conservatives was deciding how to retain comprehensive schools while also introducing more choice for parents. By 1988 Conservative ideas had become clarified enough for the introduction of a major piece of legislation, the 1988 Education Act.

This act had a number of provisions as follows, the National Curriculum was introduced along with grant maintained schools. Also the system of local management of schools was introduced to weaken local authority control over schools. After 1988 the vast majority of schools remained comprehensive and under local authority control. However, the effects of Conservative policies in the 1980s and 1990s were to loosen local council control to increase the participation of parent governors and to create a good deal of variety in non-comprehensive schools.

The main problem that remained was a wide variation in the nature and quality of education from one district to another. Under the Labour government the National Curriculum has been strengthened and standards have been tightened. Measures against failing schools and teachers have become more severe, with some schools being closed and others having their management completely replaced. In 2000 a degree of performance related pay was introduced for teachers, and those with longer experience and a proven record of achievement were given large cash incentives and an improved pay structure.

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This was designed to drive up standards. Also successful schools have been given additional funding as a greater incentive and large-scale funding has been made available for information technology education. Large payments of at least £6000 per year, per student, have been offered to graduates who are willing to train to be teachers. In the university sector, student top up fees are to be introduced in 2006. This has proved the most controversial of New Labour's policies.

Arguments that the additional income was vital to maintain standards went largely unheard compared with opposition on the grounds that such fees are a disincentive for poorer students to continue in education. Public expenditure on education under Blair's government has risen, but like health it appears a bottomless pit. Many school buildings are in gross disrepair, teacher's pay remains poor and there is a growing bill to deal with the increasing numbers of children with special needs who are entering schools. There is also increasing pressure on higher education spending, despite the introduction of student fees.

Gordon Brown is the architect of the principle selective universality. When Brown became Shadow Chancellor in 1994, he was known as a social welfare reforming Shadow Chancellor. Using his watchword of prudence he appreciated that the social welfare system needed to be prioritised and therefore the principle of SU was born. The Labour party campaigned on a credible finance team managing the UK using the Conservative spending plans and maintaining their structural reforms. Blair famously said that he campaigned on ' Education, Education, Education' and on healthcare reform.

Blair's inheritance were amongst others the following, firstly, a rise in welfare costs. Secondly, a growing inequality in the welfare market. Thirdly, consumers expected more for their money. An increase in the gap between rich and poor. Lastly, one in five families had no earner. Blair had obviously realised with the aid of Brown that high taxation tended to affect the poor rather than the rich, and therefore the remedy in terms of social welfare was not to increase taxation but to focus spending on the two areas that voters seemed happy to spend on, health and education.

Reforming the tax system, getting rid of middle class benefits like MIRAS (mortgage interest relief at source) and amongst others the married mans allowance. These were little cuts that proved to be an important additional source of finance for government. Governments also introduced windfall taxes from the sale of public and private assets. The government also was able to take advantage of a stronger economy. Jobs had been created, fraud was being reduced, more tax was collected even though the tax burden remained static. The government therefore appeared to be running the economy efficiently and becoming cash rich.

It was therefore expected when the comprehensive spending review was announced that the government would use these extra funds on social welfare programmes. However, Brown was not to oblige. During the budget of 2001, health and education received a six percent increase in funding, but pensions were only increased by a limited sum. It had been expected that he would reintroduce the link between income and pensions but he had failed to do this the government now uses a combination of means tested benefits to

increase the amount of money pensioners may receive, this is done through the minimum income guarantee and the pension tax credit.

The consequence of SU was to change the sources of funding for welfare programmes. In particular the drive to improve health and education focused on public private partnerships and PFIs. In both situations this meant capital projects were secured i. e. building hospitals, schools. Government was also able to use private sector expertise and to increase the types of service available.