

# EDITORIAL

## The welfare issue

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The relationship between British social democracy and the welfare state has always been strangely loveless. At root, welfare provision insures us against risks that we cannot insure ourselves against. But it is more than a method of bet-hedging among individuals: welfare embodies egalitarian and collectivist values, and indeed the radical notion that wealth is always, ultimately, socially produced – which thereby legitimises redistribution of the proceeds of economic activity. And yet, has the British left ever truly embraced ‘welfarism’, as it might be understood elsewhere in Northern and Western Europe? When German revisionists began to break from the revolutionary socialists in the late nineteenth and early twentieth century, they could point to the role of an emergent, Bismarckian welfare state – drawing upon conservative and nationalist principles, as well as socialism – in ameliorating capitalist excess. Social democrats in Britain had no such excuse.

The British social-democratic tradition, generally speaking, was borne of socialist intellectuals and the labour movement embracing *liberalism*, rather than welfarism. The same ideological perspective that legitimised capitalism was deemed also to be the principal source of the ideas and practices that would restrain and reform capitalism. This is not necessarily to suggest that British social democrats are, historically, simply more right-wing than their continental counterparts. Britain has a fierce labourist tradition that prioritised redistribution within the realm of production, rather than via the state. And the British left has always been rightly sceptical that a strong central state – usually dominated by landed and financial elites – is inherently aligned with progressive values. Nevertheless, with the benefit of hindsight, it does appear that this orientation has proved to be an historical miscalculation. In the absence of a strong welfare state allowing the risk of unemployment to be mitigated, the potency of industrial militancy has dimmed, to the point of trade unions being largely extinct in the private sector. And welfare transfers are the financial foundations upon which community-led, non-state welfare institutions are built – Britain has been too dependent on philanthropic organisations in this regard.

The influence of liberalism means social democrats in Britain keep returning to welfare-lite visions for the progressive governance of capitalism, which in recent years have manifested through concepts such as ‘stakeholder economy’, ‘inclusive growth’, and ‘predistribution’: if we can (somehow) develop human capital, empower citizen-workers, and create more good jobs, then we can do away with welfare, at least to some extent. In this account, there remains a need for a liberal, Beveridgean welfare state, focused on poverty relief and a minimal contributory system (primarily the state pension). This approach of course encompassed a significant expansion of public services provision after the Second World War, but there was less provision for social security transfers. The Beveridgean vision has bound the ambitions of the centre left ever since: Labour’s Attlee, Wilson and Blair governments sought to buttress it, not transform it.<sup>1</sup>

Labour leader Keir Starmer’s decision to retain the two-child limit within income-related benefits must be understood in this context. The two-child limit shames Britain, and any government that chooses to retain it must own a piece of that shame. But, given how shallowly the roots of welfarism lie in Britain, it was not particularly difficult for the Conservatives to scapegoat benefit recipients after the 2008 financial crisis; the fact that the two-child limit is a rather popular policy is something any government of the left must contend with.<sup>2</sup> Furthermore, as ‘heinous’ as the two-child limit is, its abolition would make less difference to child poverty rates than, say, a general uplift in Universal Credit awards and additional payments for (the first two) children, or a restoration of support for housing costs.<sup>3</sup> A system focused on poverty relief relies on moral arguments about who deserves relief. These might, in the end, see the two-child limit lifted. But they will always be contestable: a moral critique alone is not the basis for a serious reappraisal of the wider purpose and performance of the welfare state in Britain.

It is also worth noting that, as history suggests, welfare spending will in all likelihood increase significantly if Labour is in government after the next election. The party is being cautious in opposition: for example, welfare is barely mentioned in the elucidation of Labour’s ‘national missions’.<sup>4</sup> And it will probably retain this caution in office: as Gavin Kelly and Nick Pearce explain in their contribution to this issue, the economic circumstances the next government will inherit are extraordinarily difficult, and the current Labour leadership has yet to knit together a set of ideas which will underpin a transformative agenda. Yet welfare spending will not rise because Labour is seeking to devise a wholly new social security system – it will increase simply to prevent the current system from collapsing under the weight of inadequacy. The structural drivers of inflation will continue to outpace pay growth for low- and middle-earners for a little while yet; New Labour achievements such as the eradication of pensioner poverty are in jeopardy; and the state of housing in Britain is a generational catastrophe which cannot be left to

fester. Furthermore, Labour is more beholden than the Conservative Party has ever been to pro-welfare advocacy groups (as well as its own members, and public sector unions), who will be even less keen to hold their tongues once an election victory has been secured.

This should lead us to a different set of questions about the immediate future of welfare provision in Britain. The dilemma is not whether to increase spending, but rather whether imminent increases will represent an enduring shift rather than a one-off correction. Similarly, there is a question around whether Labour can develop the ideological and discursive resources to legitimise this change of direction, rather than being punished by voters for policies which are necessary and near-inevitable. Jonathan Hopkin's contribution to this issue offers lessons from European welfare states in this regard, arguing that the key to a sustainable expansion of the welfare state depends upon provision encompassing a wide coalition of beneficiaries.<sup>5</sup> Kate Alexander-Shaw's contribution (part of the issue's symposium on Labour's welfare policy) details Labour's failure to address the perceived illegitimacy of welfare transfers. Both Hopkin and Alexander-Shaw outline the constraints facing the British left but, at the same time, help us to understand that, once these constraints are properly diagnosed, alternative futures may become available. But as long as the right leads the discourse on welfare in Britain, and the left is content to triangulate within it, those alternatives will remain foreclosed.

