

welfare-Rowlingson

The welfare state – can we afford it?

The current welfare state is being ripped apart – we need a well-funded, universal system, and we can afford it

Karen Rowlingson
Professor of Social Policy and Director of the Centre on Household Assets and Savings Management (CHASM)

"The modern welfare state was born at a time of much greater economic misery than we are experiencing now. In the aftermath of war, when the country was bankrupt, the government introduced fundamental reforms, not least with the introduction of the National Health Service. In the last couple of years we have experienced a major banking crisis and a recession. Government borrowing has reached mammoth levels but Britain is still a much wealthier country than it was in the 1940s and 1950s and we can afford a strong welfare state.

One of the problems today, however, is that this wealth is very unevenly distributed: the top tenth of the population received a greater share of total income than the whole of the bottom half in 2002-3. And the richest tenth owned 100 times more in terms of assets than the poorest tenth in 2006-8. The top 10 per cent of the population benefitted greatly from tax cuts in the 1980s and could now afford to pay more towards a welfare state that they themselves, alongside all citizens, benefit from. It is time for a new, fairer, tax settlement so that we truly are, 'all in it together'.

But what kind of system should we 'all be in'? The clue to the answer lies in the question. We need a universal welfare state where all contribute and all benefit. If Child Benefit, for example, is taken away from the middle classes (including the top 10 per cent) this weakens the argument for them to contribute (more) to the system. The government may claim that its reforms are designed to target the poorest but, as Steve McKay points out in a recent Birmingham Brief, 'countries that make the most progress in tackling poverty are those with the most universal systems'. The government's tentative universal state pension proposal may be a glimmer of hope in this direction though the details of the policy are yet to be announced. But its recent and continuing focus on sanctions on the unemployed will increase the stigma attached to benefit recipients at a time when there are few jobs available for a growing number of people out of work.

These are difficult economic times but Britain can still afford a well-funded welfare system based on principles of contribution and universalism."