Colin Hay's contribution paints an even gloomier picture of our welfare future. Hay agrees that welfare spending is set to rise, in Britain and elsewhere, not because of a renewed zeal for egalitarianism and collectivism, but rather in response to increasingly frequent emergencies associated with the climate crisis. The welfare state, in this account, is already undergoing upheaval – and the traditional tussle between means-tested, contributory and universal benefits will become less relevant as each type of transfer gives way to a near-permanent effort to sustain basic physical and social infrastructures. Hay's contribution is a groundbreaking piece of analysis which challenges how social scientists traditionally understand welfare provision, and it is difficult to disagree with his account of the novel and dangerous environments in which the welfare state will operate in future.

This does not mean, however, that we must accept without hesitation its grave conclusions. As several contributions demonstrate, welfare provision can (and should) be seen as a path to building a more resilient, and indeed more innovative, economy – helping to equip us to confront the crises ahead. Luca Calafati et al impress upon us the value of using welfare provision and public services to make daily life more liveable – subverting policy-makers' focus on adapting welfare to the perceived needs of the economy, which only serves to further entrench a low-wage

economy and increase households' vulnerability to poor economic conditions. Nick O'Donovan and Craig Berry present evidence on the role that welfare provision plays – principally by counteracting the paralysing impact of insecurity at the individual level – in supporting productivity and creating space for innovation.

The mix of welfare policy instruments, and how they are delivered, may of course need to change. O'Donovan and Berry consider such implications – recommending, for instance, a greater role for income guarantees, both during periods of hardship, and when people seek to retrain or start a business – and so too does Will Stronge in his contribution to the symposium, which argues for an unconditional income floor. Hilary Cottam's contribution reminds us that it is often a lack of imagination, not a lack of money, which is the main barrier to change. Cottam outlines a new economic model which centres the space to care, and to be cared for, as a key part of the productive realm.

There are some intriguing noises about the welfare/economy relationship audible at the top of the Labour Party. While her fiscal rules are credited as the main source of Labour's reticence on welfare spending, the Shadow Chancellor, Rachel Reeves, has professed an interest in centring the 'everyday economy' in the party's programme, clearly echoing the 'foundational economy' perspective (which is represented in this issue by Calafati et al's contribution, and also influences the contributions by Cottam and Clare McNeil).<sup>6</sup> Reeves has also used the concept of 'securonomics' to signal a shift in Labour's economic policy priorities (although there remains little detail on what this emphasis on economic security might mean in policy terms for individuals and households).<sup>7</sup> A generous interpretation would be that Labour is starting to recognise that economic growth does not alleviate the need for a welfare state; instead, growth is, increasingly, founded in various ways upon welfare provision.

Accordingly, there is a more positive account of welfare provision as an *investment*, not simply a *cost*, almost within grasp. Articulating it is not without risk. Labour is probably heading for electoral victory, but with a parliamentary majority smaller than the opinion poll headlines might suggest. The party's caution is understandable in this context. But the possibility of a small majority makes it even more vital that Labour enjoys a clear mandate for what it will need to do in office: to shoulder the burden of course-correction, without capturing the political dividends of doing so, would be a gift to a future Conservative opposition. Labour cannot afford to wait, with its fingers crossed, for its supply-side agenda to deliver the growth that might make welfare expansion ostensibly 'affordable': the reasons that the next government will inherit an economic calamity are the very same reasons that bold action on welfare provision is now required. Either way, the liberal model of welfare will soon be transformed beyond recognition, as capitalism itself adapts (or indeed

fails to adapt) to ecological breakdown. The question for the centre left in Britain is whether it will take the opportunity now to steer this transformative process, rather than simply drifting on the current.

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## Notes

- 1 We can say the same about the ostensibly radical Corbyn government-that-never-was, which would have reversed many coalition cuts but promised to build a social security system which was in fact less generous than the system developed by the Blair government. See Craig Berry, 'Austerity: resurrection? The main parties' positions on fiscal policy and welfare spending at the 2019 general election', *People, Place and Policy*, Vol 13 No 2: <https://extra.shu.ac.uk/ppp-online/austerity-resurrection-the-main-parties-positions-on-fiscal-policy-and-welfare-spending-at-the-2019-general-election/>.
- 2 See <https://yougov.co.uk/topics/politics/survey-results/daily/2023/07/11/fa421/1>.
- 3 The policy was described as 'heinous' by Labour's then shadow welfare spokesperson, Jonathan Ashworth in June 2023. See <https://www.mirror.co.uk/news/politics/jonathan-ashworth-signals-end-heinous-30146504>. Ashworth was replaced in September 2023 by Liz Kendall, who infamously was the only 2015 party leadership candidate who endorsed the Conservatives' hated 'benefits cap'.
- 4 See <https://labour.org.uk/missions/>.
- 5 The narrow boundaries of the UK welfare debate are illustrated well by the *Sunday Times*'s recent 'Play Fair on Child Benefit' campaign. Rather than arguing for a re-universalisation of child benefit to reverse the introduction of means-testing in 2013, the campaign instead demands that eligibility be assessed on the basis of household income rather than individual income, and lobbies for an increase in the income threshold at which benefits are withdrawn. See a recent editorial at <https://www.thetimes.co.uk/article/its-time-to-end-the-child-benefit-injustice-h7jzdfwqr>.
- 6 Rachel Reeves, 'The everyday economy', 2020: <https://www.rachelreevesmp.co.uk/wp-content/uploads/sites/96/2020/09/374425087-Rachel-Reeves-The-Everyday-Economy-1.pdf>.
- 7 For a further discussion, see Graeme Cooke, 'Economic security: a foundation for dignity, opportunity and hope in an age of uncertainty', *Joseph Rowntree Foundation*, 2023: <https://www.jrf.org.uk/report/economic-security-foundation-dignity-opportunity-and-hope-age-uncertainty>.